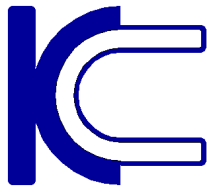


Stock Code: 6155



KING CORE ELECTRONICS INC.

2023

Annual Report

Website of the Annual Report/Market Observation Post

System Website: <http://mops.twse.com.tw/>

Information declaration website designated by Financial

Supervisory Commission: Ditto

Website for inquiring about related information on the

Company's annual reports: Ditto

Published and printed on April 15, 2024

*This translated document is prepared in accordance with the Chinese version and is for reference only.
In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.*

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- V. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None**
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One. To shareholders

Ladies and gentlemen!

First, thank you for taking time off your busy schedule to attend this year's shareholders' meeting. I hereby express the sincerest gratitude to all of you for your support and encouragement on behalf of the Company. Now, the Company's business operations in 2023 and future prospects are reported as follows:

I. 2023 Business Report

(I) Outcomes in Implementation of 2023 Business Report

1. In 2023, the consolidated net operating revenue amounted to NT\$544,602 thousand, which declined by 29.29% compared with that in 2022.
2. In 2023, the consolidated operating profit was NT\$7,061 thousand, which declined by 89.93% compared with that in 2022.
3. In 2023, the consolidated operating gross profit after tax was NT\$74,796 thousand, which declined by 60.76% compared with that in 2022.

(II) Budget execution: the Company has not made its 2023 financial forecast open, so its budget execution needn't be disclosed.

(III) Revenue and profitability analysis

1. Financial income and expense

Unit: NT\$ thousand

| Item | 2023 | Percentage |
|---|---------|------------|
| Net operating revenue | 544,602 | 100% |
| Operating cost | 427,646 | 79% |
| Operating gross profit | 116,956 | 21% |
| Operating expenses | 109,895 | 20% |
| Operating profit | 7,061 | 1% |
| Net non-operating revenue and expense | 80,932 | 15% |
| Profit After Tax | 74,796 | 14% |
| Operating gross profit after tax attributable to the parent company | 74,796 | 14% |

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

2. Profitability

| Item | 2023 |
|--|-------|
| Return on asset (%) | 3.63 |
| Return on shareholders' equity (%) | 4.92 |
| Operating profit to paid-in capital (%) | 0.81 |
| Net pretax profit to paid-in capital (%) | 10.04 |
| Profit margin (%) | 13.73 |
| EPS (NT\$) | 0.85 |

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

(IV) Research and development

For more than 30 years, King Core has possessed professional knowledge of magnetic

materials, formulas of ferrite core powder, and process know-how. Continuously committed to combating electromagnetic interferences (EMI), the Company actively pursues research and development initiatives, fostering innovation in product and technology realms. This steadfast dedication has solidified King Core's authoritative reputation as a premier solution provider for EMI challenges within the industry. It provides special product services for companies and research organizations which have EMI/EMC problems for solving. The specific R&D results include various sizes of ferrite cores and chip beads for EMI solutions, Multilayer, Wire-wound Inductors, Chip Bead and Common Mode Filters, and Wire-wound Power Inductors, etc. suitable for various frequency bands. Simultaneously, we have made significant strides in advancing wireless charging technologies, formulating electromagnetic wave shielding materials, and addressing high-frequency antenna requirements, catering to the specific needs of our clientele by delivering tailored solutions in these areas.

In addition to traditional nickel-zinc ferrite materials, our wire-wound power inductors incorporate high-current alloy materials and advanced magnetic resin shielded construction technologies. This enables us to customize solutions tailored to various circuit design requirements, including dimensions ranging from 2.0mm to 10mm and a wide range of inductance values from 0.1uH to 1000mH in response to customer demands. Our products cater to diverse applications, from general commercial portable consumer electronics, computer, and communication products to industrial computer servers and fixed power system modules, for purposes such as voltage regulation, voltage conversion, and buck-boosting. We have developed a comprehensive range of products, and through material and process optimization, and have successfully met the stringent AEC-Q200 automotive electronics requirements.

The Company has long been dedicated to the development of common-mode filters, leveraging in-house production of ferrite cores and optimizing size designs and wire-wound mechanisms to enhance versatility. We cater to various module requirements for high-pass, low-pass, and band-pass filtering applications, spanning frequencies from several hundred kHz to several hundred MHz to dozens of GHz, which are tailored to the needs of various generations of HDMI2.0/USB3.2 applications. By leveraging the Company's expertise in core material and winding technology, as well as multilayer chip inductor technologies, the Company actively pursues the development of more advanced HDMI 2.1/USB4 communication protocol requirements.

In recent years, to meet the demands of customers from mainland China and Europe, we have actively leveraged our proprietary ferrite core materials and innovative wire-wound techniques to develop common-mode filters that comply with the 100BASE-T1 and 1000BASE-T1 specifications of the OPEN Alliance for in-vehicle Ethernet communication protocols. These filters not only fulfill frequency requirements ranging from 1MHz to 1GHz but also undergo optimization of materials and equipment processes to ensure reliability and productivity at automotive-grade levels. Additionally, our products meet the stringent AEC-Q200 standard, positioning them as reliable components in the burgeoning automotive electronics and IoT industries, serving the needs of high-speed growth in these sectors.

In the spirit of excellence, we will continue to improve our technology and capabilities in equipment automation, magnetic material specialization, and product manufacturing technology management and continue to strive to improve product characteristics and reliability to meet various needs of customers.

II. Summary of 2024 Business Plan

(I) Operational guidelines

In 2022, the demand for parts and components saw a drastic reversal of demand. Interrelated factors such as the impact of the COVID-19 pandemic, strict lockdown measures in Mainland China, the war between Russia and Ukraine, geopolitics, decoupling from China, and climate change will continue to transform the global supply chain and the market demand will continue to fluctuate significantly. In 2023, as the pandemic began to subside, the economy faced sluggish growth, leading to subdued demand in the ICT industry. Customers managed their inventory levels cautiously, resulting in a significant downturn in procurement activities. Thanks to King Core's long-term strategic planning and concerted efforts, demand from automotive electronics and certain segments of smart home appliances remained stable

amidst the challenging economic environment. The Company continued to invest in the development of materials and RF components for automotive electronics, underscoring its commitment to this sector.

In response to the many changes in the macro environment, King Core continues to invest in Taiwan and expand its investment in Taiwan. In the third quarter of 2023, construction commenced on a new powder material production line and facility for magnetic core materials at the Company's Pingzhen Plant in Taoyuan, Taiwan. The production capacity of the powder material is designed to reach 300 metric tons per month, with mass production expected to commence in Q3 2024. By mitigating external disruptions to material supply and production processes, King Core ensures stability and reliability in its Taiwan-based supply chain and manufacturing operations. This strategy aims to instill confidence and satisfaction in customers, fostering stronger and deeper trust and collaboration with King Core.

King Core adheres to the principle that continuous research and development innovation is essential to grasp market trends, ensuring the Company's long-term and sustainable growth. We aspire to achieve growth in performance and profitability in the upcoming year through these efforts.

The solar power generation equipment set up by the Pingzhen Plant of the Company generated 471,269KWH power in total in 2023 and its cumulative power generation was up to 3,235,487KWH. This suggests that carbon emissions will be reduced by 1,699,101t when 5,628,688trees are planted and NT\$18,397 thousand will be earned from solar power generation. In the development of new energies, the Company will strengthen its contributions and efforts.

King Core's management team focuses its operations on the core principle of "identifying and fully satisfying customer needs". Continuously attuned to market demand fluctuations and future development trends, we actively collaborate and exchange ideas with various technical units to develop new materials and products. We aim to offer the most comprehensive product lineup, ensuring we meet the diverse needs of customers and the expectations of stakeholders. Additionally, we are committed to energy conservation, carbon reduction, environmental friendliness, employee welfare, fulfilling social responsibilities, and enhancing corporate governance. Building upon our core foundation in magnetic materials technology, King Core is committed to continuously strengthening our competitive advantage. With steady progress and determination, we are confident in achieving outstanding results, thus fulfilling our commitment to our shareholders' long-term trust and support and ensuring sustainable business operations.

(II) Expected sales quantity and basis

The Company's expected sales quantity in 2024 is as follows:

| Main products | Sales quantity (thousand pcs) |
|-----------------|-------------------------------|
| Ferrite cores | 145,000 |
| Chip inductors | 685,000 |
| Precision coils | 85,850 |

Estimation basis:

- (A) Ferrite cores: We anticipate continued demand for EMI ferrite cores used in smart home appliances, automotive electronics, networking and IoT products, power supply, automation and industrial equipment products. The Company will strengthen differentiation of ferrite cores, promote among foreign customers and keep informative about supply of raw materials. It is expected that sales of ferrite cores would be conservative in 2024.
- (B) Chip inductors: The demands for smart home appliances, automotive electronics, information products, network communication and IoT products, power supply products, industrial computers and chip inductors will gradually increase with the demands for new-generation intelligent products. Therefore, the Company continues to actively expand the sales of High Power Bead/Inductor products and the mass production sales of new ultra-thin ferrite products in chip processes. It is expected that sales of chip inductors

would be conservative in 2024.

- (C) Precision coils: The Company will strengthen the application development, market promotion and sales of automotive electronics, information products, network communication and IOT products, power supply products, and industrial computer products. Adjust customer portfolio and product portfolio, increase automotive electronics applications, and aim to increase profitability. For the fiscal year 2024, we aim for conservative growth projections in sales of coil-related products.

(III) Vital production and sales policies

In order to achieve the above goals, the production and marketing policies we have adopted include: (1) Continuously increase productivity, increase automation, and reduce costs to fully grasp customers and the market. (2) Continue to upgrade manufacturing capacity, introduce AI equipment, increase production flexibility, and fully satisfy customer needs. (3) Actively develop new products and improve product reliability testing to meet the diversified needs of customers. (4) Actively develop niche products and markets, in order that the Company will become a comprehensive manufacturer of inductive products.

III. The development strategy of the future

The Company will pursue an active and stable growth strategy by recruiting professional talents and exploring new products and markets. We aim to establish the Company as a leader in the industry.

As a global corporate citizen, King Core is committed to the implementation of various environmental protection, energy saving, and waste reduction initiatives, as well as the fulfillment of corporate responsibility and improvement of corporate governance. In addition to the installation of photovoltaic power generation facilities at the Taoyuan Pingzhen plant, the Company continues to promote various ESG-related activities.

IV. The effect of the external competitive, legal, and macroeconomic environment

1. Products of the Company mainly include inductive elements, which are used for suppressing electromagnetic interferences, completing magnetic and wave filtration and converting waveforms. These years, governments of countries have attached more and more importance to electromagnetic interferences of electronic products. With constant increase in computing speed of related products such as electric vehicles, IoT, AI, 5G, intelligence home appliances, industrial equipment, medical devices and game machines, there has been growing demand for suppression of electromagnetic interferences and inductive elements. In addition, lifecycles of electronic products have become increasingly shorter. Swift changes occur to products and specifications. Because of this trend, the Company has obtained more and more opportunities. Meanwhile, it has faced greater challenges. To embrace these challenges, the Company has built a more powerful management team for improving its performances in different aspects such as research, development, manufacturing, sales and finance. Believe that the Company will get opportunities of business growth.
2. Effects of China-US trade wars upon supply chains and increasingly more stringent requirements of Mainland China policies for Taiwan companies in Mainland China affect and create opportunities for the Company's sales and channel layout. ESG-related issues such as energy saving and carbon reduction, environmental protection, corporate social responsibility and corporate governance have increasingly gained widespread attention, and the competent authorities and clients have correspondingly increased their requirements on related issues. Clients require high quality, fast delivery, regulatory compliance and R&D capabilities. In Taiwan, issues on labor force, personnel cost, environmental protection and energy utilization have become more and more complicated. How to strike a balance among quality, production capacity, friendly environment and profit and activate assets of the Company to maximize shareholders' benefits will be a serious issue that the Company has to strive to settle through persistent efforts.
3. Looking ahead to 2024, uncertainties brought about by trade wars, climate change, regional conflicts, inflation, and rising costs are expected to persist. However, amidst these

challenges, opportunities arise in sectors such as smart home appliances, automotive electronics, green energy, information and communication technology products, industrial computers, and medical equipment. King Core possesses proprietary magnetic materials technology and has expanded into the production and development of multi-layer chip and precision coils, and can provide customers with complete solutions in electromagnetic compatibility and inductive components. The Company will continuously develop new products and specifications according to target customers' needs. It will seize opportunities for promotion and market development. It will implement complete quality rules, constantly improve mass production technologies and supply raw materials, in order to become the customers' best partner providing countermeasures for suppressing electromagnetic shield and creating value for its shareholders.

At last, heartfelt gratitude is hereby expressed to all of you for your cordial contributions, long-term support and encouragement. The most esteemed respect is hereby extended to all of you! Best wishes!

We would like to give you our best regards for the future ahead.

Chairman: Yang Cheng-Li

Managerial Personnel: Tsai Yuh-Chiang

Chief Accounting Officer: Yeh Mei-Ling

Two. Introduction to Company

I. Date of Incorporation: November 29, 1986

II. Company History

| | |
|----------------|---|
| November 1986 | KING CORE ELECTRONICS INC. was established in Xinzhuang City, Taipei County. Its capital amounts to NT\$ 7,500,000, and the Company manufactures soft ferrite cores. |
| December 1986 | Formally commenced production. |
| July 1987 | Started selling products to Asian markets. |
| September 1988 | Passed quality evaluation of Acer - biggest domestic manufacturer of personal computers and became its main supplier of parts. |
| January 1989 | Moved to Yangmei, Taoyuan and expanded businesses. |
| March 1989 | Increased capital to NT\$ 15 million in cash. |
| June 1993 | Got down to investing in new equipment, automatic circulation electric furnaces as well as type 500 high-speed molding machines. |
| December 1993 | Achieved an annual turnover of NT\$ 100 million and a monthly production capacity of 80t/month. |
| February 1995 | In response to the trend that electronic products are “light, thin and small”, the Board of Director resolved to increase the Company’s capital to NT\$ 85 million, and expanded the factory of multi-layer chips. |
| March 1995 | A chip factory was built to produce multilayer chip inductors and beads using additive and surface mount technologies. It was put into operations. |
| September 1996 | Certified by ISO-9001 as evaluated by Lloyd’s Register of Shipping. |
| May 1997 | Commended as a “Role Model in Informatization” by the Small and Medium Enterprise Division, Ministry of Economic Affairs. |
| December 1997 | Increased capital to NT\$ 144.5 million to increase production capacity of ferrite cores and multi-layer chips. |
| December 1997 | Purchased automatic circulation electric furnaces and increased production capacity of ferrite cores to 120t/month. |
| January 1998 | Set up the R&D Department. |
| July 1998 | Entered into a technology transfer contract on “production process of high frequency multilayer chip inductors” and developed high frequency inductors. |
| October 1998 | Increased capital to NT\$ 173.4 million by conversion from retained earnings. Reinvested in King Core (B.V.I.) Electronics Co., Ltd. by 100% shareholding to build King Core Electronics Plant in Shenzhen, Guangdong Province. |
| May 1999 | Reinvested through King Core (B.V.I.) Electronics Co., Ltd. to establish KING CORE ELECTRONICS (SUZHOU) CO., LTD. |
| October 1999 | Granted the RISING STAR AWARD as a national excellent enterprise. |
| June 2000 | Issued stocks publicly as approved by the Financial Supervisory Commission. |
| September 2000 | Increased capital in cash by NT\$ 11,769,000 and via conversion from earnings by NT\$ 54,831,000. Paid-in capital amounted to NT\$ 240 million. |
| October 2000 | Developed high frequency multilayer chip inductors and built a production line. |
| November 2020 | Granted the outstanding achievement award for industrial waste minimization, pollution prevention and control by the Industrial Development Bureau, Ministry of Economic Affairs. |
| May 2001 | Capital increased out of earnings and employees’ bonus by NT\$ 80 million, and paid-in capital amounted to NT\$ 320 million. |
| October 2001 | Listed for trading as approved by the Ministry of Finance. |
| March 2002 | Formally listed for trading. |
| July 2002 | Capital increased out of earnings and employees’ bonus by NT\$ 52 million, and paid-in capital amounted to NT\$ 372 million. |
| August 2002 | Issued domestic first guaranteed and second non-guaranteed convertible corporate bonds and listed them for trading. |
| March 2003 | Built the Precision Coil Business Department and formally put products into mass production. |
| July 2003 | Capital increased out of earnings and employees’ bonus by NT\$ 60 million, and paid-in capital amounted to NT\$ 432.3 million. |
| January 2004 | The Company’s capital increased out of bonds by NT\$ 319,760 and the paid-in capital was equal to NT\$ 432,619,760. |
| April 2004 | The Company’s capital increased out of bonds by NT\$ 58,130 and the paid-in capital was equal to NT\$ 432,677,890. |

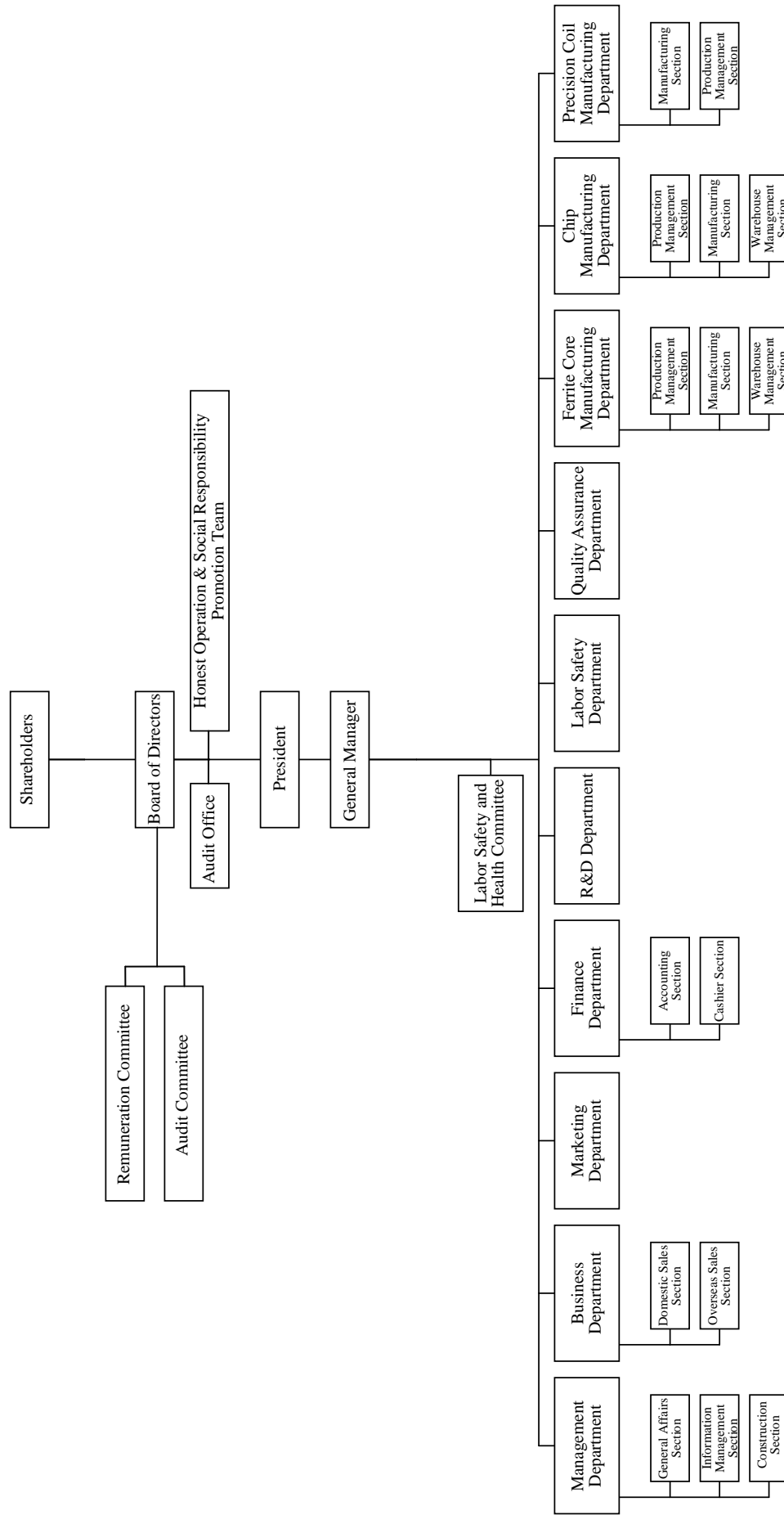
| | |
|----------------|---|
| September 2004 | Capital increased out of earnings and employees' bonus by NT\$ 69,401,680, and paid-in capital amounted to NT\$ 502,079,570. |
| July 2005 | Capital increased out of earnings and employees' bonus by NT\$ 106,415,910, and paid-in capital amounted to NT\$ 608,495,480. |
| August 2005 | Moved to the current site in Pingzhen Town, Taoyuan County and expanded scale of operation. |
| October 2005 | The Company's capital increased out of bonds by NT\$ 491,790 and the paid-in capital was equal to NT\$ 608,987,270. |
| April 2006 | The Company's capital increased out of bonds by NT\$ 14,631,090 and the paid-in capital was equal to NT\$ 623,618,360. |
| August 2006 | Formally listed for trading. |
| September 2006 | Capital increased out of earnings and employees' bonus by NT\$ 37,016,980, and paid-in capital amounted to NT\$ 660,635,340. |
| January 2007 | The Company's capital increased out of bonds by NT\$ 5,912,980 and the paid-in capital was equal to NT\$ 666,548,320. |
| April 2007 | The Company's capital increased out of bonds by NT\$ 869,560 and the paid-in capital was equal to NT\$ 667,417,880. |
| July 2007 | The Company's capital increased out of bonds by NT\$ 48,347,690 and the paid-in capital was equal to NT\$ 715,765,570. |
| August 2007 | The Company's capital increased out of bonds by NT\$ 6,188,310 and the paid-in capital was equal to NT\$ 721,953,880. |
| October 2007 | Capital increased out of earnings and employees' bonus by NT\$ 27,022,530, and paid-in capital amounted to NT\$ 748,976,410. |
| February 2008 | Certified by ISO-14000 as evaluated by Lloyd's Register of Shipping. |
| September 2008 | Capital increased out of earnings and employees' bonus by NT\$ 21,979,530, and paid-in capital amounted to NT\$ 770,955,940. |
| September 2009 | Capital increased out of earnings and employees' bonus by NT\$ 12,833,580, and paid-in capital amounted to NT\$ 783,789,520. |
| October 2010 | Capital increased out of earnings and employees' bonus by NT\$ 12,477,340, and paid-in capital amounted to NT\$ 796,266,860. |
| January 2011 | Entered into contracts with colleges and universities regarding technology transfer of high frequency inductors. |
| September 2011 | Capital increased out of earnings and employees' bonus by NT\$ 11,069,660, and paid-in capital amounted to NT\$ 807,336,520. |
| September 2012 | Capital increased out of earnings and employees' bonus by NT\$ 10,456,400, and paid-in capital amounted to NT\$ 817,792,920. |
| September 2013 | Capital increased out of earnings and employees' bonus by NT\$ 11,423,120, and paid-in capital amounted to NT\$ 829,216,040. |
| September 2014 | Capital increased out of earnings and employees' bonus by NT\$ 10,707,640, and paid-in capital amounted to NT\$ 839,923,680. |
| July 2015 | Capital increased out of earnings and employees' bonus by NT\$ 11,040,970, and paid-in capital amounted to NT\$ 850,964,650. |
| July 2016 | Capital increased out of earnings and employees' remuneration by NT\$ 7,876,980, and paid-in capital amounted to NT\$ 858,841,630. |
| July 2017 | Capital increased out of employees' remuneration by NT\$ 2,838,430, and paid-in capital amounted to NT\$ 861,680,060. |
| March 2018 | Reinvested in 100% equity of Shenzhen Zhen King Electronics Components Co.,Ltd. through KING CORE ELECTRONICS (SUZHOU) CO., LTD. |
| August 2018 | Capital increased out of employees' remuneration by NT\$ 1,225,630, and paid-in capital amounted to NT\$ 862,905,690. |
| July 2019 | Capital increased out of employees' remuneration by NT\$ 3,770,200, and paid-in capital amounted to NT\$ 866,675,890. |
| August 2020 | Capital increased out of employees' remuneration by NT\$ 1,750,680, and paid-in capital amounted to NT\$ 868,426,570. |
| October 2021 | Capital increased out of employees' remuneration by NT\$ 1,990,020, and paid-in capital amounted to NT\$ 869,203,920. |
| July 2022 | Capital increased out of employees' remuneration by NT\$ 2,273,300, and paid-in capital amounted to NT\$ 871,477,220. |
| February 2023 | In accordance with a resolution made by the Board of Directors, it has been decided to expand the facilities and production lines for magnetic powder materials, with a total investment of |

NT\$250 million.

September 2023 Capital increased out of employees' remuneration by NT\$ 4,913,340, and paid-in capital amounted to NT\$ 876,390,560.

Three. Corporate Governance Report

I. Organization structure (I) Organizational Chart



(II) Business operations of major departments

| Department | Businesses |
|--|---|
| Audit Office: | Investigate and evaluate internal control rules, and put forward improvement suggestions. |
| Honest Operation & Social Responsibility Promotion Team: | Coordinate and review performance of honest operations, social responsibilities and corporate governance by related units of the Company. |
| General Manager's Office: | Establish, draft and set operation policies, operation plans and quality objectives; draft, supervise and track project. |
| Labor Safety and Health Committee: | Review, coordinate and bring forth suggestions about businesses related to labor safety and health. |
| Management Department: | Formulate management rules of the Company; manage computer information systems, human resources, procurements and general affairs. |
| Business Department: | Handle matters on product selling and promotion as well as customer services. |
| Marketing Department: | Promote products and analyze related market information. |
| Finance Department: | Plan and execute internal control rules of the Company; handle matters about finance, accounting and taxation; deal with stock affairs, plan and execute proposals for capital increase. |
| R&D Department: | Develop and improve ferrite cores, multilayer chip inductors, precision coils, power inductors, related products, new products and materials. |
| Labor Safety Department: | Plan and supervise labor safety and health affairs. |
| Quality Assurance Department: | Control quality, handle quality abnormalities, deal with customer complaints, statistically analyze quality, prepare product approval specification sheets, and formulate engineering specifications; manage calibration and document control centers, etc. |
| Ferrite Core Manufacturing Department: | Responsible for production and warehouse management of electromagnetic components, ferrite cores and other products. |
| Chip Manufacturing Department: | Responsible for production and warehouse management of chip inductors, beads and common mode filters. |
| Precision Coil Manufacturing Department: | Responsible for production and warehouse management of precision coils and related products. |

II. Background information of Directors, Supervisors, General Manager, Vice General Managers, Senior Directors, and the heads of various departments and branches

(I) Directors' data

April 1, 2024 (book closure date); unit: share

| Position | Nationality or place of registration | Name | Sex/age | Election (office taking) date | Term (Years) | Date when first elected | Shares held at the time of appointment | | Number of shares in possession currently | | Current shared held by spouse and children of minor age | | Shareholding under the name of a third party | | Experience (Education) | Office(s) concurrently held in the Company and in other companies | Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors | | | Remarks (Note 3) |
|--------------------------------------|--------------------------------------|------------------|------------------|-------------------------------|--------------|-------------------------|--|--------------------|--|--------------------|---|--------------------|--|--------------------|--|--|---|--------------|----------|------------------|
| | | | | | | | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | | | Position | Name | Relation | |
| Chairman (Natural person) | R.O.C. | Yang Cheng-Li | M 61-70 years | 8/18/2021 | 3 | 11/29/1986 | 3,795,391 | 4.37 | 2,989,391 | 3.43 | 48,012 | 0.06 | 0 | 0.00 | MBA, Tulane University Department of Business Administration, National Chengchi University | Chairman of KING CORE ELECTRONICS INC. Chairman of KING CORE ELECTRONICS (SUZHOU) CO., LTD. (legal representative) Chairman of ALLIED BIOTECH CORP. (legal representative) Chairman of YI BAO SHOE MATERIAL CORP. Director of NCCU Academic Development Foundation Independent Director of SCIENTECH CORPORATION Director of SHENG BAO INVESTMENT CORP. Director of JIN BAO INVESTMENT CORP. Director of ZHENG BAO INVESTMENT CORP. Director (legal representative) of King Core (B.V.I.) Electronics Co., Ltd. Director of ULTIMATE BEYOND LIMITED Director of ImmoFund II Ltd. (legal representative) Independent Director of GIGA-BYTE TECHNOLOGY CO., LTD. Director of ImmoFund V Ltd. (legal representative) | Director (legal representative) | Shyu Lih-Hwa | Spouse | N/A |
| Vice Chairman (legal representative) | R.O.C. | Chen Cheng-Han | M 61-70 years | 8/18/2021 | 3 | 1/16/2000 | 1,225,314 | 1.41 | 1,057,810 | 1.21 | 0 | 0.00 | 0 | 0.00 | Department of Business Administration, National Chengchi University Business manager of Hewlett-Packard | Vice Chairman of KING CORE ELECTRONICS INC. (legal representative) Director of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) Chairman of ZHENG BAO INVESTMENT CORP. | None | None | None | Not applicable. |
| Director (Natural person) | R.O.C. | Chuang Yung-Shun | M 61-70 years | 8/18/2021 | 3 | 1/16/2000 | 2,913,305 | 3.35 | 2,913,305 | 3.32 | 41,895 | 0.05 | 0 | 0.00 | EMBA of National Taiwan University MBA, Tulane University | Director of KING CORE ELECTRONICS INC. Chairman of AAEON TECHNOLOGY INC. (legal representative) Chairman of YANYOU INVESTMENT LIMITED (legal representative) Chairman of ONYX HEALTHCARE INC. (legal representative) Chairman of Aaeon Technology (Suzhou) Inc. (legal representative) Director of Outstanding Electronics (Dongguan) Manufacturer Co., Ltd. Director and General Manager of Outstanding Electronics MANUFACTURER(Danyang) Co., Ltd. Chairman of YANXIN INVESTMENT LIMITED Director of Consortium Legal Person Aaeon Cultural and Educational Foundation Director of ATECH OEM INC. Director (legal representative) of XAC AUTOMATION CORP. Director of LITEMAX ELECTRONICS INC. Director of SUNENGINE CORPORATION LTD. (legal representative) Independent Director of TOP UNION ELECTRONICS CORPORATION Chairman of EVERFOCUS ELECTRONICS CORP. | None | None | None | Not applicable. |

| Position | Nationality or place of registration | Name | Sex/age | Election (office taking) date | Term (Years) | Date when first elected | Shares held at the time of appointment | | Number of shares in possession currently | | Current shared held by spouse and children of minor age | | Shareholding under the name of a third party | | Experience (Education) | Office(s) concurrently held in the Company and in other companies | Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors | | | Remarks (Note 3) | | | | | | | | | | | |
|---------------------------|--------------------------------------|-----------------|------------------|-------------------------------|--------------|-------------------------|--|--------------------|--|--------------------|---|--------------------|--|--------------------|--|---|---|------|----------|------------------|-----------------|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | | | Position | Name | Relation | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | Director of ALLIED BIOTECH CORP. Director of MACHVISION, INC. Director of MACHVISION (Dongguan) Testing Equipment Co., Ltd. Director of Chengye Biomedical Investment Corporation (legal representative) Director of Suzhou Taiyong Electronics Factory Director of AAEON TECHNOLOGY SINGAPORE PTE. LTD. Director of AAEON TECHNOLOGY (Europe) B.V.I Director of AAEON TECHNOLOGY GMBH Director of ONYX Healthcare USA, Inc. Director of ONYX Healthcare Europe B.V.I Director of AAEON Electronics Inc. Director of Allied Oriental International Ltd. (legal representative) Chairman of Onyx Healthcare (Shanghai) INC. (legal representative) Director of Litemax Technology, Inc. Director of Mcfees Group Inc. Chairman of FULL INVESTMENT LIMITED Director of Fengxin Venture Capital Limited (legal representative) Director of IHELPER Inc. (legal representative) Director of WINMATE INC. (legal representative) Director of IBASE TECHNOLOGY INC. (legal representative) Independent Director of TAFLEX SCIENTIFIC CO., LTD. Director of China University of Technology Chairman of JETWAY INFORMATION CO., LTD. (legal representative) | | | | | | | | | | | | | | | |
| Director (Natural person) | R.O.C. | Liu Ming-Hsiung | M 61-70 years | 8/18/2021 | 3 | 9/24/1998 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Business Administration, National Chengchi University Engineer of Luaucai | Vice Chairman of GIGA-BYTE TECHNOLOGY CO., LTD. Director of Zhijia Investment Limited (legal representative) Director of GBC (legal representative) Director of Yingjia Technology Co., Ltd. (legal representative) Director of LINKA INVESTMENT LIMITED (legal representative) Director of INFO-TEK CORPORATION Supervisor of Huiyang Venture Capital Corporation (legal representative) Supervisor of Senyun Precision Optical Corporation (legal representative) Director of Mingwei Investment Limited Director (legal representative) of CLOUDMATRIX CO., LTD. Director of JM MATERIAL TECHNOLOGY INC. (legal representative) Supervisor of BYTE International Co., Ltd. Director of Ximei Investment Limited Director of ALLIED BIOTECH CORP. Director of AMIDA TECHNOLOGY INC. (legal representative) Director of Hsiung Wei Investment Co., Ltd. (legal representative) Director of Ming Wei Enterprise Co., Ltd. (legal representative) | | None | None | None | Not applicable. | | | | | | | | | | |

| Position | Nationality or place of registration | Name | Sex/age | Election (office taking) date | Term (Years) | Date when first elected | Shares held at the time of appointment | | Number of shares in possession currently | | Current shared held by spouse and children of minor age | | Shareholding under the name of a third party | | Experience (Education) | Office(s) concurrently held in the Company and in other companies | Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors | | | Remarks (Note 3) |
|---------------------------------------|--------------------------------------|----------------------------|-----------------------|-------------------------------|--------------|-------------------------|--|--------------------|--|--------------------|---|--------------------|--|--------------------|--|---|---|---------------|----------|------------------|
| | | | | | | | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | | | Position | Name | Relation | |
| Director (Natural person) | R.O.C. | Kuo Kun-Chang | M 61-70 years | 8/18/2021 | 3 | 8/18/2021 | 2,944,353 | 3.39 | 2,944,353 | 3.38 | 0 | 0.00 | 0 | 0.00 | Department of Business Administration, National Chengchi University | Supervisor of Ming Wei Global Co., Ltd. (legal representative) Director of KING CORE ELECTRONICS INC. (SUZHOU) CO., LTD (legal representative) Chairman of Shenzhen Zhen King Electronics Components Co., Ltd. (legal representative) Director of KING CORE ELECTRONICS INC. (legal representative) Independent Director of TAIWAN OASIS TECHNOLOGY CO., LTD. Independent Director of SUN MAX TECH LIMITED Non-executive Director of Intellicurities Global Holdings Ltd. Director of KING CORE ELECTRONICS INC. | None | None | None | Not applicable. |
| Director (Natural person) | R.O.C. | Hsieh Yu-Tien | M 71-80 years | 8/18/2021 | 3 | 6/7/2006 | 53,873 | 0.06 | 53,873 | 0.06 | 0 | 0.00 | 0 | 0.00 | Institute of Business Administration, Chinese Culture University Vice General Manager of NSC Securities Ltd. | Independent Director of SUN MAX TECH LIMITED Non-executive Director of Intellicurities Global Holdings Ltd. | None | None | None | Not applicable. |
| Director (Corporate shareholder) | R.O.C. | SHENG BAO INVESTMENT CORP. | Not applicable | 8/18/2021 | 3 | 1/16/2000 | 10,054,530 | 11.58 | 10,565,530 | 12.06 | 0 | 0.00 | 0 | 0.00 | Not applicable. | Director of KING CORE ELECTRONICS INC. | None | None | None | Not applicable. |
| Director (legal representative) | R.O.C. | Shyu Lib-Hwa | Female 61-70 years | 8/18/2021 | 3 | 1/16/2000 | 48,012 | 0.05 | 48,012 | 0.05 | 2,989,391 | 3.41 | 0 | 0.00 | Department of Business Administration, National Chengchi University | Director of KING CORE ELECTRONICS INC. (legal representative) Chairman of SHENG BAO INVESTMENT CORP. Chairman of Tian Ren He Yi Productions Co., Ltd. Supervisor of JIN BAO INVESTMENT CORP. Director of ZHENG BAO INVESTMENT CORP. Director of YI BAO SHOE MATERIAL CORP. Director of Everlight Cultural Foundation Director of KING CORE ELECTRONICS INC. (legal representative) Director and General Manager of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) | Chairman | Yang Cheng-Li | Spouse | N/A |
| Director (legal representative) | R.O.C. | Tsai Yuh-Chian | M 51-60 years | 8/18/2021 | 3 | 6/6/2012 | 796,643 | 0.92 | 833,299 | 0.95 | 109,057 | 0.12 | 0 | 0.00 | Master of Business Administration, National Chengchi University Executive Vice President of KING CORE ELECTRONICS INC. | Independent director of KING CORE ELECTRONICS INC. Director of Huayang SME Development Co., Ltd (legal representative) Full-time professor of Ming Chuan University at director of SME Cultivation Center Director of Academy of Promoting Economic Legislation Director of LITEMAX ELECTRONICS INC. Supervisor of LE YOUNG CONSTRUCTION CO., LTD. Independent Director of XAC AUTOMATION CORP. Independent Director of EVERFOCUS ELECTRONICS CORP. Independent Director of Top Union Electronics Corporation | None | None | None | Not applicable. |
| Independent Director (Natural person) | R.O.C. | Huang Hsu-Nan | M 61-70 years | 8/18/2021 | 3 | 5/31/2005 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph.D., Management Science, National Chiao Tung University Dean of the School of Management, Ming Chuan University Director of Business Administration, Management Institute of Ming Chuan University Associate researcher of the Department of Business Administration, National Yunlin University of Science and Technology Associate researcher/group leader of Economic Construction Committee, Executive Yuan Executive Director of Taiwan Efficiency and Productivity Association Executive supervisor of Global Logistics Council of Taiwan Evaluation committee member of Higher Learning Evaluation Center and Taiwan Assessment and Evaluation Association | Independent director of KING CORE ELECTRONICS INC. Director of Huayang SME Development Co., Ltd (legal representative) Full-time professor of Ming Chuan University at director of SME Cultivation Center Director of Academy of Promoting Economic Legislation Director of LITEMAX ELECTRONICS INC. Supervisor of LE YOUNG CONSTRUCTION CO., LTD. Independent Director of XAC AUTOMATION CORP. Independent Director of EVERFOCUS ELECTRONICS CORP. Independent Director of Top Union Electronics Corporation | None | None | None | Not applicable. |
| Independent Director (Natural person) | R.O.C. | Wang Chia-Ho | M 71-80 years | 8/18/2021 | 3 | 5/31/2005 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Printing Engineering, Chinese Culture University Chairman of Jingying | Independent director of KING CORE ELECTRONICS INC. Chairman of Huayang International Development Investment Co., Ltd. | None | None | None | Not applicable. |

| Position | Nationality or place of registration | Name | Sex/age | Election (office taking) date | Term (Years) | Date when first elected | Shares held at the time of appointment | | Number of shares in possession currently | | Current shared held by spouse and children of minor age | | Shareholding under the name of a third party | | Experience (Education) | Office(s) concurrently held in the Company and in other companies | Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors | | | Remarks (Note 3) |
|---------------------------------------|--------------------------------------|--------------|------------------|-------------------------------|--------------|-------------------------|--|--------------------|--|--------------------|---|--------------------|--|--------------------|--|---|---|------|----------|------------------|
| | | | | | | | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | Quantity | Shareholding ratio | | | Position | Name | Relation | |
| | | | | | | | | | | | | | | | Comprehensive Securities Co., Ltd. Chairman of Dahua Futures Co., Ltd. | (legal representative) Chairman of Xin'an Investment Co., Ltd. (legal representative) Chairman of Tiaohu Investment Co., Ltd. (legal representative) Chairman of Fengxin Investment Co., Ltd. Supervisor of Huayang Innovation Technology Co., Ltd. Director of Huayang SME Development Co., Ltd. (legal representative) Chairman of Deyang Biotechnology Venture Capital Co., Ltd. (legal representative) | | | | |
| Independent Director (Natural person) | R.O.C. | Chan Yun-Hao | M 51-60 years | 8/18/2021 | 3 | 06/13/2007 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master's Degree, Accounting, Missouri State University Listing Audit Department of Taipei Exchange Special assistant of the Chairman of Gemtek | Independent director of KING CORE ELECTRONICS INC. Chairman of TSE Technologies Corp. Director of PRODRIVES & MOTIONS CO., LTD. (legal representative) | None | None | None | Not applicable. |

Note 1: Any director who was ever employed by any Certified Public Accountants or its affiliates: None.

Note 2: 87,639,056 shares had been issued as of April 1, 2024

Note 3: Supplementary information on matters regarding the Chairman of the Board of Director and the general manager or person of an equivalent post (the highest level managerial personnel) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or managerial personnel, or other ways.

(II) Major shareholders of the corporate shareholder

April 15, 2024

| Name of corporate shareholder | Major shareholders of the Company's corporate shareholders and their shareholding ratio (%) |
|-------------------------------|---|
| SHENG BAO INVESTMENT CORP. | Shyu Lih-Hwa: 0.89; Yang Cheng-Li: 0.09; Yang Tzyy-Shuan: 99.02 |

(III) Major shareholders of corporate shareholders' major shareholders which are legal persons: None.

(IV) Director information

I. Information on professional qualifications of directors and independence of independent directors:

| Name | Criteria | Professional qualifications and experience (Note 1) | Independence (Note 2) | Employment in other public offerings Number of independent directors |
|--|----------|---|-----------------------|--|
| Yang Cheng-Li | | With experience in business work. Current Chairman of the Company and Chairman of ALLIED BIOTECH CORP. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 2 |
| Chuang Yung-Shun | | With experience in business work. Current director of the Company, Chairman of AAEON TECHNOLOGY INC. and Chairman of ONYX HEALTHCARE INC. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 2 |
| Liu Ming-Hsiung | | With experience in business work. Current Chairman of the Company and Vice Chairman of GIGA-BYTE TECHNOLOGY CO., LTD. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 0 |
| Kuo Kun-Chang | | With experience in business work. Current director of the Company, Chairman of Shenzhen Zhen King Electronics Components Co.,Ltd. and supervisor of KING CORE ELECTRONICS (SUZHOU) CO., LTD Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 0 |
| Hsieh Yu-Tien | | With work experience in businesses, public and private universities with titles higher than lecturers. Current Director of the Company, Independent Director of TAIWAN OASIS TECHNOLOGY CO., LTD. and Independent Director of SUN MAX TECH LIMITED; ever worked as lecturer in the Department of Business Administration, Shih Chien University. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 2 |
| SHENG BAO INVESTMENT CORP. Representative: Shyu Lih-Hwa | | With experience in business work. Current director of the Company, Chairman of SHENG BAO INVESTMENT CORP. and Chairman of Tian Ren He Yi Productions Co., Ltd. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 0 |

| Criteria Name | Professional qualifications and experience (Note 1) | Independence (Note 2) | Employment in other public offerings Number of independent directors |
|---|--|---|---|
| SHENG BAO INVESTMENT CORP. Representative: Chen Cheng-Han | With experience in business work. Current Vice Chairman of the Company, former General Manager of the Company. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 0 |
| SHENG BAO INVESTMENT CORP. Representative: Tsai Yuh-Chiang | With experience in business work. Current Director of the Company, current General Manager of the Company. Not involved in any conditions defined in Article 30 of the Company Act. | Not applicable. | 0 |
| Huang Hsu-Nan | With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center Not involved in any conditions defined in Article 30 of the Company Act. | Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 3 |
| Wang Chia-Ho | With experience in business work. Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin'an Investment Co., Ltd. Not involved in any conditions defined in Article 30 of the Company Act. | Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 0 |

| Name \ Criteria | Professional qualifications and experience (Note 1) | Independence (Note 2) | Employment in other public offerings Number of independent directors |
|-----------------|---|---|--|
| Chan Yun-Hao | <p>With background and work experience on businesses, accounting and financial expertise.</p> <p>Graduated from Missouri State University as a Master of Professional Accounting; current Independent Director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange.</p> <p>Not involved in any conditions defined in Article 30 of the Company Act.</p> | <p>As independent directors, who comply with corresponding independence requirements, including but not limited to the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years is in line with pertinent rules.</p> | 0 |

II. Board Diversity and Independence:

(I) Diversity of the Board of Director: Clearly state diverse policies and objectives of the Board of Director and their attainment. Diverse policies include without limitation to standards for director election, directors' professional qualification, experience, sex, age, nationality, cultures, other circumstances or ratio. In addition, clarify the Company's specific objectives and their attainment in respect of the policies revealed above.

Directors of the Company are elected according to equal, impartial and open election procedures. They are elected among candidates with appropriate background, industry or related know-how and experience. The candidates with diverse backgrounds who can bring forth diversified opinions are actively considered, in order that the directors can be kept within an appropriate range and balance in terms of skills, experience, knowledge and characters. Members of the Board of Director shall generally demonstrate knowledge, skills and literacy necessary for performing their duties in their positions. To achieve the desired target for corporate governance, the Board of Director collectively shall be equipped with the following capabilities:

- I. The ability to make judgments about operations.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership skills.
- VIII. Decision-making ability.

The 13th Board of Director of the Company has 11 members, all of whom are Taiwanese. Its

components and ratios are as follows: Directors who are employees, females and independent directors account for 18.18%, 9.09% and 27.27% respectively. In terms of age, there is 2 director ranging from 71 to 80 years old, 7 directors who are 61 to 70 years old, and 2 directors whose age ranges between 51 and 60. Diversity of the Company's members is reflected from the following aspects: (1) All directors master professional abilities in business judgment, operations management, crisis management, industry knowledge, international markets and leadership decision-making. (2) Nine directors with financial backgrounds: Yang Cheng-Li, Liu Ming-Hsiung, Chuang Yung-Shun, Kuo Kun-Chang, Hsieh Yu-Tien, Shyu Lih-Hwa, Wang Chia-Ho, Huang Hsu-Nan and Chan Yun-Hao. (3) Directors concurrently serving as company officers shall not exceed one-third of the total number of the Board members. The Company emphasizes diversity of the Board members, where an appropriate balance is maintained in skills, experience, knowledge and character. In addition, it attaches importance to gender equality among its Board members, among whom, there shall be at least 1 female director. So far, such appointment has been completed. Above all, the Board members of the Company are generally expected to be diverse. For details on diverse distribution of the Company's Board members, refer to Schedule 2 on Page 52-53, and such details are synchronously disclosed on the website of the Company.

- (II) Independence of directors: Clarify number and ratio of independent directors. State independence of the Board of Director, and explain if there is no circumstance specified under subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act, including spousal, relatives within the second degree of kinship or other kinships between directors or supervisors or between directors and supervisors.

At present, the Company's Board of Director has 3 independent directors (27.27%) and 8 non-independent directors (72.73%). Of the directors, 2 directors are employees/officers (18.18%, without exceeding one third of all directors), and spousal relationship or the second degree of kinship exists between two directors. All these mentioned above comply with Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.

The independent directors of the Company fully comply with the regulations set forth by the FSC regarding independent directors. The Board of Directors also places a strong emphasis on maintaining independent operations and transparency. Both directors and independent directors function as autonomous bodies, exercising their authority independently to ensure the overall independence of the Board.

Note 1: Professional Qualifications and Experience: Please state the professional qualifications and experience of individual directors and supervisors. If he or she is a member of the Audit Committee and has a background in accounting or finance, please state his or her background in accounting or finance as well as work experience in addition to whether under any of the circumstances set forth in Article 30 of the Company Act.

Note 2: Independence status of an independent director shall be stated, which includes but is not limited to whether the independent director, his spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the Company or any of its affiliates; the number and percentage of the Company's shares held by the independent director, his or her spouse, relative within second degree of kinship (or held under others' names); whether he or she is a director, supervisor, or employee of a specified company or institution that has a relationship with the Company (referring to Subparagraphs 5-8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.

Note 3: For disclosure method, please refer to reference instances of the best practices on the website of the Corporate Governance Center of Taiwan Stock Exchange.

(V) Information of General Manager, Vice General Manager, Senior Director, heads of departments and heads

April 1, 2024 (book closure date); unit: share

| Position (Note 1) | Nationality or Registry | Name | Gender | Election (office taking) date | Shares held | | No. of shares held by the spouse and minor children | | Shareholding under the name of a third party | | Education and selected past positions (Note 2) | Other Position | Managerial Personnel with Spouses or Relatives Within the Second Degree of Kinship | | | Remarks (Note 3) |
|---|----------------------------|----------------------|--------|--|-------------|--------------------------|---|--------------------------|---|--------------------------|---|---|---|------|----------|---------------------|
| | | | | | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) | | | Position | Name | Relation | |
| Vice Chairman | R.O.C. | Chen Cheng-Han | M | 08/2021 | 1,057,810 | 1.21 | 0 | 0.00 | 0 | 0.00 | Graduated from the Department of Business Administration, National Chengchi University Business Manager of Hewlett-Packard | Vice Chairman of KING CORE ELECTRONICS INC. (legal representative) Director of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) Chairman of ZHENG BAO INVESTMENT CORP. | None | None | None | Not applicable. |
| General Manager | R.O.C. | Tsai Yuh-Chiang | M | 08/2021 | 833,299 | 0.95 | 109,057 | 0.12 | 0 | 0.00 | Master of Business Administration, National Chengchi University Executive Vice President of KING CORE ELECTRONICS INC. | Director of KING CORE ELECTRONICS INC. (legal representative) Director and General Manager of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) | None | None | None | N/A |
| Vice General Manager of Manufacturing Department | R.O.C. | Tseng Tseng-Chuan | M | 01/2009 | 236,543 | 0.27 | 7,678 | 0.01 | 0 | 0.00 | Graduated from National Chin-Yi University of Technology Engineer of HI SINCERITY MICRO CHIP CO., LTD. Senior Director of the Chip and Ferrite Core Manufacturing Department, KING CORE ELECTRONICS INC. | None | None | None | None | Not applicable. |
| Chief Financial and Accounting Officer | R.O.C. | Yeh Mei-Ling | Female | 03/2011 | 19,726 | 0.02 | 0 | 0.00 | 0 | 0.00 | Master of Accounting, Chung Yuan Christian University | None | None | None | None | Not applicable. |
| Senior Director of R&D Department | R.O.C. | Huang Yi-Hong | M | 05/2014 | 7,947 | 0.01 | 0 | 0.00 | 0 | 0.00 | PhD, Department of Physics, Taiwan University Senior engineer of SHOWA DENKO HD TRACE CORP. Senior engineer of Novellus Chief engineer of UNITED MICROELECTRONICS CORP. R&D manager of DELTA ELECTRONICS, INC. R&D Senior Director of Jiaye Technology Co., Ltd. Vice General Manager of FEEI CHERNG ENTERPRISE CO., LTD. | None | None | None | None | Not applicable. |

| Position (Note 1) | Nationality or Registry | Name | Gender | Election (office taking) date | Shares held | | No. of shares held by the spouse and minor children | | Shareholding under the name of a third party | | Education and selected past positions (Note 2) | Other Position | Managerial Personnel with Spouses or Relatives Within the Second Degree of Kinship | | | Remarks (Note 3) |
|--|----------------------------|--------------|--------|--|-------------|--------------------------|---|--------------------------|---|--------------------------|--|----------------|---|------|----------|---------------------|
| | | | | | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) | | | Position | Name | Relation | |
| Senior Director of Quality Assurance Department | R.O.C. | Wu Ping-Hsun | M | 04/2016 | 10,321 | 0.01 | 0 | 0.00 | 0 | 0.00 | Master of Business Administration, Chung Yuan Christian University Quality Assurance Department of SUPERWORLD ELECTRONICS CO., LTD. Engineer of ABC TAIWAN ELECTRONICS CORP. Quality Assurance Department Manager and Manufacturing Department Manager of Abc Electronics (Panyu) Corp. | None | | None | None | Not applicable. |
| Senior Director of Management Department | R.O.C. | Lin Yu-Chao | M | 1/2020 | 47,608 | 0.05 | 0 | 0.00 | 0 | 0.00 | Bachelor of Department of Information Management, Yuan Ze University Internal audit manager of KING CORE ELECTRONICS INC. | None | | None | None | Not applicable. |

Note 1: Background information of the General Manager, Vice General Managers, Senior Directors, Heads of various departments and Branches; anyone of equivalent authority to the above, regardless of their job titles, shall be disclosed.

Note 2: Any director or supervisor who was ever employed by any Certified Public Accountants or its affiliates: None.

Note 3: Supplementary information on matters regarding the Chairman of the Board of Director and the general manager or person of an equivalent post (the highest-level managerial personnel) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or managerial personnel, or other ways.)

III. Remuneration paid to Directors, Supervisors, General Managers and Vice General Manager

1. Remuneration to general and independent directors (the name and remuneration of each director are disclosed individually)

Unit: \$NT thousand; thousand shares

| Position | Name | Remuneration to Directors | | | | | | Ratio of the total amount of A, B, C and D to operating gross profit after tax (Note 10) | | Remuneration in the capacity as employees | | | | | | Ratio of the total amount of A, B, C, D, E, F and G to operating gross profit after tax (Note 10) | | Remuneration received from invested companies other than subsidiaries or the parent company (Note 11) | | | |
|---|----------------------------|-----------------------------|--|-------------|--|-----------------------------------|--|--|--|--|-------|------------|-----|---------------------------------------|---|---|--|---|---------------|--|---------------|
| | | Remuneration(A) (Note 2) | | Pension(B) | | Bonus to Directors(C) (Note 3) | | | | Fees for services rendered (D) (Note 4) | | | | | | | | | | | |
| | | The Company | All companies included in consolidated statements (Note 7) | The Company | All companies included in consolidated statements (Note 7) | The Company | All companies included into the financial statement (Note 7) | The Company | All companies included into the financial statement (Note 7) | Salaries, bonus and special subsidies(E) (Note 5) | | Pension(F) | | Employee remuneration (G) (Note 6) | | | | | | | |
| | | | | | | | | | | | | | | | | The Company | All companies included into the financial statement (Note 7) | | The Company | All companies included into the financial statement (Note 7) | Cash dividend |
| Chairman | Yang Cheng-Li | 0 | 0 | 0 | 128 | 128 | 24 | 24 | 152 0.2 | 152 0.2 | 2,962 | 2,962 | 0 | 0 | 0 | | | 0 | | | |
| Director | Chuang Yung-Shun | 0 | 0 | 0 | 128 | 128 | 24 | 24 | 152 0.2 | 152 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 152 0.2 | 152 0.2 | 0 |
| Director | Liu Ming-Hsiung | 0 | 0 | 0 | 128 | 128 | 18 | 18 | 146 0.19 | 146 0.19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 146 0.19 | 146 0.19 | 0 |
| Director | Kuo Kun-Chang | 0 | 0 | 0 | 128 | 128 | 12 | 12 | 140 0.19 | 140 0.19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 140 0.19 | 140 0.19 | 0 |
| Director | Hsieh Yu-Tien | 0 | 0 | 0 | 128 | 128 | 24 | 24 | 152 0.2 | 152 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 152 0.2 | 152 0.2 | 0 |
| Director (Corporate shareholder) | SHENG BAO INVESTMENT CORP. | 0 | 0 | 0 | 382 | 382 | 0 | 0 | 382 0.51 | 382 0.51 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 382 0.51 | 382 0.51 | 0 |
| Director (legal representative) | Shyu Lih-Hwa | 0 | 0 | 0 | 0 | 0 | 24 | 24 | 24 0.03 | 24 0.03 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24 0.03 | 24 0.03 | 0 |
| Director (legal representative) | Chen Cheng-Han | 0 | 0 | 0 | 0 | 0 | 24 | 24 | 24 0.03 | 24 0.03 | 2915 | 2915 | 84 | 84 | 0 | 245 | 0 | 245 | 3,268 4.36 | 3,268 4.36 | 0 |
| Director (legal representative) | Tsai Yuh-Chiang | 0 | 0 | 0 | 0 | 0 | 24 | 24 | 24 0.03 | 24 0.03 | 1936 | 1936 | 108 | 108 | 0 | 237 | 0 | 237 | 2305 3.08 | 2305 3.08 | 0 |
| Independent Director | Huang Hsu-Nan | 0 | 0 | 0 | 128 | 128 | 24 | 24 | 152 0.2 | 152 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 152 0.2 | 152 0.2 | 0 |
| Independent Director | Wang Chia-Ho | 0 | 0 | 0 | 128 | 128 | 12 | 12 | 140 0.19 | 140 0.19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 140 0.19 | 140 0.19 | 0 |
| Independent Director | Chan Yun-Hao | 0 | 0 | 0 | 128 | 128 | 24 | 24 | 152 0.2 | 152 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 152 0.2 | 152 0.2 | 0 |
| <div>1. The policy, system, standards and structure of remuneration for independent directors should be stated and the amount of remuneration should be justified with an illustration of the person's duty, risk and time devoted: Directors' remuneration shall be determined based on the Company's profit, degree of their involvement in and contribution to the Company's affairs. After a remuneration proposal is brought forth by the Chairman, it will be presented to the Remuneration Committee for review and to the Board of Director for approval.</div> <div>2. Other than the content revealed in the table above, remuneration received by directors of the Company for their services rendered to the companies specified in the financial statements in the most recent year (such as serving as an external consultant to the parent company, to any company listed in the financial statements or to a invested company): none.</div> | | | | | | | | | | | | | | | | | | | | | |

1. The policy, system, standards and structure of remuneration for independent directors should be stated and the amount of remuneration should be justified with an illustration of the person's duty, risk and time devoted; Directors' remuneration shall be determined based on the Company's profit, degree of their involvement in and contribution to the Company's affairs. After a remuneration proposal is brought forth by the Chairman, it will be presented to the Remuneration Committee for review and to the Board of Director for approval.

2. Other than the content revealed in the table above, remuneration received by directors of the Company for their services rendered to the companies specified in the financial statements in the most recent year (such as serving as an external consultant to the parent company, to any company listed in the financial statements or to a invested company): none

Range of Remuneration

| Breakdown of remuneration paid to each director | Name of Directors | | | |
|---|---|---|---|---|
| | Total of A, B, C and D | | Total of A, B, C, D, E, F and G | |
| | The Company (Note 8) | All companies included in consolidated statements (Note 9) H | The Company (Note 8) | All companies included in consolidated statements (Note 9) I |
| Less than NT\$ 1,000,000 | Yang Cheng-Li Chuang Yung-Shun Kuo Kun-Chang Hsieh Yu-Tien Shyu Lih-Hwa (legal representative) Chen Cheng-Han (legal representative) Tsai Yuh-Chiang (legal representative) Huang Hsu-Nan Wang Chia-Ho Liu Ming-Hsiung Chan Yun-Hao | Yang Cheng-Li Chuang Yung-Shun Kuo Kun-Chang Hsieh Yu-Tien Shyu Lih-Hwa (legal representative) Chen Cheng-Han (legal representative) Tsai Yuh-Chiang (legal representative) Huang Hsu-Nan Wang Chia-Ho Liu Ming-Hsiung Chan Yun-Hao | Chuang Yung-Shun Kuo Kun-Chang Hsieh Yu-Tien Shyu Lih-Hwa (legal representative) Huang Hsu-Nan Wang Chia-Ho Liu Ming-Hsiung Chan Yun-Hao | Chuang Yung-Shun Kuo Kun-Chang Hsieh Yu-Tien Shyu Lih-Hwa (legal representative) Huang Hsu-Nan Wang Chia-Ho Liu Ming-Hsiung Chan Yun-Hao |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive) | None | None | None | None |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | None | None | Yang Cheng-Li Chen Cheng-Han (legal representative) Tsai Yuh-Chiang (legal representative) | Yang Cheng-Li Chen Cheng-Han (legal representative) Tsai Yuh-Chiang (legal representative) |
| Total | 11 | 11 | 11 | 11 |

Note 1: Directors' names are presented separately (the names of the corporate shareholders and their representatives are stated separately). General and independent directors are presented separately. All payments are presented in aggregate sums. Any directors who co-headed the General Manager or Vice General Manager positions are disclosed in this table and in tables below.

Note 2: Refers to director's remuneration in 2023 (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: Represents the amount of directors' remuneration that the Board of Director has approved as part of the earnings appropriation in 2023

Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items) in 2023. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, etc. which the director has received in 2023 for assuming the role of a

company employee (such as General Manager, Vice General Manager, other managerial personnel or employees). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 6: Refers to any compensation that the director received (in cash or in shares) in 2023 for assuming the role of an employee (such as General Manager, Vice General Manager, other managerial personnel or employees). The amount of employee compensation proposed by the Board of Director in the last year has been disclosed (where the amount could not be estimated, the actual amount paid in the last year was presented instead). Schedule 1-3 has also been completed for reference.

Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges.

Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director.

Note 10: Profit after tax refers to the amount of profit after tax shown in the 2023 consolidated and standalone financial reports.

Note 11: a. This field represents all forms of remuneration the director has received from the Company's invested businesses or the parent company other than subsidiaries (please indicate "none" if not applicable).

b. For directors who receive remuneration from invested businesses other than subsidiaries, amounts received from these invested businesses have been added to column J of the Range of Remuneration. In which case, column J will be renamed the Parent Company and All Invested Businesses.

c. Remuneration refers to any returns, compensation (including compensations received as an employee, director and supervisor) and professional service fees which the Bank's directors received for serving as directors, supervisors or managerial personnel in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

2. Supervisors' remuneration: The Company has built an Audit Committee in place of the supervisor system, so this is inapplicable.

3. Remuneration to the General Manager and Vice General Managers (aggregate disclosure of name and remuneration)

Unit: \$NT thousand; thousand shares

| Unit: \$11 thousand, thousand shares | | | | | | | | | | | | | | |
|--------------------------------------|----------------------|-------------------------|--|---------------------------|--|--|--|---|-----------------|---|-----------------|--|---|--|
| Position | Name | Salaries(A) (Note 2) | | Retirement pension (B) | | Bonus and Special allowance (C) (Note 3) | | Remuneration to employees (D) (Note 4) | | | | Ratio of the total amount of A, B, C and D to operating gross profit after tax (%) (Note 8) | | With remuneration received from invested companies other than subsidiaries of the parent company (Note 9) |
| | | The Company | All companies included into the financial statement (Note 5) | The Company | All companies included into the financial statement (Note 5) | The Company | All companies included into the financial statement (Note 5) | The Company | | All companies included into the financial statement (Note 5) | | The Company | All companies included in consolidated statements (Note 5) | |
| | | | | | | | | Cash flow Amount | Stock Amount | Cash flow Amount | Stock Amount | | | |
| Chairman | Yang Cheng-Li | 9,380 | 9,380 | 293 | 293 | 0 | 0 | 0 | 669 | 0 | 669 | 10,342 13.83 | 10,342 13.83 | None |
| Vice Chairman | Chen Cheng-Han | | | | | | | | | | | | | |
| General Manager | Tsai Yuh-Chiang | | | | | | | | | | | | | |
| Vice General Manager | Tseng Tseng-Chuan | | | | | | | | | | | | | |

*Disclosure is mandatory for persons who hold positions equivalent to a General Manager or Vice General Manager (e.g. group General Manager, CEO, general manager etc.).

Range of Remuneration

| Breakdown of remuneration paid to each general manager and vice General Manager | Name of General Manager and Vice General Manager | |
|---|--|--|
| | The Company (Note 6) | All companies included in consolidated statements (Note 7) |
| NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive) | Tseng Tseng-Chuan | Tseng Tseng-Chuan |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | Yang Cheng-Li, Chen Cheng-Han, Tsai Yuh-Chiang | Yang Cheng-Li, Chen Cheng-Han, Tsai Yuh-Chiang |
| Total | 4 persons | 4 persons |

Note 1: The names of General Manager and Vice General Managers are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums. Any Directors who co-headed the General Manager or Vice General Manager positions are disclosed in this table and in above tables.

Note 2: Refers to salaries, allowances, retirement benefits, severance pay made to the General Manager and Vice General Managers in 2023.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the General Manager and Vice General Managers in 2023. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 4: Represents the amount of employee remuneration allocated to the General Manager and Vice General Managers (in cash or in shares) in 2023, which the Board of Director has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Schedule 1-3 has been prepared in addition to the above details. Operating gross profit after tax means that in 2023.

Note 5: Remuneration is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's General Manager/Vice General Managers.

Note 6: The amount of remuneration made by the Company to its General Manager/Vice General Managers have been disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's General Manager/Vice General Managers; the names of General Manager/Vice General Managers have been disclosed separately in ranges. Note 3: The retirement benefits and severance pays, whether provided or contributed, amount to NT\$ 293 thousand.

Note 8: Operating gross profit after tax means that indicated in the 2023 financial report. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the 2023 standalone financial report.

Note 9: a. This field represents all forms of remuneration the General Manager and Vice General Managers have received from the Company's invested businesses or the parent company other than subsidiaries (please indicate "none" if not applicable).

b. For General Manager and Vice General Managers who receive remuneration from invested businesses or the parent company other than subsidiaries, the amount of remuneration from these invested businesses or the parent company have been added to column E of the Range of Remuneration. In this case, column E will be renamed as the parent company and all invested businesses.

c. Remuneration refers to any returns, remuneration (including remunerations received as employees, Directors and Supervisors) and professional service fees which the Company's General Manager and Vice General

Managers received for serving as directors, supervisors, or managerial personnel in invested businesses and the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

4. Remuneration to employees paid to managerial personnel, and the status of allocation:

April 15, 2024 Unit: NT\$ thousand

| | Position (Note 1) | Name (Note 1) | Stock dividend | Cash dividend | Total | The total amount as a percentage of net income (%) |
|----------------------|---|-------------------|-------------------|------------------|-------|--|
| Managerial Personnel | Chairman | Yang Cheng-Li | 955 | 0 | 955 | 1.27 |
| | Vice Chairman | Chen Cheng-Han | | | | |
| | General Manager | Tsai Yuh-Chiang | | | | |
| | Vice General Manager of Manufacturing Department | Tseng Tseng-Chuan | | | | |
| | Senior Director of R&D Department | Huang Yi-Hong | | | | |
| | Senior Director of Quality Assurance Department | Wu Ping-Hsun | | | | |
| | Senior Director of Management Department | Lin Yu-Chao | | | | |
| | Chief Financial Officer and Accounting Officer | Yeh Mei-Ling | | | | |

Note 1: Names and titles have been disclosed separately, whereas the amount of remuneration has been disclosed in aggregate.

Note 2: Which indicates the employee remuneration (including shares and cash), distributed to managerial personnel, approved by the Board of Director in 2023. If it was not able to estimated, the ratio of actual distribution amount will apply to propose for the distribution amount of the year. Operating gross profit after tax means that indicated in the 2023 financial report.

Note 3: Managerial personnel are as follows as specified by No. Taiwan-Finance-Securities-III-0920001301 dated March 27, 2003:

- (1) General Manager or other positions of equivalent grade
- (2) Vice General Manager or other positions of equivalent grade
- (3) Senior Director or other positions of equivalent grade
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Any other signatories involved in the Company's administrative affairs.

Note 4: Directors, General Manager and Vice General Managers who receive employee compensations (in cash or in shares) shall have details disclosed in this table in addition to Schedule 1-2.

5. Total remuneration as a percentage of net income stated in the Standalone Financial Reports or Individual Financial Reports, as paid by the Company and by each other company included in the Consolidated Financial Statements during the past 2 fiscal years to Directors, Supervisors, General Managers, and Vice General Managers. Analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Unit: NT\$ thousand

| Position | 2022 | | | | 2023 | | | |
|--|------------------------------------|--|---------------------------------------|--|------------------------------------|--|---------------------------------------|--|
| | Total remuneration (NT\$ thousand) | | In proportion to profit after tax (%) | | Total remuneration (NT\$ thousand) | | In proportion to profit after tax (%) | |
| | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements |
| Director | | | | | | | | |
| General Managers and Vice General Managers | 16,027 | 16,027 | 8.41 | 8.41 | 11,694 | 11,694 | 15.6 | 15.6 |

According to its Articles of Incorporation, if the Company makes profit over a year, it shall first appropriate no more than 2% as remuneration for directors and 5% to 10% as employee remuneration, but where the Company suffers cumulative losses, certain amount shall be first retained for recovering such losses. The Company's remuneration proposals for its employees and directors shall be presented by the Remuneration Committee to the Board of Director for approval by resolution. It is proposed that NT\$ 1,405,880 (approximately accounting for 1.5% of that year's profit) would be appropriated as remuneration for directors in 2023. The amount of remuneration for directors shall be determined based on the Company's profit, degree of directors' involvement in and contribution to the Company's affairs. In respect of remuneration for directors, the Chairman shall put forward a remuneration proposal, which shall be reviewed by the Remuneration Committee and approved by the Board of Director. All remunerations shall be paid in cash. The remuneration for the Company's General Manager, Vice General Managers and managerial personnel shall be paid by issuing new shares. Remuneration shall be determined according to the Company's business results, degree of contribution to the Company's performance, and the Performance Appraisal Measures of the Board of Director. The overall evaluation items include financial indicators (e.g. achievement ratio of the Company's operating revenue, net income before tax and operating gross profit after tax) and non-financial indicators (e.g. organizational innovation and integration, risk management). Other special contributions or major events are measured. Individuals' degree of contribution to the Company's overall performance is also taken into account as reference for performance appraisal and remuneration payment, in order that an appropriate amount of remuneration will be paid to them. The Company also review its remuneration system from time to time according to its operating conditions and market salary within the industry, for the purpose of striking a balance between the Company's sustainable business operations and risk control.

Salary and remuneration of the Company's employees shall be determined based on their educational attainment, know-how, seniority, experience and individual performance, regardless of their age, gender, race, religion, political standpoint and marital status. In addition, the Company attaches great importance to employees' career development. It makes overall plans based on individual positions and the Company's operational performances. Employees with outstanding performance will be given higher pay or promoted based on their work results, so as to engage excellent talents and drive general positive development of the Company. In 2023, the Company increased overall average salary by 5.04% based on employees' performance appraisal results.

IV. Status of Corporate Governance

(I) Operations of the Board of Director

A total of 5 meetings (A) were held in the last year; below are directors' attendance records:

| Position | Name (Note 1) | Actual attendance (B) | Proxy Attendance | Actual attendance rate (Note 2) | Notes |
|----------------------|---|-----------------------|------------------|---------------------------------|---|
| Chairman | Yang Cheng-Li | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Vice Chairman | SHENG BAO INVESTMENT CORP. Representative: Chen Cheng-Han | 5 | 0 | 100 | Elected at the re-election on August 18, 2021 |
| Director | Chuang Yung-Shun | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Director | Liu Ming-Hsiung | 3 | 0 | 66.67 | Elected at the re-election on August 18, 2021 |
| Director | Kuo Kun-Chang | 3 | 2 | 66.67 | Re-elected on August 18, 2021 |
| Director | Hsieh Yu-Tien | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Director | SHENG BAO INVESTMENT CORP. Representative: Shyu Lih-Hwa | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Director | SHENG BAO INVESTMENT CORP. Representative: Tsai Yuh-Chiang | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Independent Director | Huang Hsu-Nan | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Independent Director | Wang Chia-Ho | 3 | 2 | 66.67 | Re-elected on August 18, 2021 |
| Independent Director | Chan Yun-Hao | 5 | 0 | 100 | Elected at the re-election on August 18, 2021 |

Other mentionable items:

I. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all independent director's opinions and the company's responses should be specified:

(I) Matters that were referred to in Article 14-3 of the Securities Exchange Act.

7th meeting of the 13th Board of Director (February 20, 2023)

| Agenda | Independent directors' opinions | The Company's disposition on independent directors' opinions | Resolution |
|--|---------------------------------|--|---|
| Proposed presentation of the Company's 2022 "Statement of Internal Control System" | No objection | No objection | Agenda was approved without objection from directors present. |
| 2022 remuneration proposal for employees and directors | No objection | No objection | 1. Approved and archived at the 4 th meeting of the 5 th Remuneration Committee and the 6 th meeting of the 2 nd Audit Committee. 2. Agenda was approved without objection from directors present. |

| | | | |
|--|--------------|--------------|---|
| Appointment of Audit and Non-Audit Certified Public Accountants and Auditor's Independence Evaluation for FY2023 | No objection | No objection | Agenda was approved without objection from directors present. |
|--|--------------|--------------|---|

8th meeting of the 13th Board of Director (May 9, 2023)

| Agenda | Independent directors' opinions | The Company's disposition on independent directors' opinions | Resolution |
|--|---------------------------------|--|---|
| Determine matters on base date for issuing new shares for increasing employee remuneration | No objection | No objection | Agenda was approved without objection from directors present. |

9th meeting of the 13th Board of Director (August 3, 2023)

| Agenda | Independent directors' opinions | The Company's disposition on independent directors' opinions | Resolution |
|---|---------------------------------|--|--|
| Matters resolved at the 5 th meeting of the 5 th Remuneration Committee | No objection | No objection | Except that the directors who didn't take part in the discussion and voting for their interests, the proposal was approved by all other directors present. |

10th meeting of the 13th Board of Director (November 6, 2023)

| Agenda | Independent directors' opinions | The Company's disposition on independent directors' opinions | Resolution |
|----------------------------------|---------------------------------|--|---|
| FY2024 Audit Plan of the Company | No objection | No objection | Agenda was approved without objection from directors present. |

11th meeting of the 13th Board of Director (February 19, 2024)

| Agenda | Independent directors' opinions | The Company's disposition on independent directors' opinions | Resolution |
|--|---------------------------------|--|--|
| Proposed presentation of the Company's 2023 "Statement of Internal Control System" | No objection | No objection | Agenda was approved without objection from directors present. |
| 2023 remuneration proposal for employees and directors | No objection | No objection | 1. Approved and archived at the 6 th meeting of the 5 th Remuneration Committee and the 10 th meeting of the 2 nd Audit Committee. 2. Agenda was approved without objection from directors present. |
| Appointment of Audit and Non-Audit Certified Public Accountants and Auditor's Independence Evaluation for FY2024 | No objection | No objection | Agenda was approved without objection from directors present. |

(II) Any other documented objections or qualified opinions raised by independent directors against board resolution in relation to matters other than those described above.
None.

| |
|---|
| <p>II. The measure for directors' withdrawal from conflict of interest: 9th meeting of the 13th Board of Director (August 3, 2023) Directors: Yang, Cheng-Li, Chen Cheng-Han, Tsai Yuh-Chiang Agenda: Matters resolved at the 5rd meeting of the 5th Remuneration Committee. Reason for avoiding out of interests: The discussion on this proposal involved the stakeholders' interests, so the stakeholders were requested to avoid for interests. The voting process: Except that the directors who didn't take part in the discussion and voting for their interests, the proposal was approved by the other directors without objection.</p> <p>III. The information on the frequency, period, scope, method and content of TWSE/TPEx listed company's Board of Director self-evaluation (or peer assessment) shall be disclosed. State the status of the Company's Board evaluation in Schedule 1-1: The Company has independently evaluated the Board of Director, some directors, the Audit Committee and the Remuneration Committee. Details of the evaluation results re shown in Schedule 1-1. They were presented to the Board of Director on February 19, 2024, and disclosed on the Company's website for investors' reference.</p> <p>IV. Implementation and Assessment of measures to enhance functionality of the Board (e.g. the foundation of Audit Committee, enhancement of information transparency, etc.) The Company's Board of Director always exercises its powers according to laws, regulations, Articles of Incorporation and its resolutions. In 2023, the Company purchased liability insurances for all directors, which were presented to the Board of Director on August 3, 2023. Related information was disclosed on the website of the Company (http://www.kingcore.com.tw) for investors' reference. On May 30, 2018, the Company organized re-election and built an audit committee, to improve its governance and management of its Board of Director.</p> |
|---|

Note 1: If the directors and supervisors are corporations, the names of the corporate shareholders and the names of their representatives should be disclosed.

Note 2: (1) If any director/supervisor resigns prior to the end of the year, please specify the date of resignation in the Remarks section.
Actual attendance rate was calculated on the basis of the number of board meetings held during each director's/supervisor's term and the number of meetings actually attended by that director/supervisor.

(2) If any Directors or Supervisors were elected before the end of the year, the names of preceding and succeeding Directors and Supervisors shall be listed, and the date of election or reelection shall also be stated in the "Remarks" column. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Attendance of Independent Directors in Each Board of Directors Meeting in 2023

✓ Attend in person; ◇ Attend: by proxy; ×: absent

| Frequency Name | First | Second | Third | Fourth |
|-------------------|-------|--------|-------|--------|
| Huang Hsu-Nan | ✓ | ✓ | ✓ | ✓ |
| Wang Chia-Ho | ◇ | ◇ | ✓ | ✓ |
| Chan Yun-Hao | ✓ | ✓ | ✓ | ✓ |

(1-1) Review performed by the Board of Director:

| Frequency of evaluation (Note 1) | Duration of evaluation (Note 2) | Range of evaluation (Note 3) | Methods of evaluation (Note 4) | Aspects to evaluate (Note 5) |
|-------------------------------------|--------------------------------------|--|-----------------------------------|---|
| Once every year | January 1, 2023 to December 31, 2023 | Individual member of Board of Director | Self-evaluation by each director | The Company's objectives and tasks, directors' awareness of duties, level of participation in the Company's operations, internal relationship management and communication, directors' professional and continuous education, and internal control |
| | | Board of Director, Functional Committee (Remuneration Committee and Audit Committee) | Board's Internal Self-Evaluation | (1) Performance appraisal of the Board: The Directors' level of participation in the Company's operations, quality improvement of the Board's decision-making, the composition and structure of the Board, the selection and continuous training of Directors, internal control. (2) Performance appraisal of functional committee: The committee members' level of participation in the Company's operations, the committee members' understanding in responsibilities, quality improvement of decision-making of the committee members, the composition of functional committees, the selection of members, and internal control, etc. |

Note 1: Frequency of the Board evaluation. e.g., once a year.

Note 2: The period of board evaluation. e.g. the Board's performance from January 1, 2019 to December 31, 2019 is evaluated.

Note 3: The scope covers the evaluation on the performance of the Board, individual Board members and

Functional Committee members.

Note 4: Methods of evaluation include: Evaluation is conducted by board self-evaluation, member self-evaluation, peer evaluation, by external institutes, by professionals, or other appropriate methods.

Note 5: The evaluation shall cover at least the following items.

- (1) Performance evaluation of the Board: At least includes the Directors' level of participation in the Company's operations, the quality of the Board's decision-making, the composition and structure of the Board, the selection and continuous training of Directors, internal control, etc.
- (2) Performance evaluation of individual Directors: At least includes the Company's objectives and tasks, Directors' understanding in responsibilities, Directors' level of participation in the Company's operations, internal relationship management and communication, professional and continuous education of Directors, internal control, etc.
- (3) Performance evaluation of functional committee: The committee members' level of participation in the Company's operations, the committee members' understanding in responsibilities, the quality of decision-making of the committee members, the composition of functional committees, the selection of members, and internal control, etc.

(II) Operation of the Audit Committee or supervisors' participation of the Board operations:

1. Information on functionality of the Audit Committee:

The Company has built an Audit Committee, which is consisted of all Independent Directors. It is for assisting the Board of Director in supervising the quality and integrity of the Company's accounting, audit, financial reporting processes and financial control. Its powers are as follows:

- (1) Formulate or amend the internal control system, or procedures for acquiring or disposing of assets, or committing major financial business practices of derivative transactions, and evaluate effectiveness of internal control rules.
- (2) Matters involving directors' personal interests.
- (3) Material transactions on significant assets or derivative transactions.
- (4) Raise, issue or privately place negotiable securities with natures of equity.
- (5) Appoint, remove or remunerate certified public accountants; appoint and remove financial, accounting and internal audit officers.
- (6) Annual financial reports and quarterly financial reports.
- (7) Other issues deemed material by the Company or competent authorities.

※ Members of the Audit Committee are as follows:

| Position | Professional Qualification | Professional qualifications and experience |
|---------------------------------|----------------------------|--|
| | Name | |
| Independent Director (Convener) | Huang Hsu-Nan | With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center |
| Independent Director | Wang Chia-Ho | With experience in business work. Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin'an Investment Co., Ltd. |
| Independent Director | Chan Yun-Hao | With background and work experience on businesses, accounting and financial expertise. Graduated from Missouri State University as a Master of Professional Accounting; current independent director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange. |

Annual Work Highlights Summary:

※ Review of financial reports

The Board of Director has prepared the Company's 2023 Business Report, financial statements and earnings distribution proposal. Lin Cheng-Wei and Chen Kuo-Shuai, as CPAs of Ernst & Young, Taiwan, have audited the financial statements and issued an audit report. After reviewing, we believe that the aforementioned business report, financial statements, and earning distribution plan of the Company present fairly in all material matters.

※ Evaluation on effectiveness of the internal control system

The Company annually performs independent evaluation on effectiveness of design and evaluation of internal control rules, and prepares a statement of the internal control system in the

given format, which shall be presented to the Board of Director for approval with the consent of the Audit Committee.

※ Appointment of CPA

To ensure independence and competency of the attesting Certified Public Accountants ("CPAs"), the Company evaluates CPAs' independence, professionalism and competence according to Article 47 of the Certified Public Accountant Act and the Bulletin of Norms of Professional Ethics for Certified Public Accountants of the Republic of China No.10, and making reference to relevant information such as audit quality indicators (AQIs). It was approved by the 10th meeting of the 2nd Audit Committee on February 19, 2024 and the 11th meeting of the 13th Board of Directors on February 19, 2024 upon review that Lin Cheng-Wei and Chen Kuo-Shuai, who are certified public accountants of Ernst & Young, Taiwan, conformed to the standard for independence and competency evaluation, and were qualified to act as certified financial and tax accountants of the Company.

A total of 5 (A) Audit Committee meetings (A) were held in the last year; independent directors' attendance records are summarized below:

| Position | Name | Actual Attendance (B) | Proxy Attendance | Actual attendance rate (%) (B/A)(Note 1, Note 2) | Notes |
|----------------------|---------------|-----------------------|------------------|--|---|
| Independent Director | Huang Hsu-Nan | 5 | 0 | 100 | Re-elected on August 18, 2021 |
| Independent Director | Wang Chia-Ho | 3 | 2 | 66.67 | Re-elected on August 18, 2021 |
| Independent Director | Chan Yun-Hao | 5 | 0 | 100 | Elected at the re-election on August 18, 2021 |

Other mentionable items:

I. The Audit Committee meeting dates, sessions, proposal content, content of any objection, reservation or major suggestions expressed by independent directors, the results of the Audit Committee's resolutions, and the Company's actions in response to the Audit Committees' opinions shall be specified if any of the following has occurred.

(I) Matters that were referred to in Article 14-5 of the Securities Exchange Act.

6th meeting of the 2nd Audit Committee (February 20, 2023)

| | | |
|--------|-----------------------------|---|
| Agenda | Resolution of the Committee | The Company's responses to the opinion of the Audit Committee |
|--------|-----------------------------|---|

| | | |
|--|---|---|
| The Company's 2022 "Statement of Internal Control System" | The proposal was approved by all directors present without objection. | The proposal was approved by all directors present without objection at the 7 th meeting of the 13 th Board of Director on February 20, 2023. |
| 2022 proposal for issuing new shares as employee remuneration | | |
| 2022 business report and financial statements | | |
| 2022 earnings distribution proposal | | |
| Appointment of Audit and Non-Audit Certified Public Accountants and Auditor's Independence Evaluation for FY2023 | | |

7th meeting of the 2nd Audit Committee (May 9, 2023)

| Agenda | Resolution of the Committee | The Company's responses to the opinion of the Audit Committee |
|--|---|---|
| Determine matters on base date for issuing new shares for increasing employee remuneration | The proposal was approved by all directors present without objection. | The proposal was approved by all directors present without objection at the 8 th meeting of the 13 th Board of Director on May 9, 2023. |

8th meeting of the 2nd Audit Committee (August 3, 2023)

| Agenda | Resolution of the Committee | The Company's responses to the opinion of the Audit Committee |
|--------|-----------------------------|---|
| | | |

| | | |
|---|---|--|
| Consolidated financial report of Q2, 2023 | The proposal was approved by all directors present without objection. | The proposal was approved by all directors present without objection at the 9 th meeting of the 13 th Board of Director on August 3, 2023. |
| 9 th meeting of the 2 nd Audit Committee (November 6, 2023) | | |
| Agenda | Resolution of the Committee | The Company's responses to the opinion of the Audit Committee |
| FY2024 Audit Plan of the Company | The proposal was approved by all directors present without objection. | The proposal was approved by all directors present without objection at the 10 th meeting of the 13 th Board of Director on November 6, 2023. |
| 10 th meeting of the 2 nd Audit Committee (February 19, 2024) | | |
| Agenda | Resolution of the Committee | The Company's responses to the opinion of the Audit Committee |
| The Company's 2023 "Statement of Internal Control System" | The proposal was approved by all directors present without objection. | The proposal was approved by all directors present without objection at the 11 th meeting of the 13 th Board of Director on February 19, 2024. |
| 2023 proposal for issuing new shares as employee remuneration | | |
| 2023 business report and financial statements | | |
| 2023 earnings distribution proposal | | |
| Appointment of Audit and Non-Audit Certified Public Accountants and Auditor's | | |

(II) Other than the above-mentioned matters, the matters which have not been adopted by the audit committee but resolved with consent of over two-thirds of all members of the board of directors.

None.

II. Avoidance of involvements in interest-conflicting agendas by Independent Directors, including details such as the names of Independent Directors, the agenda, the nature of conflicting interests, and the voting process.

None.

III. The communication between independent directors and director of internal audit as well as the CPAs (aspects such as the company's finance, significant matters, methods, and outcomes regarding business communication should be included).

(1) All audit officers attended meetings of the Board of Director of the Company. Before the meetings were convened, the independent directors and audit officers communicated with each other about their opinions regarding different matters. The independent directors properly communicated about the Company's audit results.

(2) The audit reports prepared by the Audit Department of the Company for the Company and its subsidiaries were presented to all independent directors by the Board of Director, and no major abnormality was detected.

(3) Before the Board of Director reviews annual financial reports, certified public accountants would be first engaged to offer their audit results and their proposed audit opinions. Prior to the meetings, independent directors communicated about related matters.

Executive summary of communications among independent directors, internal audit officers and accountants in 2023:

| Date | Attendants | Focused contents | Suggestions and results |
|-----------|---|---|-------------------------|
| 2023/2/20 | Audit officers, independent directors, accountants | Performance of audit from October to December 2022. Accountants' communications with Corporate Governance Unit (accountants' discussions with independent directors) | No objection |
| 2023/5/9 | Audit officers, independent directors | Performance of audit from January to March 2023. | No objection |
| 2023/8/3 | Audit officers, independent directors, accountants | Performance of audit from April to June 2023. Accountants' communications with Corporate Governance Unit (accountants' discussions with independent directors) | No objection |

| | | | |
|-----------|---|--|-----------------|
| 2023/11/6 | Audit officers, independent directors | Performance of audit from July to September 2023. | No objection |
|-----------|---|--|-----------------|

Note 1: Where any independent director resigned from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' section. His/her actual attendance rate (%) to the Audit Committee meeting shall be calculated on the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended during his/her term of office.

Note 2: If there was an election of new independent directors before the end of the fiscal year, fill in the information on the former and the new independent directors and specify if the independent directors were discharged, newly elected or re-elected, and the date of the election. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director's term and the number of meetings actually attended by that independent director.

- Supervisors' participation in the operation of the Board of Director: The Company has established an Audit Committee to replace the supervisors, so this is not applicable.

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Summary description | |
| I. Does the Company base on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” to set up and disclose the Company’s corporate governance best-practice principles? | ✓ | | To formulate desirable corporate governance rules, the Board of Director has formulated the Corporate Governance Best-Practice Principles, which have been disclosed in the special investor section of the Company’s website. | Conformance |
| II. Shareholding structure & shareholders’ right | | | | |
| (I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures? | ✓ | | (I) The Company has defined its rules of procedure for shareholders’ meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. Handling of relationships with investors may be viewed in the special investor section of the Company’s website. | Conformance |
| (II) Does the Company have a list of the major shareholders who actually control the Company, and the ultimate controllers of the major shareholders? | ✓ | | (II) The Company appoints its service agent to regularly update its shareholders’ register and register of main shareholders, to fully list its final equity controllers. | Conformance |
| (III) Has the Company established and implemented the risk management, control and prevention mechanisms for affiliated companies? | ✓ | | (III) All financial matters of the Company and its affiliates are independent. The Company has formulated operating standards for the parent company’s relationship management, Internal Control System and Internal Audit System. | Conformance |
| (IV) Has the Company established internal regulations that prohibit insiders from using unpublished information in the market to buy and sell securities? | ✓ | | (IV) The Company has formulated Rules, Procedures and Best Practices for Honest Operations, Procedures for Prevention of Insider Trading, to specify that related internal personnel shall observe pertinent laws, regulations and internal procedures. Such personnel shall not utilize known non-public information for insider trading, or disclose such information to others, to prevent others from employing such non-public information for insider trading. | Conformance |
| III. Composition and Responsibilities of the Board of Directors | | | | |
| (I) Has the Board of Director formulated a diversity policy and specific management objectives in respect of its members, and implemented them? | ✓ | | (I) Board of Director of the Company are elected according to equal, impartial and open election procedures. They are elected among candidates with appropriate background, industry or related know-how and experience. The candidates with diverse backgrounds who can bring forth diversified opinions are actively considered, in order that the directors can be kept within an appropriate range and balance in terms of skills, experience, knowledge and characters. Members of the Board of Director shall generally demonstrate knowledge, skills and literacy necessary for performing their duties in their positions. To achieve the desired target for corporate governance, the Board of Director collectively shall be equipped with the following capabilities: I. The ability to make judgments about operations. | Conformance |

| Evaluation Item | Implementation Status | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|--|-----------------------|----|--|
| | Yes | No | |
| | | | <p>II. Accounting and financial analysis ability.</p> <p>III. Business management ability.</p> <p>IV. Crisis management ability.</p> <p>V. Knowledge of the industry.</p> <p>VI. An international market perspective.</p> <p>VII. Leadership skills.</p> <p>VIII. Decision-making ability.</p> <p>As to diversity of members of the Board of Director, the Company's business architecture, business development trend, future development trend and requirements shall be taken into account. The Company shall also evaluate all diverse orientations, set an objective that directors who currently serve as corporate officers shall not exceed one third of the total number of the Board members, and formulate appropriate diversity policies with respect to the Company's operation status and needs for future business development, including but not limited to standards for basic components, professional experience, professional knowledge and skills.</p> <p>The 13th Board of Director of the Company has 11 members, all of whom are Taiwanese. Its components and ratios are as follows: Directors who are employees, females and independent directors account for 18.18%, 9.09% and 27.27% respectively. In terms of age, there is 1 director ranging from 71 to 80 years old, 7 directors who are 61 to 70 years old, and 3 directors whose age ranges between 51 and 60. Diversity of the Company's members is reflected from the following aspects: (1) All directors master professional abilities in business judgment, operations management, crisis management, industry knowledge, international markets and leadership decision-making. (2) Ten directors with financial backgrounds: Yang Cheng-Li, Liu Ming-Hsiung, Chuang Yung-Shun, Kuo Kun-Chang, Hsieh Yu-Tien, Shyu Lih-Hwa, Wang Chia-Ho, Huang Hsu-Nan and Chan Yun-Hao. (3) Directors concurrently serving as company officers shall not exceed one-third of the total number of the Board members. The Company emphasizes diversity of the Board members, where an appropriate balance is maintained in skills, experience, knowledge and character. In addition, it attaches importance to gender equality among its Board members, among whom, there shall be at least 1 female director. So far, such appointment has been completed. To sum up, members of the Company's Board of Director shall be diverse. In addition, for details on diversity of members of the Board of Director, refer to Schedule 2, and related details are also disclosed on the Company's website.</p> |
| (II) Has the Company voluntarily set up other functional committees other than the Remuneration Committee and the Audit Committee according to law? | | ✓ | |
| (III) Does the Company formulate the Board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal? | ✓ | | |

| Evaluation Item | Implementation Status | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| (IV) Does the Company regularly evaluate independence of Certified Public Accountants (CPAs)? | ✓ | | <p>(II) In the future, the Company will set up other functional committees according to its needs for practical operations.</p> <p>(III) The Company has formulated performance appraisal measures for the Board of Director, which have been approved by the Board of Director on 2023. Performance appraisal was performed on the Board of Director, and presented to the Board of Director on February 19, 2024. Apart from evaluating overall operating conditions of the Board of Director, the Company also independently evaluated its directors and functional committees. For the evaluation results, please refer to Schedule 1-1 "Governance and Operating Conditions of the Company" in Section 4 of the annual report, which has been also revealed in the website of the Company.</p> <p>Overall evaluation results of the Company are desirable. Performances of the members of the Board of Director, operations of the Board of Director and functional committees have been fully in line with the Company's needs. In addition, performance appraisal results of the Company are used as references in determining remuneration of, nominating and re-appointing some directors. This is useful for effectively promoting the Company's sustainable operations, performance of social responsibilities, risk management and long-term strategic development. Besides, spirit on corporate governance is practised.</p> <p>(IV) Once a year, the Finance Department of the Company conducts its own assessment of the independence and suitability of the attesting CPAs and submits the assessment results to the Audit Committee for approval and to the Board of Directors for resolution. In accordance with Article 47 of the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10, the Company has established the evaluation items (see Schedule 1) and obtained the Audit Quality Indicators (AQIs) report issued by the auditing firm, which covers 5 major components and 13 major indicators, including profession, quality control, independence, monitoring and innovation (see Schedule 3), to assess the audit quality of the firm as a whole and the competency of the attesting audit team. We hereby confirm that for FY2023, the attesting CPAs Lin Cheng-Wei and Chen Kuo-Shuai of Ernst & Young, Taiwan, had no other financial interest or business relationship apart from certification and taxation fees. Both CPAs meet the Company's standards for independence and suitability to serve as the Company's attesting CPAs, and any rotation of the Company's CPAs is subject to relevant regulations.</p> <p>Conformance</p> |

| Evaluation Item | Implementation Status | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|--|-----------------------|----|--|
| | Yes | No | |
| IV. Is the TWSE / TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)? | ✓ | | <p>To protect shareholders' rights/interests and enhance functions of the Board of Director, the Board of Directors resolved on February 20, 2023, to appoint Yeh Mei-Ling, the Chief Financial Officer, as the Head of Corporate Governance. Yeh shall be responsible for handling matters related to the Board of Directors and shareholders' meetings in accordance with the law, preparing minutes of the Board of Directors and shareholders' meetings, providing information necessary for directors to perform their duties and assisting directors in complying with laws and regulations, assisting directors in their appointment and continuing education, etc., in order to implement corporate governance rules and protect shareholders as utmost objectives, effectively drive sustainable operations of the Company, and maximize shareholders' interests.</p> <p>Matters on corporate governance were handled as follows:</p> <ol style="list-style-type: none"> 1. Assisted members of the Board of Director in arranging refresher courses and buying appropriate liability insurances for directors and supervisors. 2. Evaluated the Board of Director, some directors and functional committees according to the Company's Performance Appraisal Measures for the Board of Director. 3. Lawfully handled matters about the Board meetings, kept minutes of such meetings or completed change registration regarding directors' re-election. 4. Drafted agendas of Board meetings and notified the directors seven days prior to the meetings, convened meetings and provided documents for the meetings. If directors' recusal is required for the avoidance of conflicts of interest, the directors would be informed of such matters prior to the meetings. The minutes of the Board meetings should be completed within 20 days after the meetings. 5. Irregularly assisted accountants, independent directors and audit officers in communicating related matters. The communications were smooth and desirable. The Company also announced the communication results on its website for investors' query and reference. 6. Regularly informed members of the Board of Director of laws and regulations about the Company's businesses and governance published by competent authorities. 7. The Board of Directors has been duly updated regarding the qualifications of independent directors at the time of their nomination, election, and throughout their tenure. |

| Evaluation Item | Implementation Status | | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons | | |
|---|-----------------------|----|---|--|---|---------------------|----------------|
| | Yes | No | Summary description | | | | |
| | | | Training date | Organizers | | Title of the course | training hours |
| | | | 2023.08.14 | Taipei Foundation Of Finance | Governance - Prevention of Tax Evasion and Money Laundering Risks - Identification of Eight Major Money Laundering Patterns | 3 | |
| | | | 2023.08.29 2023.08.30 | Securities & Futures Institute | Practical Workshops for Directors, Supervisors (including independent Directors), and Corporate Governance Executives | 12 | |
| | | | 2023.11.16 | Accounting Research and Development Foundation | 2023 ESG Summit - Carbon Inventory and Carbon Management | 3 | |
| V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special column for stakeholders on the Company’s website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders? | ✓ | | (I) Relationships with investors: In addition to the operational or financial information of the Company announced on MOPS in accordance with laws and regulations, the Company has set special investor and stakeholder sections to disclose information and maintain relationships with investors, and increase information transparency of the Company. In addition, a special investor section is set in the Company’s website to announce information regarding the Company’s governance, financial affairs and business operations as reference. (II) Execution of policies for protecting consumers or customers: The Company actively collects customer responses, analyzes and studies customer requirements. | | | | Conformance |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Summary description | |
| | | | <p>It upgrades service quality, puts forward appropriate solutions, and includes customer satisfaction in ISO for enhancing management, improving efficiency and controlling quality. It also synchronously establishes an audit tracking mechanism.</p> <p>(III) Relationships with suppliers: Continuously promote green procurement, require suppliers of raw materials to provide test reports, ensure that products contain no prohibited substances harmful to environment, and ensure that products comply with the EU's Restriction of Hazardous Substances (RoHS). Implement concepts and environmental protection and embark on green production, to jointly create perpetual business opportunities.</p> <p>(IV) Employee rights and interests: The Company undertakes to create safe and healthy work environment for employees. It annually and regularly carries out activities on all employees' health check and promotion, to protect all employees' health and wellbeing. It also engages resident physicians to analyze health reports, provides information on health education, and assists with operations on maternity protection, evaluation on hazards of violence and risks, hazards of human factors and abnormal load, etc. The Company also acts according to the Labor Standards Act. Concerning measures for employee benefits, and rules on refresher training and retirement, please refer to the section on labor relations in Chapter Five (Business Overview).</p> <p>(V) Communications with stakeholders: The Company has disclosed its stakeholders' phone numbers and email addresses on its website. It has developed channels for communicating with and methods for responding to its employees, shareholders and other stakeholders, to safeguard related rights of its stakeholders. The communications were reported to the Board of Director on February 19, 2024.</p> | |
| VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | ✓ | | The Company has appointed the Taishin Securities stock transfer agency department to handle matters on shareholders' meetings. | Conformance |
| VII. Information disclosure | | | | |
| (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? | ✓ | | (I) The Company has created a website to regularly update information on its latest financial businesses and governance. | Conformance |
| (II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? | ✓ | | (II) The Company formulates its spokesperson rules as specified. It regularly and irregularly declares its financial and business information on MOPS. It regularly discloses the latest news on its website (http://www.kingcore.com.tw). | Conformance |
| (III) Does the company complete and publicize the annual financial statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, | ✓ | | (III) The Company announced and declared its annual financial reports within 2 months after the fiscal year ended. It publicized and registered the financial statements of | Conformance |

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Summary description | |
| second, and third quarters as well as the operation report of each month? | | | Q1, Q2 and Q3 as well as operations of the Company in each month. | |
| VIII. Is there any other information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors) | ✓ | | <p>(I) Environmental protection The Company sets definite objectives on environmental protection and energy conservation. It formulates measures for environmental management, makes constant improvements and sets management objectives. The Company is expected to attain goals of environment-friendliness such as low pollution, small energy consumption and easy recycling in the course of product development, production, utilization and abandonment.</p> <p>1. Objectives of carbon emission reduction: Investigate and set greenhouse gas emission baseline according to ISO14064. It sets and announces carbon emission objectives of each year. To continuously promote its emission plans, 2023 was taken as the base year, and every four years are reckoned as a planning period. The objective of reducing carbon emissions by 1% per unit of revenue by 2027.</p> <p>2. Waste reduction: With the goal of sustainable resource utilization, the Company continuously promotes its measures for waste reduction and recycling for the purpose of waste utilization. The Company plans to reduce its wastes by 3% (with 2023 as base year) per unit of products in 2027.</p> <p>3. Conservation of water resources: Extreme climate affects water resources. In addition to regularly reviewing consumption of water resources, efforts shall be also made to fully save water from daily lives. In addition, wastewater system shall be imported into the recycling system. Circulating water is used as process water, and water resources available are utilized to bring their benefits into play to a greater extent. Water consumption is planned to be reduced by 0.5% in 2027 (with 2023 as base year).</p> <p>4. Responses to climatic changes: Climatic changes are global issues. Climatic disasters (e.g. windstorm disaster, flood) result in decrease or interruption of production capacity. Hence, the Company actively creates green supply chains and promotes production of green products in response to climatic changes. In addition, it annually performs greenhouse gas inventories and sets objectives of carbon emission reduction. It also fosters capacity for responding to disasters, to avoid impacts of climatic changes upon business operations of the Company.</p> <p>(II) Product perspective</p> | Conformance |

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|-----------------------|---------------|--|--|----------------|---------------|------------|---------------------|----------------|----------|---------------|------------|--|---|---|----------|---------------|------------|--|--|---|----------|---------------|------------|---|--|---|--|
| | Yes | No | Summary description | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>1. The Company annually and regularly examines suppliers at random. In 2023, it randomly evaluated 7 manufacturers cooperating with it.</p> <p>2. The Company has been certified by ISO9001, ISO14001, TS16949 and QC08000.</p> <p>3. As of the end of 2023, a total number of 62 suppliers had been certified by ISO9001, and 34 suppliers had been certified by ISO14001.</p> <p>(III) Social care</p> <p>The Company makes active responses to greening, beautification, charity sale, invitation of physically disabled street artists for performance in the Company’s premise, and charity concertor , etc., to make certain contributions to social care.</p> <p>(IV) Directors’ continuing education in 2023:</p> <table><tr><th>Position</th><th>Name</th><th>Training date</th><th>Organizers</th><th>Title of the course</th><th>training hours</th></tr><tr><td>Director</td><td>Yang Cheng-Li</td><td>2023.04.18</td><td>Accounting Research and Development Foundation</td><td>Financial and Tax Considerations in the Global Deployment of Supply Chains of Taiwanese Companies</td><td>3</td></tr><tr><td>Director</td><td>Yang Cheng-Li</td><td>2023.08.11</td><td>Accounting Research and Development Foundation</td><td>Operational Diversification Strategies in the Face of Geopolitical Risks</td><td>3</td></tr><tr><td>Director</td><td>Yang Cheng-Li</td><td>2023.11.03</td><td>Taiwan Corporate Governance Association</td><td>Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and New Perspectives on Corporate M&A</td><td>3</td></tr></table> | Position | Name | Training date | Organizers | Title of the course | training hours | Director | Yang Cheng-Li | 2023.04.18 | Accounting Research and Development Foundation | Financial and Tax Considerations in the Global Deployment of Supply Chains of Taiwanese Companies | 3 | Director | Yang Cheng-Li | 2023.08.11 | Accounting Research and Development Foundation | Operational Diversification Strategies in the Face of Geopolitical Risks | 3 | Director | Yang Cheng-Li | 2023.11.03 | Taiwan Corporate Governance Association | Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and New Perspectives on Corporate M&A | 3 | |
| Position | Name | Training date | Organizers | Title of the course | training hours | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yang Cheng-Li | 2023.04.18 | Accounting Research and Development Foundation | Financial and Tax Considerations in the Global Deployment of Supply Chains of Taiwanese Companies | 3 | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yang Cheng-Li | 2023.08.11 | Accounting Research and Development Foundation | Operational Diversification Strategies in the Face of Geopolitical Risks | 3 | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yang Cheng-Li | 2023.11.03 | Taiwan Corporate Governance Association | Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and New Perspectives on Corporate M&A | 3 | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation Status | | | | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|-----------------|-----------------------|------------------|------------|---|--|---|--|
| | Summary description | | | | | | |
| | Yes | No | | | | | |
| | Director | Yang Cheng-Li | 2023.12.22 | Taiwan Corporate Governance Association | Tax Issues Involving Corporations and Major Shareholders | 3 | |
| | Director | Chuang Yung-Shun | 2023.03.27 | Chinese National Association of Industry and Commerce | Corporate Resilience - Enhancing Taiwan's Competitiveness | 3 | |
| | Director | Chuang Yung-Shun | 2023.04.13 | Taiwan Academy of Banking and Finance | Corporate Governance Academy | 3 | |
| | Director | Chuang Yung-Shun | 2023.07.04 | Taiwan Stock Exchange | 2023 Cathay Sustainable Finance and Climate Change Summit | 6 | |
| | Director | Liu Ming-Hsiung | 2023.04.18 | Accounting Research and Development Foundation | Financial and Tax Considerations in the Global Deployment of Supply Chains of Taiwanese Companies | 3 | |
| | Director | Liu Ming-Hsiung | 2023.11.03 | Taiwan Corporate Governance Association | Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and New Perspectives on Corporate M&A | 3 | |
| | Director | Kuo Kun-Chang | 2023.04.27 | Taiwan Stock Exchange | Sustainable Development Goals Action | 3 | |

| Evaluation Item | Implementation Status | | | | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons | |
|-----------------|--------------------------------------|----|---------------------|------------|---|--|--|--|
| | Yes | No | Summary description | | | | | |
| | | | | | | | | |
| | | | | | | Plan Promotion Conference for TWSE/TPEX-listed Companies | 3 | |
| | Director | | Kuo Kun-Chang | 2023.05.26 | Ministry of Environment | Green Chemistry: Co-Creating Sustainability | 3 | |
| | Director | | Kuo Kun-Chang | 2023.10.13 | Securities & Futures Institute | Promotional meeting on prevention of insider trading in 2023 | 3 | |
| | Director | | Hsieh Yu-Tien | 2023.09.04 | Financial Supervisory Commission | 14 th Taipei Corporate Governance Forum | 3 | |
| | Director | | Hsieh Yu-Tien | 2023.09.22 | Taiwan Corporate Governance Association | Exploring Information Security Governance Strategies for TWSE/TPEX-listed Companies through ESG Development | 3 | |
| | Director | | Hsieh Yu-Tien | 2023.09.22 | Taiwan Corporate Governance Association | The Role of Directors and Compliance Responses to Operational Challenges under Corporate Governance 3.0 | 3 | |
| | Representative of corporate director | | Shyu Lih-Hwa | 2023.11.03 | Taiwan Corporate Governance Association | Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and | 3 | |

| Evaluation Item | Implementation Status | | | | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|-----------------|--------------------------------------|-----------------|---------------------|---|--|--|--|
| | Yes | No | Summary description | | | | |
| | | | | | | | |
| | | | | | | New Perspectives on Corporate M&A | |
| | Representative of corporate director | Shyu Lih-Hwa | 2023.12.22 | Taiwan Corporate Governance Association | | Tax Issues Involving Corporations and Major Shareholders | 3 |
| | Representative of corporate director | Chen Cheng-Han | 2023.07.04 | Taiwan Stock Exchange | | 2023 Cathay Sustainable Finance and Climate Change Summit | 6 |
| | Representative of corporate director | Tsai Yuh-Chiang | 2023.07.04 | Taiwan Stock Exchange | | 2023 Cathay Sustainable Finance and Climate Change Summit | 6 |
| | Representative of corporate director | Tsai Yuh-Chiang | 2023.11.03 | Taiwan Corporate Governance Association | | Anti-Tax Avoidance Trends: What Taiwanese Companies Should Know About Strategies for Addressing with CFC Regulations and New Perspectives on Corporate M&A | 3 |
| | Representative of corporate director | Tsai Yuh-Chiang | 2023.12.22 | Taiwan Corporate Governance Association | | Tax Issues Involving Corporations and Major Shareholders | 3 |
| | Independent Director | Huang Hsu-Nan | 2023.07.04 | Taiwan Stock Exchange | | 2023 Cathay Sustainable Finance and Climate Change Summit | 6 |
| | | | | | | | |

| Evaluation Item | Implementation Status | | | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons | | | |
|---|---|----|--------------------------|-----------------|------------|--|--|--|---|
| | Yes | No | Summary description | | | | | | |
| | | | Independe nt Director | Wang Chia-Ho | 2023.05.26 | | Ministry Environment | Green Chemistry: Co-Creating Sustainability | 3 |
| | | | Independe nt Director | Wang Chia-Ho | 2023.06.02 | Chinese Association of Industry and Commerce | 2023 Taishin Net Zero Go Towards Green Energy | 3 | |
| | | | Independe nt Director | Chan Yun-Hao | 2023.10.04 | Taipei Associat ion | 2023 Corporate Governance Forum Seminar on Governance in Group Enterprises | 3 | |
| | | | Independe nt Director | Chan Yun-Hao | 2023.10.13 | Securities & Futures Institute | Promotional meeting on prevention of insider trading in 2023 | 3 | |
| | (V) Execution of risk management policies and risk measurement standards: The unit responsible for the Company’s risks is the Board of Director. The department heads and the Audit Office are in charge of executing the policies and standards. They lawfully formulate internal rules, which are evaluated and analyzed by the responsible department. At last, the General Manager’s Office performs risk evaluation before implementation of operation strategies, in order that the Company can realize related operational objectives and create effective management methods for risk control. (VI) The Company’s purchase of liability insurances for its directors: The Company bought liability insurances for all of its directors, and reported such purchase to the Board of Director on August 3, 2023. | | | | | | | | |
| IX. Please offer illustrations improvement on the aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve. (Companies not included in the assessment are not required to fill in.) Generally, the evaluation results of the Company’s governance are desirable, but unscored aspects have not been reviewed or evaluated to find out improvement measures for the purpose of strengthening corporate governance and maximizing shareholders’ interests. (I) Improved parts 1. The risk evaluation and strategies on environmental, social or corporate governance related to business operations of the Company have been disclosed in the annual report. 2. Information safety risk management proposals have been disclosed in the annual report. Information safety risk management and protective mechanism are continuously strengthened. | | | | | | | | | |

| Evaluation Item | Implementation Status | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|
| | Yes | No | |
| 3.The Company has established a corporate governance officer to handle matters related to the Board of Directors and shareholders' meetings in accordance with the law, and to assist directors in complying with laws and regulations and providing information necessary for the performance of duties, etc. (II) Future improvements 1. In the future, the establishment of additional functional committees will be considered as needed to assist directors in performing their duties and enhancing board effectiveness. | | | |

Schedule 1: Evaluation Standard for Accountants' Independence

| Evaluation Item | Whether the independence requirement is met. |
|--|---|
| 1. Replacement has been always performed every seven years as of the latest certification. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. No material financial interests with the principals | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. Avoid establishing any inappropriate relationships with the principals. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 4. The accountants shall enable their assistants to be honest, impartial and independent. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 5. The accountants shall not audit and certify financial statements of their employers in the first two years of their employment. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 6. The accountants' names must not be used by others. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 7. Hold no share of the Company or its affiliates. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 8. Lend no money from the Company or its affiliates. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 9. Neither make joint investments nor share benefits with the Company or its affiliates. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 10. Not regularly employed or paid fixed remuneration by the Company or its affiliates. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 11. Not involved in management functions related to decision-making of the Company or its affiliates. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 12. Conduct no other businesses which might cause their loss of independence. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 13. Have no spousal, direct blood tie or blood tie within the second degree of kinship with the Company's management. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 14. Receive no business-related commissions. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 15. Up till now, have never been punished or done anything prejudicial to independence principles. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

Schedule 2: Diversification of the Board of Director

| Diversity of Items Name of Directors | Gender | Age | Judgments about operations | Financial Accounting | Management | Crisis handling | Industry knowledge | International market | Leadership decisions |
|---|--------|-------------|----------------------------|----------------------|------------|-----------------|--------------------|----------------------|----------------------|
| Yang Cheng-Li | M | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chuang Yung-Shun | M | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Liu Ming-Hsiung | M | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Kuo Kun-Chang | M | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hsieh Yu-Tien | M | 71-80 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Representative of SHENG BAO INVESTMENT CORP.: Shyu Lih-Hwa | Female | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Representative of SHENG BAO INVESTMENT CORP.: Chen Cheng-Han | M | 61-70 years | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Representative of SHENG BAO INVESTMENT CORP.: Tsai Yuh-Chiang | M | 51-60 years | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |

| | | | | | | | | | |
|---------------|---|-------------|---|---|---|---|---|---|---|
| Wang Chia-Ho | M | 71-80 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Huang Hsu-Nan | M | 61-70 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chan Yun-Hao | M | 51-60 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Schedule 3: AQIs Disclosure Framework - 5 major dimensions, 13 indicators

| Scopes | Indicators | Indicator Implications |
|-----------------|--|--|
| Professionalism | Auditing Experience | Whether auditors have sufficient audit experience to perform the audit. |
| | Training Hours | Whether auditors have received adequate education and training to acquire professional knowledge and skills. |
| | Attrition Rate | Whether the firm maintains sufficient human resources |
| | Professional Support | Whether the firm is equipped with sufficient experts, including CAAT specialists and financial appraisers. |
| Quality Control | Workload | Whether partners are loaded with excessive engagements or work overtime. |
| | Involvement | Whether the involvement of audit team in each audit phase is appropriate. |
| | Engagement Quality Control Review (EQCR) | Whether EQC reviewers spend sufficient time on engagement. |
| | Quality Supporting Capacity | Whether the firm has sufficient quality control resources, including risk, management, and audit professional consultants, to support the audit team. |
| Independence | Percentage of Non Audit Services (NAS) | Whether the proportion of non audit services provided by the firm to individual clients affects independence. |
| | Familiarity | Whether audit firm tenure affects the firm's independence. |
| Monitoring | External Inspection Results & Enforcement | Whether the firm's quality control and audit engagement are performed in accordance with the relevant laws and regulations and standards. |
| | Number of Official Improvement Letters Issued by Competent Authority | |
| Creativity | Innovative Planning or Initiatives | The firm's commitment to improving audit quality, including the adoption or planning of programs or investments related to the improvement of audit quality. |

(IV) Composition, responsibilities, and functionality of the Remuneration Committee:

1. Information Regarding Remuneration Committee members:

April 15, 2024

| Position (Note 1) | Conditions Name | Professional qualifications and experience (Note 2) | Independence Status (Note 3) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member |
|---------------------------------------|--------------------|---|---|--|
| Independent Director (Convener) | Huang Hsu-Nan | With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center | Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 3 |

| | | | | |
|----------------------|--------------|---|---|---|
| Independent Director | Wang Chia-Ho | <p>With experience in business work.</p> <p>Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin'an Investment Co., Ltd.</p> | <p>Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.</p> | 0 |
| Independent Director | Chan Yun-Hao | <p>With background and work experience on businesses, accounting and financial expertise.</p> <p>Graduated from Missouri State University as a Master of Professional Accounting; current independent director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange.</p> | <p>As independent directors, who comply with corresponding independence requirements, including but not limited to the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years is in line with pertinent rules.</p> | 0 |

Note 1: Please indicate seniority, professional qualification, experience and independence of the members of the Remuneration Committee.
For what to be indicated in respect of Independent Directors, refer to Directors and Supervisors' information in Schedule 1-1 on Page 00. Please indicate independent directors or others in the identity column (For any member who is a convener, related extra remark

shall be made).

Note 2: Professional qualification and experience: Indicate professional qualification and experience of certain members of the Remuneration Committee.

Note 3: Conformity with independence requirements: Indicate that all members of the Remuneration Committee comply with independence requirements, including but not limited to whether the independent director, his spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the Company or any of its affiliates; the number and percentage of the Company's shares held by the independent director, his or her spouse, relative within second degree of kinship (or held under others' names); whether he or she is a director, supervisor, or employee of a specified company or institution that has a relationship with the Company (referring to Subparagraphs 5-8, Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.

2. Remuneration Committee's duties:

The Remuneration Committee is responsible for assisting the Board of Director in implementing and evaluating general remuneration policies of the Company as well as remuneration for directors and managerial personnel.

Powers of the Remuneration Committee include:

- (1) Regularly stipulating and reviewing the compensation policies, systems, standards and structures, and performance of directors and managerial personnel.
- (2) Regularly reviewing and adjusting directors' and managerial personnel's remuneration.
- (3) Handle other matters resolved by the Board of Director.

3. Information on functionality of the Remuneration Committee:

(1) There are three members in the Remuneration Committee of the Company.

(2) Term of service: From August 18, 2021 to August 17, 2024. The Remuneration Committee held 3 meetings (A) in the last year; details of members' eligibility and attendance are as follows:

| Position | Name | Actual attendance (B) | Proxy Attendance | Actual attendance rate (%) (B/A)(Note) | Notes |
|----------|---------------|-----------------------|------------------|--|---|
| Convener | Huang Hsu-Nan | 3 | 0 | 100 | Re-elected on August 18, 2021 and further appointed by the Board of Director on August 18, 2021 |
| Member | Wang Chia-Ho | 2 | 1 | 66.66 | Re-elected on August 18, 2021 and further appointed by the Board of Director on August 18, 2021 |
| Member | Chan Yun-Hao | 3 | 0 | 100 | Re-elected on August 18, 2021 and appointed by the Board of Director on August 18, 2021 |

Other mentionable items:

- I. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions: None.
- II. If there were resolutions of the remuneration committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

Note 1: Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

Note 2: If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

4. Discussions and resolutions of the Remuneration Committee in the last year:

4th meeting of the 5th Remuneration Committee (February 20, 2023)

| Agenda | Resolutions of the Remuneration Committee | The Company's handling of the Remuneration Committee members' opinion |
|---|--|---|
| 2022 proposal for paying remuneration to directors and managerial personnel in 2023 | The proposal was approved by all committee members present at the meeting and presented to the Board of Director | The proposal was approved by all directors present without objection at the 7 th meeting of the 13 th Board of Director on February 20, 2023. |
| The Company has established the Corporate Governance Officer | | |

5th meeting of the 5th Remuneration Committee (August 3, 2023)

| Agenda | Resolutions of the Remuneration Committee | The Company's handling of the Remuneration Committee members' opinion |
|--|--|--|
| 2023 proposal for mid-year evaluation, adjustment and payment of managerial personnel's remuneration in cash | The proposal was approved by all committee members present at the meeting and presented to the Board of Director | The proposal was approved by all directors present without objection at the 8 th meeting of the 13 th Board of Director on August 3, 2023. |

6th meeting of the 5th Remuneration Committee (February 19, 2024)

| Agenda | Resolutions of the Remuneration Committee | The Company's handling of the Remuneration Committee members' opinion |
|---|--|--|
| 2023 proposal for paying remuneration to directors and managerial personnel in 2022 | The proposal was approved by all committee members present at the meeting and presented to the Board of Director | The proposal was approved by all directors present without objection at the 11 th meeting of the 13 th Board of Director on February 19, 2024. |

(V) Implementation status of the Sustainable Development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons:

| Status (Note 1) | | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof |
|---|-----|----|--|
| Evaluation Item | Yes | No | |
| I. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation? (The publicly listed company should report the implementation status, not the compliance or explanation.) | ✓ | | <p>The Company has built a team for promoting honest operations and social responsibilities. This team is affiliated to the Board of Director, where the Chairman shall act as a chairperson. The top department heads shall promote proposal and execution of policies, systems or related management policies for corporate sustainable development and particular promotion plans. The plans executed and corresponding outcomes are annually reported to the Board of Director, mainly including: (1) modifying objectives and policies about sustainability. (2) Supervising implementation of matters on sustainable operations, and assisting with promotion and execution.</p> <p>The Company's Board of Director regularly listen to related reports. The management unit must propose sustainability-related strategies to the Board of Director. The Board of Director must often review strategy progress, and urge the management unit to make adjustments when necessary.</p> |
| II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies? (Note 2) (The publicly listed company should report the implementation status, not the compliance or explanation.) | ✓ | | <p>The Board of Director shall be responsible for risks of the Company, and risk management shall be performed by the department heads and the Audit Office. The General Manager's Office shall conduct risk evaluation prior to implementation of operations strategies, in order that corporate strategies can realize related operational objectives. In case of material risk management, a report must be immediately made to department heads, the Audit Office, the General Manager, the Chairman and independent directors. Besides, a report shall be prepared for review, and a Board meeting shall be immediately convened. In the future, the Company will formulate risk management policies and procedures dependent upon situation, so as to establish a complete and effective risk management mechanism.</p> <p>In addition, the Company conducts risk evaluation regarding important topics based on significance of corporate social responsibilities. The risk evaluation hereunder covers performance in sustainable development of main strongholds (including important subsidiaries in Mainland China) in 2023. By consolidating related information of departments and subsidiaries, related risk management policies or strategies are formulated as follows based on risks existing after evaluation:</p> |

| Evaluation Item | Status (Note 1) | | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof | | |
|--|-----------------|----|------------------------------|--|---|---|
| | Yes | No | Summary description (Note 2) | | | |
| | | | | Major issue | Risk evaluation item | Risk management policy |
| | | | | Environmental | Environmental protection and workplace safety | 1. The Company's environmental quality management is performed based on RoHS, SONYSS-00259 and REACH 73. It has been certified by the ISO14001 environmental management system. 2. The Company annually and regularly performs public safety inspection, training programs on labor safety, in order to create safe and healthy work environment. |
| | | | | Social | Honest operations | The Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles, which have been approved by the Board of Director. The policies on honest operations are specified in these procedures. The team promoting honest operations and social responsibilities is responsible for formulating and supervising execution of policies for honest operations and preventive proposals, which are regularly reported to the Board of Director once a year. |
| | | | | Company governance | Legal compliance | Implement an internal control mechanism for ensuring that all of the Company's personnel and operations comply with relevant laws, rules and regulations. |
| III. Environmental Issues | | | | (I) The Company is a professional manufacturer of special ferrite cores, multilayer chip inductors/ beads for suppressing EMI. Its environmental quality management is performed in compliance with RoHS, SONYSS-00259 and REACH 73. It has been certified by ISO14001 environmental management system. In its raw materials, processes, products and services, it is dedicated to decreasing hazardous chemical substances, creating environment for sustainable operations, and developing products and services to the satisfaction of customers. | | |
| (I) Has the Company established an appropriate environmental management system based on its industry characteristics? | ✓ | | | Conformance | | |
| (II) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials? | ✓ | | | (II) The Company has been certified by the management system for QC08000 hazardous substances. It is also dedicated to increasing value of residues remaining in its production processes. It appropriately and separately stores wastes, and entrusts a waste treatment organization recognized by the Environmental Protection Department to clear the wastes. Internally, the Company classifies wastes and recycles resources. It continuously promotes measures for reducing, recycling and reusing wastes, for the purpose of decreasing wastes. | | |
| | | | | Conformance | | |

| Evaluation Item | Status (Note 1) | | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof | | | | | | | | | | | | |
|---|---------------------------|---|---|---|-------------|--------------------|---------------------|-----------------------|---------------------------|---|--|---|---|--|--|-------------|
| | Yes | No | Summary description (Note 2) | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| (III) Does the company evaluate the present and future potential risks and chances at that climate change brought on the company and take measures accordingly? | ✓ | | (III) The Company actively creates green supply chains and promotes production of green products in response to climatic changes. It sets objections on carbon emission reduction and fosters its abilities to respond and prevent disasters, to protect its business operations against climatic changes. A list of the Company's risks related to climatic changes is prepared as follows: <table><tr><th>Item</th><th>Orientation</th><th>Impact description</th><th>Responding measures</th></tr><tr><td rowspan="3">Climate-related risks</td><td rowspan="3">Increase in energy prices</td><td>Owing to requirements for decreasing greenhouse gases, the Company faces pressure in energy prices and improvement of equipment effectiveness. As a result, cost of energy utilization increases.</td><td>(1) Set annual measures for saving electricity (2) Promote measures for saving energy and reducing carbon emissions</td></tr><tr><td>Increase operating/manufacturing costs, fines, increased litigation cases, and asset impairment losses caused by policy changes</td><td>(1) Enhance awareness, education and training on laws and regulation (2) Continuously pay attention to and identify impacts of change trends of laws and regulations</td></tr><tr><td>Extreme climate events occur more frequently</td><td>(1) Implement a mechanism for handling major abnormalities (2) Continuously supervise suppliers' responsive</td></tr></table> | Item | Orientation | Impact description | Responding measures | Climate-related risks | Increase in energy prices | Owing to requirements for decreasing greenhouse gases, the Company faces pressure in energy prices and improvement of equipment effectiveness. As a result, cost of energy utilization increases. | (1) Set annual measures for saving electricity (2) Promote measures for saving energy and reducing carbon emissions | Increase operating/manufacturing costs, fines, increased litigation cases, and asset impairment losses caused by policy changes | (1) Enhance awareness, education and training on laws and regulation (2) Continuously pay attention to and identify impacts of change trends of laws and regulations | Extreme climate events occur more frequently | (1) Implement a mechanism for handling major abnormalities (2) Continuously supervise suppliers' responsive | Conformance |
| Item | Orientation | Impact description | Responding measures | | | | | | | | | | | | | |
| Climate-related risks | Increase in energy prices | Owing to requirements for decreasing greenhouse gases, the Company faces pressure in energy prices and improvement of equipment effectiveness. As a result, cost of energy utilization increases. | (1) Set annual measures for saving electricity (2) Promote measures for saving energy and reducing carbon emissions | | | | | | | | | | | | | |
| | | Increase operating/manufacturing costs, fines, increased litigation cases, and asset impairment losses caused by policy changes | (1) Enhance awareness, education and training on laws and regulation (2) Continuously pay attention to and identify impacts of change trends of laws and regulations | | | | | | | | | | | | | |
| | | Extreme climate events occur more frequently | (1) Implement a mechanism for handling major abnormalities (2) Continuously supervise suppliers' responsive | | | | | | | | | | | | | |

| Evaluation Item | Status (Note 1) | | | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof | | | | | | | |
|--|--|---|---|---|---|--|--|---|-------------------------------|--|---|---|
| | Yes | No | Summary description (Note 2) | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | <table><tr><td></td><td></td><td></td><td>planning and drills on extreme climate events</td></tr><tr><td>Climate-related opportunities</td><td>Market transformation/technology development</td><td>Develop low-carbon products and encourage suppliers to use low-carbon technical processes; create more opportunities for entering related markets</td><td>(1) Evaluate and develop low-carbon products and markets (2) Encourage suppliers to use low-carbon technologies and production processes</td></tr></table> | | | | planning and drills on extreme climate events | Climate-related opportunities | Market transformation/technology development | Develop low-carbon products and encourage suppliers to use low-carbon technical processes; create more opportunities for entering related markets | (1) Evaluate and develop low-carbon products and markets (2) Encourage suppliers to use low-carbon technologies and production processes |
| | | | planning and drills on extreme climate events | | | | | | | | | |
| Climate-related opportunities | Market transformation/technology development | Develop low-carbon products and encourage suppliers to use low-carbon technical processes; create more opportunities for entering related markets | (1) Evaluate and develop low-carbon products and markets (2) Encourage suppliers to use low-carbon technologies and production processes | | | | | | | | | |
| (IV) Does the Company prepare statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management? | ✓ | | | (IV) The Company annually performs greenhouse gas inventories of the Taiwan parent company to control total quantity of water and wastes. It announces related inventory results of the past two years on its website. It has started formulating strategies for saving energies, reducing carbon emissions and decreasing greenhouse gases in 2016. For the latest period, 2023 is taken as the base year, and planning is performed every four years. The Company plans to attain the goal of reducing carbon emissions by 1% per unit of operating revenue in 2027 to save electricity in an environment-friendly manner, in order to decrease harms to ecological environment. The total carbon emissions of the Taiwan headquarters decreased by 14.94% in 2023 compared to 2022. This reduction was attributed to decreased production capacity, leading to a corresponding decrease in energy consumption. Continuous monitoring of energy usage will be maintained in the future. The Company has adopted a strategy of reducing total waste volume and promoting waste resource utilization. Through measures such as process technology improvements and source management, the company aims to reduce waste volume per unit product by 3% by 2027 (with the year 2023 as the baseline). In FY2023, the Taiwan headquarters saw a decrease of 19.67% in general waste and a decrease of 20.16% in hazardous waste compared to FY2022. These reductions were driven by decreased production demand. To ensure proper waste management, the company regularly compares waste disposal and reuse practices with waste removal service providers. Additionally, efforts have been made to strengthen vendor audit effectiveness for better tracking and management. As to planning of water conservation, it will completely save water from daily lives, import a wastewater system into a recycling system, and utilize circulating water as process water to increase water production. It uses water resources available for | Conformance | | | | | | | |

| Evaluation Item | Status (Note 1) | | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof |
|--|-----------------|----|---|---|
| | Yes | No | Summary description (Note 2) | |
| | | | <p>creating greater benefits and plans to decrease its water consumption by 0.5% in 2027 (with 2023 as base year). Compared with 2022, its water consumption declined by 13.1% in 2023, and additional RO recovery system will be reused to save water. In addition, the Company has achieved specific promotion outcomes including mounting water-saving toilet devices, gradually replacing power-saving LED tubes, installing variable-frequency drives for air conditioner fans in factories, and amounting solar power generation equipment on factory roofs, in hope of reducing greenhouse gases, decreasing water use and cutting total quantity of wastes.</p> | |
| IV. Social Issues (1) Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights? | ✓ | | <p>(1) The Company has formulated work rules and related personnel management rules based on labor rules, so as to protect employees' rights and interests. It also refers to the International Declaration of Human Rights, respects internationally recognized labor and human rights, and develops appropriate management measures, in order not to harm fundamental rights of labor workers.</p> <p>1. Evaluation of human rights:</p> <p>In striving for sustainable operations, the Company also assumes social responsibilities for employees, consumers and general environment. To keep its commitment for providing safe and healthy workplaces, it sets operations of managerial personnel and occupational safety according to related laws and regulations. It also annually and regularly entrusts professional organizations to perform tests in the factory, and evaluate environmental risks of businesses.</p> <p>2. Concerns and practices on human rights:</p> <p>(1) Provide safe and healthy work environment: (2) The Company has been reviewed and verified by ISO 14001 (environmental management system). It provides safe work environment for its employees. (3) In addition to providing safe and healthy work environment in accordance with laws and regulations, the Company has also set up a special department in charge of occupational safety and health. It annually and regularly conducts education and training on safety, health and firefighting. It adopts necessary preventive measures to prevent disasters, so as to decrease risks of work environment, please refer to the "Protection Measures for Work Environment and Employee Occupational Safety" on pages 111~112 of the Labor Relations section.</p> <p>3. Specific measures for protecting human rights:</p> <p>The Company's employment policies have been formulated based on employment laws/regulations as well as laws on gender and employment equality. It never employs children or illegal labor workers and bans sexual harassment. It provides work environment for ensuring employees' equity/human rights and protecting them against discrimination. The Company's "Declaration on Prohibition of Workplace Violence, "Guidelines for the Prevention of Sexual Harassment Complaints and Investigations" have been posted on the Company's bulletin board and website for employees' reference. The Company also follows the "Guidelines for Prevention and Management</p> | Conformance |

| Evaluation Item | Status (Note 1) | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof | | | | | | |
|--|------------------------------|----|---|------------|--------------|--|--------|---|-----|
| | Yes | No | | | | | | | |
| | Summary description (Note 2) | | | | | | | | |
| | | | <p>of Unlawful Infringement in the Performance of Duties” published by the Occupational Safety and Health Administration of the Ministry of Labor to ensure that employees are protected from discrimination and harassment in 2023 occur.</p> <p>Statistics on the percentage of female employees in our company in FY2023:</p> <table><tr><th>Indicators</th><th>Percentage %</th></tr><tr><td>Women as a percentage of total employees (%)</td><td>63.59%</td></tr><tr><td>Percentage of female executives in management positions (%)</td><td>30%</td></tr></table> <p>Specific outcomes of the Company are as follows:</p> <p>(1) Inclusiveness and equal opportunities: No languages, attitudes or behaviors for differential treatment of employees because of their gender, race, social status, age, marital status, family conditions, language, religion, nationality, appearance, sense organs, physical or mental barriers, etc.</p> <p>(2) Reasonable working hours: In order to ensure that employees are not exposed to the risk of excessively long working hours, the Company specifies the working hours and extended working hours in the “Work Rules for Employees” in accordance with the Labor Standards Act, and regularly tracks and manages the attendance status of employees.</p> <p>(3) Healthy and safe workplaces: In order that its employees will not be exposed to risks of potential health impacts under their workplace environment, the Company performs health checks for its employees pursuant to related laws/regulations on workplace safety, and plan improvements based on annual health checks.</p> | Indicators | Percentage % | Women as a percentage of total employees (%) | 63.59% | Percentage of female executives in management positions (%) | 30% |
| Indicators | Percentage % | | | | | | | | |
| Women as a percentage of total employees (%) | 63.59% | | | | | | | | |
| Percentage of female executives in management positions (%) | 30% | | | | | | | | |
| (II) Does the company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome? | ✓ | | (II) The Company’s compensation rules are generally drafted based on employees’ positions, its business operations and market salary level within the industry. It increases salary or promotes those employees who perform well according to their work outcomes. In addition, it attaches great importance to workplace equality between male and female employees. It gives the same pay and promotion opportunities for the same work. Besides, the Company appropriately reviews its compensation rules from time to time, so as to balance its sustainable operations and risk control. For measures related to employee benefits, refresher training and retirement system, please refer to the section on labor relations in Chapter Five (Business Overview). | | | | | | |
| (III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | ✓ | | (III) Before they are fully trained, the new employees must not operate machines, and workplaces are mostly supervised by supervisors on site. Health and safety education programs are quarterly delivered. Professional medical practitioners are invited to provide resident consultations in the factory every two months, to ensure workplace safety. In addition, a health check is regularly performed for employees every year. | | | | | | |

| Evaluation Item | Status (Note 1) | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof |
|-----------------|------------------------------|----|--|
| | Yes | No | |
| | Summary description (Note 2) | | |
| | | | <p>Besides, special health check is conducted for employees engaged in special operations, to ensure employees' health.</p> <p>There was no fire and no fatalities to the Company in 2023. The fire prevention measures are as follows:</p> <ol style="list-style-type: none">1. Fire drills in the plant area on a semiannual basis.2. Conducting semiannual fire drills in the dormitories for migrant workers.3. Providing education and training on explosion hazards within the factory premises. <p>Additionally, the Company conducted fire safety drills for all employees two to four times per year, with a total of 260 participants in 2023. The total training hours amounted to 4 hours, aimed at enhancing personnel's emergency response capabilities. The Company also has a management system and a safety and health management system in place that comply with governmental safety and health regulations. Furthermore, the Company makes every effort to prevent and mitigate any obvious impacts that may cause environmental pollution, loss of safety, property damage, personal injury or illness. The Company sets targets for occupational safety and health risk control, energy and resource conservation, industrial waste reduction and risk control, and carries out continuous improvement measures to achieve a zero-hazard work environment for clean production. The frequency of incapacitating injuries was lower in FY2023 than in FY2022, with two occupational accidents involving two employees (0.98% of the total number of employees at the end of FY2023), regarding transportation-related injuries, there were 3 incidents reported in 2022, and none reported in 2023. Efforts will be continued to promote traffic safety awareness among employees. Additionally, two new occupational accidents were identified: The first an incident involving injuries caused by a press machine, which prompted reinforcement of education and training. It was emphasized that no one should reach into the machine without power being disconnected. The second involved an incident where a screwdriver slipped from the operator's hand while securing a barrel with screws, resulting in injury to nearby personnel. Measures to prevent such incidents include enhanced education and training, as well as posting warning signs such as "Maintain a safe operating distance during work" at the work site.</p> <p>Prevent occupational hazards. The management objectives of occupational hazards are workplace safety and no disaster. Low incidence of work-related injuries is one of key indicators for evaluating employees' health and safety. Therefore, the departments regularly patrols and audits workplace safety. All deficiencies detected are included in environmental safety and health management and tracking, to ensure improvement and prevent recurrence.</p> <p>The departments have formulated related management rules. Different types of occupational health and safety training is conducted pursuant to practical needs. In</p> |

| Evaluation Item | Status (Note 1) | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof |
|---|-----------------|----|---|
| | Yes | No | |
| | | | Summary description (Note 2) |
| | | | 2022, 766 employees received education and training. The total training hours were up to 101.5. In 2023, 875 employees underwent education and training. The total training hours were 157.5. In 2022, the Company sets automated external defibrillators (AED) to ensure that all employees could obtain necessary emergency rescue within the golden rescue deadline. Education and training programs are also irregularly performed to teach employees how to operate equipment. |
| (IV) Has the Company provided effective training in career planning for employees? | ✓ | | (IV) The Company attaches importance to employee training and development. To provide its employees with definite blueprints for their career development, the Company invests sufficient resources in training the employees. The Company plans its employees' training from their induction. It introduces its corporate policies, concepts for sustainable development and related policies. Subsequently, it provides training programs for the employees according to their functions. |
| (V) Regarding issues such as customer health and safety, customer privacy, and marketing and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer and customer protection policies and complaint procedures? | ✓ | | (V) The Company has disclosed phone number/email address for related complaints as well as related declaration rules on its website. It has developed channels for protecting consumer rights and interests, to safeguard related people's rights. In addition, the Business Department takes charge of handling customer complaints, and performs annual customer satisfaction survey as basis for continuous improvement. |
| (VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation? | ✓ | | (VI) The Company's Management Department has formulated Manufacturer Management Procedures, and adopts standards of the Electronic Industry Citizenship Coalition (EICC). According to the Company's requirements, manufacturers of its supplier chain shall satisfy conditions for environmental protection, safety, health, labor workers' human rights and labor work. All products delivered by the suppliers must conform to RoHS / SS-00259 (ten major hazardous substances) and HSF. Meanwhile, the suppliers shall provide third party certification reports. Only in this way can they become qualified suppliers of the Company, to ensure that the raw materials purchased satisfy the Company's requirements for green products, in order to stabilize quality and services of the Company's incoming materials, delivery quality and environmental management capabilities. The Company is also dedicated to making commitments to suppliers regarding sustainable development and striving to drive sustainable development in environmental protection. In addition, trading objects are evaluated based on if they have any records impacting environment and the society and in combination with international environmental laws and regulations as well as customer requirements as basis for deciding whether to conclude prior transactions for procurement. If any suppliers violate the Company's policies for sustainable development and impose significant impacts upon environment, in performing regular review of its suppliers, the Company will reduce its dealings with these suppliers, look for other suppliers as their substitutes, or directly ban them from making purchases. |

| Evaluation Item | Status (Note 1) | | Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof |
|---|-----------------|----|--|
| | Yes | No | |
| V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Is the above-mentioned report assured or certified by a third-party inspector? | | ✓ | The Company has not prepared any sustainability report, but it has strengthened its disclosure of its non-financial information and related data on its website for reference by related stakeholders. In the future, the sustainability reports will be also prepared according to situation. |
| VI. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the Principles: The Company has formulated the Code of Practice for Sustainable Development, and its business operations don't materially deviate from such code. | | | |
| VII. Other important information helpful for promoting sustainable development: 1. Environmental protection: Apart from keeping up with design and manufacturing trends, the Company regularly delivers its products to SGS to test concentration of hazardous substances in electrical and electronic equipment under RoHS according to RoHS, customers' and the Company's requirements for HSF, to ensure that its products comply with pertinent international laws/regulations and customer requirements. The Company has been also certified by ISO 9001 quality management system, IECQ QC080000 and ISO 14001 environmental management system. It undertakes to perform environmental protection laws/regulations and environmental protection policies on sustainable green production. It also enforces Waste Disposal Act, Water Pollution Control Act, Air Pollution Control Act, other laws and regulations to prevent and control pollution, in order to protect environmental quality. In addition, the Company has actively responded to governments' green energy policies. At the end of 2016, it took advantage of the factory's roof space to mount solar panels and power generation devices on the roofs. From 2017 to 2023, its total power generation was up to 3,235,487KWH. The Company has actually taken actions to support power generation with green energies, in order to make contributions to sustainable environmental development. 2. Community participation, social contribution, social services and social public welfare: The Company takes part in educational, public welfare and cultural activities to practice its social responsibilities. The outcomes it achieved in 2023 were as follows: Adoption of green spaces: The Company has adopted green spaces with an area of 260m ² , 7 street trees and related flower shrubs within Pingzhen Industrial Park for years, where the Company's manufacturing plant is located, thus making joint contributions to the greening of the industrial park. Consumer rights and interests: While understanding customer satisfaction, the Company ensures that it is favored by existing and potential customers. It improves its competitive strengths with active, swift and effective high-quality services. Encourage employees to participate in cultural and creative activities: The Company has signed a special contract with a well-known Taiwanese cultural and creative brand to encourage employees to participate in related activities during their leisure time. Support cultural and creative activities: The Company also actively participates in cultural and creative activities by setting up art corridors in public spaces and holding 6 painting exhibitions in FY2023, hoping to drive the development of the overall cultural and creative landscape in order to fulfill our corporate social responsibility. Talent recruitment: The Company attracts talented people through multiple recruitment channels, such as job banks and campus/county government recruitment activities. The Company gives priority to local talents in hiring, and our new employees are mainly from the Taoyuan area. The Company also provide a dormitory free of charge to employees who live in faraway places to take care of their living needs. 3. Human rights: All employees of the Company are given equal employment opportunities regardless of their gender, religion and faction. The Company has established Essential Points for Preventing, Complaining about, Investigating and Handling Public Sexual Harassments, to protect employees from discrimination and harassment. 4. Safety and health: The Company complies with governmental laws and regulations on labor workers' safety and health. It appoints labor and health safety managers to carry out safety and health work. Related details are specified in the code of work for labor safety and health. 5. Relationships with investors: The Company has set up "Investors" and "Interested Parties" on its website. It has set a window for contacting investors and disclosed related important information. It has also provided Q&A sets for investors' reference, to enhance investors' understanding of the Company. 6. Relationships with suppliers: The Company is devoted to introducing the concept of "green products". It systematically manages and tracks all raw materials it uses. It annually performs field or regular review of suppliers, to ensure quality of their incoming materials and environmental management capacity. | | | |

Note 1: If “yes” is ticked in respect of the execution, please specify adopted important policies, strategies, measures and their execution. In case that “no” is ticked with respect to the execution, please explain the deviation and the cause in the column on “Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Causes thereof”, and indicate the plan for implementing related policies, strategies and measures in the future. However, in relation to Promotion Items 1 and 2, listed companies should describe the governance and supervisory framework for ESG development, including but not limited to the management approach, strategy and goal setting, review measures, etc. Also, describe the Company’s risk management policies or strategies on environmental, social and corporate governance issues related to operations, and their evaluation.

Note 2: The principle of materiality refers to the fact where environmental, social and corporate governance issues pose a significant influence on the company’s investors and other interested parties.

Climate-related information for TWSE/TPEX-listed companies

1 Climate-related information implementation

| Item | Status of implementation |
|---|--|
| 1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management team. | <p>1. To assist the Board of Directors in continuously promoting risk assessment and response strategies across various aspects such as environmental, social, and corporate governance, towards the goal of sustainable operations, the Company has established the "Ethical Corporate Management and Social Responsibility Promotion Team" to promote sustainable management. This task force is responsible for driving various aspects of sustainable operations, with the Chairman serving as the chairperson. First-level managers in each department and unit are responsible for proposing and executing sustainable development policies, systems, or related management guidelines, as well as specific implementation plans.</p> |
| 2. Describe how the identified climate risks and opportunities affect the Company's business, strategy and finance (short-, medium-, and long-term). | <p>2. The Company conducts risk assessments on environmental, social, and corporate governance issues related to its operations based on significant principles, and formulates relevant risk management strategies. The Company's risks related to climate change are summarized as follows:</p> <p>(1) Energy/environmental regulatory requirements: As the Company's products are primarily exported, emerging climate regulations in international markets are expected to have a substantial impact on the company in the medium to long term. This includes adjustments to product strategy portfolios, compliance costs with environmental regulations, climate information analysis, and disclosure.</p> <p>(2) R&D investment: To support customers in adapting to medium- to long-term low-carbon transition roadmaps and the energy supply and demand environment, the Company has been continuously researching and adopting environmentally friendly materials in its products, which is expected to enhance the Company's green competitiveness in the long term.</p> <p>(3) Products and services: Factors such as energy transition policies, energy price fluctuations, and increasing customer sustainability awareness have already affected the Company's product design and R&D strategies. It is anticipated that this impact will become more significant in the future.</p> <p>(4) Value chain: Influenced by the green policies of regional and international major manufacturers, the Company faces pressure on rising energy prices and efforts to improve efficiency in its equipment usage, resulting in increased energy usage costs. In the short term, it is expected that demands for climate-related information assessment and disclosure from the demand side of the product will increase in frequency.</p> |
| 3. Describe the financial impact of extreme climate events and transition actions. | <p>3. The Company complies with domestic and international climate-related regulations and meets customer requirements related to climate transition risks. It is anticipated that compliance may lead to increased capital expenditure, direct and indirect operational costs, thereby impacting the Company's profitability. Extreme weather events such as typhoons and floods, if they directly impact operational sites and supply chains for raw materials, are expected to increase operational costs in the short term as efforts to restore basic operational modes and seek alternative suppliers are undertaken.</p> |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | <p>4. The Company reviews the latest trends of climate risks at home and abroad every year, identifies various risks that may affect the Company's operations and manages them, and takes appropriate countermeasures by integrating risk management into operating activities and daily management processes.</p> |
| 5. If a scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and main financial impacts used shall be described. | <p>The Company has not yet employed scenario analysis for this purpose.</p> |

| Item | Status of implementation |
|---|---|
| 6. If there are transition plans to manage climate-related risks, details of the plan, as well as indicators and goals used for identifying and managing physical and transition risks, should be described. | The Company has not yet established any relevant transition plans. |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated. | The Company has not yet adopted internal carbon pricing. |
| 8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be described. If utilizing carbon offsets or Renewable Energy Certificates (RECs) to achieve related goals, the source and quantity of carbon offset credits exchanged or the number of RECs should be clarified. | The Company has not yet set relevant targets. |
| 9. Greenhouse gas inventory and assurance status, as well as reduction goals, strategies, and concrete action plans (indicated in 1-1 and 1-2 separately). | The Company will promote the relevant operations in accordance with the Corporate Governance 3.0 -Sustainable Development Roadmap released by the Financial Supervisory Commission (FSC). |

1-1 The Company's Greenhouse Gas Inventory and Assurance in the Recent Two Years

1-1-1 Greenhouse Gas Inventory Information

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|--|
| Describe the greenhouse gas emission volume (tCO _{2e}), intensity (tCO _{2e} /NT\$ million), and data coverage for the most recent two years. |
| The Company is currently in the internal self-assessment phase. Subsequently, the Company will proceed with relevant operations in accordance with the schedule outlined in the Sustainable Development Roadmap 3.0 released by the FSC. |

Note 1: Direct emissions (Scope 1, direct GHG emissions that occur from sources that are controlled or owned by the company), energy indirect emissions (Scope 2, indirect GHG emissions associated with the purchase of electricity, steam, heat), and other indirect emissions (Scope 3, GHG emissions from activities of the company but not from sources owned or controlled by the company, such as emissions from suppliers or transportation).

Note 2: The scope of data regarding direct emissions and energy indirect emissions should be handled according to the schedule specified in Article 10, Paragraph 2 of the

Regulations Governing Information to be Published in Annual Reports of Public Companies (hereinafter referred to as the Regulations). Information on other indirect emissions may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: The Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or revenue. However, at least the data calculated based on revenue (in million NT\$) should be provided.

1-1-2 Greenhouse Gas Assurance Information

| |
|--|
| Describe the status of assurance in the last 2 years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, guidelines of assurance, and opinions of assurance. |
| The company is currently in the internal self-assessment phase and therefore, the subsequent operations related to the Sustainable Development Roadmap 3.0 issued by the FSC will be implemented accordingly. Hence, this provision is not applicable at this stage. |

Note 1: According to the provisions set forth in Article 10, Paragraph 2 of this guideline, if the company fails to obtain a complete assurance opinion on GHG emissions by the date of publication of the annual report, it should be noted that "Complete assurance information will be disclosed in the Sustainability Report." If the company has not prepared a Sustainability Report, it should be noted that "Complete assurance information will be disclosed on the Market Observation Post System," and the complete assurance information should be disclosed in the next year's annual report.

Note 2: The assurance institution should comply with the relevant provisions set forth by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) regarding assurance institutions in sustainability reports.

Note 3: Please refer to the Best Practice Reference Examples on the website of the Corporate Governance Center of Taiwan Stock Exchange for the disclosure content.

1-2 Greenhouse gas reduction goals, strategies and concrete action plans

| |
|--|
| Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of the reduction goals. |
| The company is currently in the internal self-assessment phase and therefore, the subsequent operations related to the Sustainable Development Roadmap 3.0 issued by the FSC will be implemented accordingly. Hence, this provision is not applicable at this stage. |

Note 1: It shall be handled in accordance with the schedule prescribed in Article 10, paragraph 2 of the guidelines.

Note 2: The base year should be the fiscal year in which the greenhouse gas inventory is completed within the scope of the consolidated financial statements. For example, according to the requirements specified in Article 10, Paragraph 2 of the Regulations, companies with a capital of over NT\$10 billion should complete the inventory for FY2024 by FY2025. Hence, the base year is FY2024. However, if the company completes the inventory of the consolidated financial statements earlier, it may use the earlier fiscal year as the base year. Additionally, data for the base year may be calculated as either a single fiscal year or as an average value over multiple fiscal years.

Note 3: Please refer to the Best Practice Reference Examples on the website of the Corporate Governance Center of Taiwan Stock Exchange for the disclosure content.

(VI) Ethical Corporate Management Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons

| Evaluation Item | Implementation Status | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|--|-----------------------|----|---|
| | Yes | No | |
| I. Establishment of ethical corporate management policies and programs | | | |
| (I) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management? | ✓ | | (I) The Company’s executive management always acts in good faith, and conducts businesses for maximizing benefits of shareholders and employees. The Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles, which have been approved by the Board of Director. The policies on honest operations are specified in these procedures. The team promoting honest operations and social responsibilities is responsible for formulating and supervising execution of policies for honest operations and preventive proposals, which are regularly reported to the Board of Director once a year. |
| (II) Does the Company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? | ✓ | | (II) The Company has formulated Procedures for Ethical Corporate Management Best Practice Principles and Whistle Blowing System. It has designated phone number and email address for the outsiders to file complaints. It is also specified that the Company, its directors, managerial personnel and employees must not offer or receive bribe, or provide illegal political contributions. Besides, the Company regularly reviews relatively risky behaviors, strengthens its preventive actions and reviews effectiveness of its preventive measures within its business scope. |
| (III) Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the existing practice? | ✓ | | (III) The Company has specified its proposal for preventing dishonest acts in the above rules. Its internal control mechanisms and sign-off procedures have covered preventive measures against dishonest behaviors, to ensure effective prevention and discovery of corruption. It also regularly reviews related measures and actively satisfies pertinent requirements for amendment of laws and regulations. |
| II. Fulfill operations integrity policy | | | |
| (I) Does the Company assess a trading counterpart’s ethical management record and expressly state the ethical management clause in the contract to be signed with the trading counterpart? | ✓ | | (I) Before conducting business practices with its agents, suppliers, customers and other business counterparties, the Company evaluates if these counterparties are lawful and whether any records have been kept in respect of their dishonest behaviors. It also includes honest operations in its business contracts. Suppliers of the Company shall also respect and comply with the Company’s moral standards and cultures. They must sign the Incorruption Commitment of KING CORE ELECTRONICS INC. If any supplier is found to have committed any illegal act, its transaction will be banned immediately, and pertinent necessary measures will be adopted to guarantee equality of transactions. |
| (II) Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised? | ✓ | | (II) The Company has formulated the Procedures for Ethical Corporate Management Best Practice Principles and designated a group for promoting honest operations and social responsibilities. The Chairman shall act as |

| Evaluation Item | Implementation Status | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| (III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (V) Does the Company hold education training in ethical corporate management inside and outside the Company on a regular basis? | ✓ | | convenor. The department personnel on duty shall perform related operations, including modification, execution, consultation, education and training of and about the Ethical Corporate Management Best Practice Principles. The execution results are annually presented to the Board of Director. (III) The Company has formulated the employee codes of conduct to ban its employees from using their powers or seizing chances in their positions or requiring money, articles or other illegitimate benefits, to prevent dishonest conducts. In concluding transactions with stakeholders, the Company shall not offer them any conditions more favorable than other similar objects. The Company also provides smooth communication channels (internal independent complaint mailbox, special line, etc.). Its employees can report via multiple channels or through management and the Personnel Department. (IV) The Company formulates rigorous accounting system and internal control system. It has special Accounting Department and appoints internal auditors. Annual audit is performed according to the annual audit plan to regularly audit execution and implementation. Besides, audit reports are prepared and presented to the Board of Director. |
| | ✓ | | Conformance |
| | ✓ | | Conformance |
| III. Operation of the integrity channel (I) Does the company have a specific accusation and reward system, establish a convenient accusation channel, and assign appropriate personnel to the accused person? (II) Has the company established the standard operating procedures for investigation of accused matters, follow-up measures after investigation and the relevant confidentiality mechanism? | ✓ | | (V) To advocate and promote honest acts, the Company conducts irregular education and training on the Code for Honest Operations by way of monthly meetings, announcements or department meetings, etc. Related rules are announced on the Company's website so that they may be looked up by the employees anytime. In 2023, the Company organized internal and external education and training related to ethical management issues (including promotion of laws and regulations, safety and health management, accounting systems, internal controls, and other related courses) in respect of 521 trainees for a total of 184 hours. |
| | ✓ | | (I) The Company has established a "Whistleblowing System" with an independent internal whistleblowing mailbox and hotline accessible through the Company's website and internal portal. Based on the severity of the reported incident, rewards may be granted at the Company's discretion. Employees can report issues through multiple channels, including written reports mailed to: No. 269, Nanfeng Rd., Pingzhen District, Taoyuan City, or through the whistleblowing mailbox at kc@mail.kingcore.com.tw. The email will automatically be forwarded to the Audit Supervisor. Employees can also report via the whistleblowing complaint hotline at 03-469-855 (extension to the Audit Supervisor's line). Reports received by the designated unit will be handled accordingly or forwarded to relevant management levels and HR units for further action. |
| | | | Conformance |

| Evaluation Item | Implementation Status | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|
| | Yes | No | |
| (III) Has the Company taken measures to protect whistle-blowers from retaliation due to reporting? | ✓ | | <p>(II) The Company shall keep the whistleblowers' identity and reports confidential according to the Procedures for Ethical Corporate Management Best Practice Principles and the Whistle Blowing System. The whistleblowers shall at least provide the following information:</p> <p>I. The whistleblowers' addresses, phone numbers and mailboxes can be acquired through their names and ID numbers.</p> <p>II. The informed party's name or other information sufficient to distinguish its identifying features;</p> <p>III. Specific facts available for investigation.</p> <p>The investigation unit shall conclude the investigation within three months after the case is filed. If an extension is deemed necessary before the deadline, the reason must be stated and submitted for approval by the Chairman. Upon completion of the investigation, if any illegal activities or unethical conduct are deemed to have occurred, disciplinary actions will be taken in accordance with the Company's personnel management regulation, or the case may be referred to judicial authorities for further investigation. All records of acceptance, the investigation process, and the investigation results shall be retained in either paper or electronic format for at least five years.</p> <p>(III) Related personnel of the Company coping with the reported matters shall declare in writing that they will keep the whistleblowers' identity and reports confidential. They shall undertake to protect the whistleblowers from being inappropriately punished for their whistle blowing. The Company did not receive any relevant whistleblowing reports in 2023.</p> |
| IV. Strengthening information disclosure (I) Does the company disclose the content and promotion effect of its ethical corporate management best-practice principles on its website and the MOPS? | ✓ | | <p>(I) To develop corporate cultures for honest operations and achieve sound development, the Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles and disclosed them in the special investor section of its website. In addition, it instantly, publicly and transparently discloses its news on MOPS in time.</p> |
| V. For the companies which have established corporate social responsibility code of conducts in accordance with the “Corporate Governance Best-Practice Principles for TWSE and TPEX Listed Companies”, please describe the current practices and any deviations from the code of conduct: The Company has formulated the Procedures for Ethical Corporate Management Best Practice Principles. Its business operations shall not materially deviate from these principles. | | | Conformance |
| VI. Other important information which helps to understand the implementation of the Company's ethical management: (E.g. the Review and amendment of the Company's Ethical Management Best Practice Principles): | | | Conformance |
| 1. Perform the obligation of abiding by laws and regulations towards the Public Service Department: The Company shall comply with the Company Act, Securities Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management. | | | |
| 2. Perform responsibilities for faithful transactions towards customers and suppliers: The Company has been consistently thanking and respecting the suppliers. All of its business transactions are equally and transparently concluded. All customers or suppliers are granted equal and reasonable interests to create a win-win situation. | | | |

| Evaluation Item | Implementation Status | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| | Summary description | | |
| <p>3. Perform responsibilities for honest operations towards shareholders: The Company loyally treats its shareholders with care. It instantly and fully disclose correct information, to create the highest value for all shareholders through robust business operations.</p> <p>4. Prevent directors, managerial personnel or staff from committing acts against good faith: The Company has formulated Management Procedures for Preventing Insider Trading, Rules of Procedure for Board of Directors’ meetings, Procedures for Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Whistle Blowing System and internal control system. It regularly educates/trains its staff and evaluate them regarding ethical practices, in order that the directors, managerial personnel or staff will loyally conduct businesses, avoid directly or indirectly undertaking to grant, require or receive illegitimate benefits in any form, including rebate, commission, fees for improving relationships, or otherwise prevent them from offering or receiving illegitimate benefits to or from customers, agents, contractors, suppliers, civil servants or other stakeholders.</p> <p>5. The Company’s organization of education and training for preventing insider trading: In 2023, the Company arranged 2 directors to participate in external training and education for preventing insider trading for 6 hours in total. The Company also irregularly sends educational and promotional materials related to insider trading to all directors and managerial personnel of the Company for reference by email.</p> | | | |

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed: Please refer to MOPS (<http://mops.twse.com.tw/> 公司治理) or the Company's website (<http://www.kingcore.com.tw>).

(VIII) Other important information that is sufficient to improve the understanding of corporate governance operations:

The Company has formulated Management Procedures for Preventing Insider Trading, Procedures for Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Corporate Governance Best-Practice Principles and Best-Practice Principles for Sustainable Development as criteria which shall be followed by directors, managerial personnel and employees when they act. The laws, regulations and orders, etc. which shall be followed by the Company's directors, managerial personnel and employees in respect of insider trading shall be specified as well.

(IX) Disclosure of internal control system

1. Internal Control Declaration:

KING CORE ELECTRONICS INC.

Internal Control Declaration:

Date: February 19, 2024

The Company hereby states the results of the self-evaluation of the internal control system for 2023 based on the findings of the self-assessment:

- I. King Core Electronics Inc. is fully aware that the board of directors and the managerial personnel are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of King Core Electronics Inc. is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- III. King Core Electronics Inc. has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (referred to as “the Regulations” hereinafter). The criteria defined in “the Regulations” include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to “the Regulations” for details.
- IV. King Core Electronics Inc. has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.
- V. Based on the examination results in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of subsidiaries), including design and implementation of the internal control system related to effectiveness and efficiency of operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure achievement of the foregoing goals.
- VI. The statement of Internal Control System is the main content of the Company’s annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.
- VII. This statement was approved by the Board of Director on February 19, 2024, and out of ten directors present, none posed objection to it, and all consented to the content expressed in this statement.

King Core Electronics Inc.

Chairman: Yang Cheng-Li

General Manager: Tsai Yuh-Chiang

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None.
- (X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholders' equity or securities prices, please disclose the penalty, main shortcomings, and condition of improvement: None.
- (XI) Resolutions reached in the shareholder's meeting or by the Board of Directors during the most recent year and up to the date of publication of the annual report:
1. Important matters resolved at the 2023 general shareholders' meeting (May 31, 2023):
 - (1) Ratification of 2022 Business Report and financial statements.
 - (2) Acknowledgment of 2022 earnings distribution proposal.
 - (3) Resolution for amending some Articles of Incorporation.
 - (4) Resolution for amending some Rules of Procedure for Shareholders' Meetings.
 2. Implementation of the resolutions of the shareholders' meeting:
 - (1) Ratification of 2022 Business Report and financial statements.
Implementation progress: Passed the resolution.
 - (2) Acknowledgment of 2022 earnings distribution proposal.
Implementation progress: It was resolved that August 15, 2023 should be base date for distribution, and August 29, 2023 should be payment date of cash dividends (NT\$ 1.5 per share to be distributed in cash). The distributions have been completed.
 - (3) Resolution for amending some articles of the Procedures for Acquisition or Disposal of Assets.
Implementation progress: A resolution was passed and actions were implemented according to the amended procedures.
 3. Important resolved matters of the Board of Director in 2023 and as of publication date of the annual report: The Company held a total of five Board of Directors' meetings in 2023 and as of publication date of the annual report. Important resolutions of the meetings are excerpted as follows:

7th meeting of the 13th Board of Director (February 20, 2023):

 - (1) Proposal for presentation of the Company's 2022 "Statement of Internal Control System" was approved by resolution.
 - (2) 2022 remuneration proposal for employees and directors was approved by resolution.
 - (3) Proposal on 2022 business report and financial statements was approved by resolution.
 - (4) 2021 earnings distribution proposal was approved by resolution.
 - (5) Resolved to approve the Company's 2023-year plant expansion plan.
 - (6) Resolved to approve the establishment of a Corporate Governance Officer for the Company.
 - (7) Proposal for amending the Company's Procedure for Articles of Incorporation was approved by resolution.
 - (8) Proposal for amending the Company's Procedure for Rules of Procedure for Shareholders' Meetings was approved by resolution.
 - (9) Resolved to adopt the proposed general policy for pre-approved non-assurance services of the Company.
 - (10) Resolved to approve the appointment of auditors and non-audit attesting accountants for FY2023 and the evaluation of independence of the Company.
 - (11) Proposal for convening 2023 general shareholders' meeting was approved by resolution.
 - (12) Proposal for applying to the First Commercial Bank for extending credit line was approved by resolution.

8th meeting of the 13th Board of Director (May 9, 2023):

- (1) Consolidated financial report of Q1, 2023 was approved by resolution.
- (2) Determination of base date for issuing new shares for increasing employee remuneration was approved by resolution.
- (3) Amendments to certain provisions of the Company's "Corporate Governance Best-Practice Principles."
- (4) Amendments to certain provisions of the Company's "Sustainable Development Best Practice Principles."

9th meeting of the 13th Board of Director (August 3, 2023):

- (1) Consolidated financial report of Q2, 2023 was approved by resolution.
- (2) Amendments to certain provisions of the Company's "Regulations Governing the Preparation of Financial Statements."
- (3) Matters resolved at the 5th meeting of the 5th Remuneration Committee were approved by resolution.

10th meeting of the 13th Board of Director (November 6, 2023):

- (1) Proposal on the Company's consolidated financial report of Q3, 2023 was approved by resolution.
- (2) 2024 audit plan of the Company was approved by resolution.

11th meeting of the 13th Board of Director (February 19, 2024):

- (1) Proposal for presentation of the Company's 2023 "Statement of Internal Control System" was approved by resolution.
- (2) 2023 remuneration proposal for employees and directors was approved by resolution.
- (3) Proposal on 2023 business report and financial statements was approved by resolution.
- (4) 2023 earnings distribution proposal was approved by resolution.
- (5) Amendments to certain provisions of the Company's "Rules of Procedure for Board of Directors Meetings" and "Organizational Rules Governing the Audit Committee" are proposed for discussion.
- (6) Resolved to adopt the proposed general policy for pre-approved non-assurance services of the Company.
- (7) Resolved to approve the appointment of auditors and non-audit attesting accountants for FY2024 and the evaluation of independence of the Company.
- (8) Re-election of directors.
- (9) The list of candidates for nominated directors and independent directors.
- (10) Removal of non-compete restrictions for newly appointed directors and their representatives
- (11) Proposal for convening 2024 general shareholders' meeting was approved by resolution.
- (12) Proposal for applying to the First Commercial Bank for extending credit line was approved by resolution.

(XII) If the directors' or supervisors have raised any objections on important resolutions of the Board of Director which have been documented or stated in writing in the last year and as of the publication and printing date of the annual report, the main content should be reported: None.

(XIII) If any resignation or dismissal of the Company's chairman, general manager, chief accounting officer, chief financial officer, chief internal audit officer, chief corporate governance officer, or chief research and development officer has occurred in the last year and as of the publication and printing date of the annual report, summary of such cases should be made: None.

V. Information on CPA professional fees

Information on CPA professional fees

Units: NT\$ thousand

| Title of the CPA agency Leader of EY Taiwan | Name of CPA | Audit period | Audit fee | Non-Audit fee | Total | Remark |
|--|---------------------------------|--------------|-----------|---------------|-------|--------|
| Ernst & Young, Taiwan | Lin Cheng-Wei Chen Kuo-Shuai | 2023 | 1,870 | 325 | 2,195 | - |

Please specify services not covered by non-audit fees in detail: (e.g. tax certification, authentication or other financial advisory services):

Services not covered by non-audit fees include business tax audit and certification, income tax audit and certification, and industrial and commercial registration and certification.

Note: If the Company changes accountants or the accounting firm in the current year, please present the audit period, indicate the reason for change in the remark column, and disclose information on paid audit/non-audit fees in order. For non-audit services, corresponding services shall be indicated in the notes.

(I) The non-audit fees paid to certified public accountants, the firm where such certified public accountants work and its affiliated enterprises account for more than a quarter of the audit fee: None.

(II) The Company changes its accounting firm and the amount of audit fees paid during the year in which the change is made are lower than those for the previous year: None.

(III) The amount of audit fees paid is lower than for the previous year by more than 10%: None.

VI. Replacement of certified public accountants:

(I) Former CPA: Not applicable.

(II) Succeeding CPA: Not applicable.

(III) Former CPA's reply to Point 3, Items 1 and 2, Subparagraph 5, Article 10 hereunder: Not applicable.

VII. Information on Chairman, General Manager, or financial or accounting managerial personnel of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to such firm in the past year: None.

VIII. The transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial personnel, or shareholder with a stake of more than 10% during the most recent fiscal year or as of the publication date of the annual report

(I) Equity transfer and pledge change of directors, supervisors, managerial personnel, and major shareholders

Unit: shares

| Position | Name | 2023 | | As of April 15, 2024 | |
|--|---|--|--|--|--|
| | | Increase (reduction) in the number of shares in possession | Increase (reduction) in the number of pledged stocks | Increase (reduction) in the number of shares in possession | Increase (reduction) in the number of pledged stocks |
| Chairman | Yang Cheng-Li | (806,000) | 0 | 0 | 0 |
| Vice Chairman | SHENG BAO INVESTMENT CORP. Legal representative: Chen Cheng-Han | (168,234) | 0 | (18,000) | 0 |
| Director | Chuang Yung-Shun | 0 | 0 | 0 | 0 |
| Director | Liu Ming-Hsiung | 0 | 0 | 0 | 0 |
| Director | Kuo Kun-Chang | 0 | 0 | 0 | 0 |
| Director | Hsieh Yu-Tien | 0 | 0 | 0 | 0 |
| Director | SHENG BAO INVESTMENT CORP. Legal representative: Shyu Lih-Hwa | 0 | 0 | 0 | 0 |
| Director | SHENG BAO INVESTMENT CORP. Legal representative: Tsai Yuh-Chiang | 14,954 | 0 | 0 | 0 |
| Independent Director | Huang Hsu-Nan | 0 | 0 | 0 | 0 |
| Independent Director | Wang Chia-Ho | 0 | 0 | 0 | 0 |
| Independent Director | Chan Yun-Hao | 0 | 0 | 0 | 0 |
| Vice General Manager of Manufacturing Department | Tseng Tseng-Chuan | 6,838 | 0 | (9,000) | 0 |
| Chief Financial Officer and Accounting | Yeh Mei-Ling | (801) | 0 | (7,000) | 0 |

| Position | Name | 2023 | | As of April 15, 2024 | |
|---|---------------|--|--|--|--|
| | | Increase (reduction) in the number of shares in possession | Increase (reduction) in the number of pledged stocks | Increase (reduction) in the number of shares in possession | Increase (reduction) in the number of pledged stocks |
| Officer | | | | | |
| Senior Director of R&D Department | Huang Yi-Hong | 1,959 | 0 | 0 | 0 |
| Senior Director of Quality Assurance Department | Wu Ping-Hsun | 3,731 | 0 | 0 | 0 |
| Senior Director of Management Department | Lin Yu-Chao | 8,456 | 0 | 0 | 0 |

(II) Information on equity transfer and stakeholders: None.

(III) Information on equity pledge and stakeholders: None.

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

April 1, 2024 (book closure date)

| Name (Note 1) | Shares in possession of the person | | No. of shares held by the spouse and minor children | | Shares in possession of the person registered under the name of a third-party | | Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3) | | Notes |
|---|------------------------------------|------------------------|---|-----------------------|---|------------------------|---|---|-------|
| | Quantity | Share holding rate (%) | Quantity | Shareholding rate (%) | Quantity | Share holding rate (%) | Name (or designation) | Relation | |
| SHENG BAO INVESTMENT CORP | 10,565,530 | 12.06 | 0 | 0.00 | 0 | 0.00 | Yang Cheng-Li Shyu Lih-Hwa Yang Tzyy-Shiuan | Director of the Company Director of the Company Director of the Company | |
| Representative of SHENG BAO INVESTMENT CORP.: Shyu Lih-Hwa | 48,012 | 0.05 | 2,989,391 | 3.41 | 0 | 0.00 | Yang Cheng-Li JIN BAO INVESTMENT CORP. Yang Tzyy-Shiuan | Spouse of the Company First-degree relatives | |
| JIN BAO INVESTMENT CORP. | 8,230,406 | 9.39 | 0 | 0.00 | 0 | 0.00 | Yang Cheng-Li Shyu Lih-Hwa Yang Tzyy-Shiuan | Director of the Company Director of the Company Director of the Company | |
| Representative of JIN BAO INVESTMENT CORP.: Yang Tzyy-Shiuan | 40,960 | 0.05 | 0 | 0.00 | 0 | 0.00 | Yang Cheng-Li Shyu Lih-Hwa SHENG BAO INVESTMENT CORP | First-degree relatives First-degree relatives Director of the Company | |
| Kitagawa Industries Co., Ltd. | 4,346,000 | 4.96 | 0 | 0 | 0 | 0 | None | None | |
| Yang Cheng-Li | 2,989,391 | 3.41 | 48,012 | 0.05 | 0 | 0 | Shyu Lih-Hwa SHENG BAO INVESTMENT CORP. JIN BAO INVESTMENT CORP. Yang Tzyy-Shiuan | Spouse of the Company Director of the Company First-degree relatives | |
| Kuo Kun-Chang | 2,944,353 | 3.36 | 0 | 0.00 | 0 | 0.00 | None | None | |
| Chuang Yung-Shun | 2,913,305 | 3.32 | 41,895 | 0.05 | 0 | 0.00 | None | None | |
| SHENG BAO INVESTMENT CORP. is entrusted by Yang Cheng-Li to manage his special trust property account | 2,300,000 | 2.62 | 0 | 0.00 | 0 | 0.00 | None | None | |

| Name (Note 1) | Shares in possession of the person | | No. of shares held by the spouse and minor children | | Shares in possession of the person registered under the name of a third-party | | Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3) | | Notes |
|--|------------------------------------|------------------------|---|-----------------------|---|------------------------|---|----------|-------|
| | Quantity | Share holding rate (%) | Quantity | Shareholding rate (%) | Quantity | Share holding rate (%) | Name (or designation) | Relation | |
| JIN BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account | 1,900,000 | 2.17 | 0 | 0.00 | 0 | 0.00 | None | None | |
| SHENG BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account | 1,600,000 | 1.83 | 0 | 0.00 | 0 | 0.00 | None | None | |
| Wang Ta-Jen | 1,468,725 | 1.68 | 0 | 0.00 | 0 | 0.00 | None | None | |

Note 1: All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

Note 2: The shareholding ratio is calculated, respectively, in the name of the shareholders, the shareholder's spouse and minor children, or shareholding of nominees.

Note 3: Relationships among the shareholders presented above, including legal and natural persons, will be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.

- X. Investments jointly held by the Company, the Company's directors, supervisors, managerial personnel, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

December 31, 2023 Unit: shares; %

| Investments in another company | Company's investment | | Held by Directors, Supervisors, Managerial Personnel, and Directly/Indirectly Controlled Businesses | | Total Investment | |
|--|----------------------|-----------------------|---|-----------------------|------------------|-----------------------|
| (Note) | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) | Quantity | Shareholding rate (%) |
| King Core (B.V.I.) Electronics Co., Ltd. | 5,600,000 | 100.00 | 0 | 0.00 | 5,600,000 | 100.00 |

Note: Investments of the Company accounted for under the equity method.

Four. Funding Status

I. Capital Stock and Shares

(I) Source of Capital Stock

April 1, 2024 (Unit: Shares; NT\$)

| Year and Month | Issuance price | Authorized share capital | | Paid-in Capital | | Notes | | |
|----------------|----------------|--------------------------|---------------|-----------------|-------------|---|---|---------|
| | | Shares | Amount | Shares | Amount | Source of share capital | Capital Increased by Assets Other than Cash | Others |
| 1995.02 | 1,000 | 85,000 | 85,000,000 | 85,000 | 85,000,000 | Capital increase in cash by NT\$ 70,000,000 | None | - |
| 1997.12 | 1,000 | 144,500 | 144,500,000 | 144,500 | 144,500,000 | Capital increase out of cash NT\$ 59,500,000 | None | Note 1 |
| 1999.10 | 10 | 17,340,000 | 173,400,000 | 17,340,000 | 173,400,000 | Capital increase out of earnings NT\$ 28,900,000 | None | Note 2 |
| 2000.08 | 10 | 24,000,000 | 240,000,000 | 24,000,000 | 240,000,000 | Capital increase out of earnings and employees' bonus NT\$ 54,831,000 Capital increase out of cash NT\$ 11,769,000 | None | Note 3 |
| 2001.05 | 10 | 38,500,000 | 385,000,000 | 32,000,000 | 320,000,000 | Capital increase out of earnings and employees' bonus NT\$ 80,000,000 | None | Note 4 |
| 2002.07 | 10 | 67,000,000 | 670,000,000 | 37,200,000 | 372,000,000 | Capital increase out of earnings and employees' bonus NT\$52,000,000 | None | Note 5 |
| 2003.07 | 10 | 67,000,000 | 670,000,000 | 43,230,000 | 432,300,000 | Capital increase out of earnings and employees' bonus NT\$ 60,300,000 | None | Note 6 |
| 2004.01 | 10 | 67,000,000 | 670,000,000 | 43,261,976 | 432,619,760 | Share capital converted from corporate bonds amounting to NT\$ 319,760 | None | Note 7 |
| 2004.04 | 10 | 67,000,000 | 670,000,000 | 43,267,789 | 432,677,890 | Share capital converted from corporate bonds amounting to NT\$ 58,130 | None | Note 8 |
| 2004.09 | 10 | 67,000,000 | 670,000,000 | 50,207,957 | 502,079,570 | Capital increase out of earnings and employees' bonus NT\$ 69,401,680 | None | Note 9 |
| 2005.07 | 10 | 100,000,000 | 1,000,000,000 | 60,849,548 | 608,495,480 | Capital increase out of earnings and employees' bonus NT\$ 106,415,910 | None | Note 10 |
| 2005.10 | 10 | 100,000,000 | 1,000,000,000 | 60,898,727 | 608,987,270 | Share capital converted from corporate bonds amounting to NT\$ 491,790 | None | Note 11 |
| 2006.04 | 10 | 100,000,000 | 1,000,000,000 | 62,361,836 | 623,618,360 | Share capital converted from corporate bonds amounting to NT\$ 14,631,090 | None | Note 12 |
| 2006.09 | 10 | 100,000,000 | 1,000,000,000 | 66,063,534 | 660,635,340 | Capital increase out of earnings and employees' bonus NT\$ 37,016,980 | None | Note 13 |
| 2007.02 | 10 | 100,000,000 | 1,000,000,000 | 66,654,832 | 666,548,320 | Share capital converted from corporate bonds amounting to NT\$ 5,912,980 | None | Note 14 |
| 2007.04 | 10 | 100,000,000 | 1,000,000,000 | 66,741,788 | 667,417,880 | Share capital converted | None | Note 15 |

| Year and Month | Issuance price | Authorized share capital | | Paid-in Capital | | Notes | | |
|----------------|----------------|--------------------------|---------------|-----------------|-------------|--|---|---------|
| | | Shares | Amount | Shares | Amount | Source of share capital | Capital Increased by Assets Other than Cash | Others |
| | | | | | | from corporate bonds amounting to NT\$ 869,560 | | |
| 2007.07 | 10 | 100,000,000 | 1,000,000,000 | 71,576,557 | 715,765,570 | Share capital converted from corporate bonds amounting to NT\$ 48,347,690 | None | Note 16 |
| 2007.08 | 10 | 100,000,000 | 1,000,000,000 | 72,195,388 | 721,953,880 | Share capital converted from corporate bonds by NT\$ 6,188,310 | None | Note 17 |
| 2007.10 | 10 | 100,000,000 | 1,000,000,000 | 74,897,641 | 748,976,410 | Capital increase out of earnings and employees' bonus by NT\$ 27,022,530 | None | Note 18 |
| 2008.09 | 10 | 100,000,000 | 1,000,000,000 | 77,095,594 | 770,955,940 | Capital increase out of earnings and employees' bonus by NT\$ 21,979,530 | None | Note 19 |
| 2009.09 | 10 | 100,000,000 | 1,000,000,000 | 78,378,952 | 783,789,520 | Capital increase out of earnings and employees' bonus by NT\$ 12,833,580 | None | Note 20 |
| 2010.10 | 10 | 100,000,000 | 1,000,000,000 | 79,626,686 | 796,266,860 | Capital increase out of earnings and employees' bonus by NT\$ 12,477,340 | None | Note 21 |
| 2011.09 | 10 | 100,000,000 | 1,000,000,000 | 80,733,652 | 807,336,520 | Capital increase out of earnings and employees' bonus by NT\$ 11,069,660 | None | Note 22 |
| 2012.09 | 10 | 100,000,000 | 1,000,000,000 | 81,779,292 | 817,792,920 | Capital increase out of earnings and employees' bonus by NT\$ 10,456,400 | None | Note 23 |
| 2013.09 | 10 | 100,000,000 | 1,000,000,000 | 82,921,604 | 829,216,040 | Capital increase out of earnings and employees' bonus by NT\$ 11,423,120 | None | Note 24 |
| 2014.09 | 10 | 100,000,000 | 1,000,000,000 | 83,992,368 | 839,923,680 | Capital increase out of earnings and employees' bonus by NT\$ 10,707,640 | None | Note 25 |
| 2015.07 | 10 | 100,000,000 | 1,000,000,000 | 85,096,465 | 850,964,650 | Capital increase out of earnings and employees' bonus by NT\$ 11,040,970 | None | Note 26 |
| 2016.07 | 10 | 100,000,000 | 1,000,000,000 | 85,884,163 | 858,841,630 | Capital increase out of earnings and employees' remuneration by NT\$ 7,876,980 | None | Note 27 |
| 2017.07 | 10 | 100,000,000 | 1,000,000,000 | 86,168,006 | 861,680,060 | Capital increase out of employee remuneration by NT\$ 2,838,430 | None | Note 28 |
| 2018.08 | 10 | 100,000,000 | 1,000,000,000 | 86,290,569 | 862,905,690 | Capital increase out of employee remuneration by NT\$ 1,225,630 | None | Note 29 |
| 2019.07 | 10 | 100,000,000 | 1,000,000,000 | 86,667,589 | 866,675,890 | Capital increase out of employee remuneration: NT\$ 3,770,200 | None | Note 30 |
| 2020.08 | 10 | 100,000,000 | 1,000,000,000 | 86,842,657 | 868,426,570 | Capital increase out of employee remuneration by NT\$ 1,750,680 | None | Note 31 |
| 2021.10 | 10 | 100,000,000 | 1,000,000,000 | 86,920,392 | 869,203,920 | Capital increase out of employee remuneration by NT\$ 777,350 | None | Note 32 |

| Year and Month | Issuance price | Authorized share capital | | Paid-in Capital | | Notes | | |
|----------------|----------------|--------------------------|---------------|-----------------|-------------|---|---|---------|
| | | Shares | Amount | Shares | Amount | Source of share capital | Capital Increased by Assets Other than Cash | Others |
| 2022.07 | 10 | 100,000,000 | 1,000,000,000 | 87,147,722 | 871,477,220 | Capital increase out of employee remuneration by NT\$ 2,273,300 | None | Note 33 |
| 2023.09 | 10 | 100,000,000 | 1,000,000,000 | 87,639,056 | 876,390,560 | Capital increase out of employee remuneration by NT\$ 4,913,340 | None | Note 34 |

Note 1: Approved by (86) No.126748 business letter on December 31, 1997.

Note 2: Approved by (088) No.138351 business letter on November 1, 1999.

Note 3: Declaration (89) Tai-Cai-Zheng (1) No.51641 took effect on June 23, 2000.

Note 4: Declaration (90) Tai-Cai-Zheng (1) No.11185 took effect on April 30, 2001.

Note 5: Declaration (91) Tai-Cai-Zheng (1) No.0910136218 took effect on July 2, 2002.

Note 6: Tai-Cai-Zheng-I-Zi No.0920125109 dated June 9, 2003.

Note 7: Approved by Jin-Shou-Zhong-Zi No.09331573780 letter on January 20, 2004.

Note 8: Approved by Jin-Shou-Zhong-Zi No.09332057260 letter on April 30, 2004.

Note 9: Approved by Jin-Shou-Shang-Zi No. 09301173490 letter on September 10, 2004.

Note 10: Approved by Jin-Shou-Shang-Zi No. 09401141760 letter on July 25, 2005.

Note 11: Approved by Jin-Shou-Shang-Zi No. 09401206630 letter on October 26, 2005.

Note 12: Approved by Jin-Shou-Shang-Zi No. 09501069760 letter on April 18, 2006.

Note 13: Approved by Jin-Shou-Shang-Zi No. 09501218120 letter on September 28, 2006.

Note 14: Approved by Jin-Shou-Shang-Zi No.09601024290 letter on February 1, 2007.

Note 15: Approved by Jin-Shou-Shang-Zi No.09601080730 letter on April 17, 2007.

Note 16: Approved by Jin-Shou-Shang-Zi No.09601167960 letter on July 19, 2007.

Note 17: Approved by Jin-Shou-Shang-Zi No.09601214700 letter on August 31, 2007.

Note 18: Approved by Jin-Shou-Shang-Zi No.09601239390 letter on October 2, 2007.

Note 19: Approved by Jin-Shou-Shang-Zi No.09701247270 letter on September 24, 2008.

Note 20: Approved by Jin-Shou-Shang-Zi No.09801216070 letter on September 18, 2009.

Note 21: Approved by Jin-Shou-Shang-Zi No.09901229790 letter on October 13, 2010.

Note 22: Approved by Jin-Shou-Shang-Zi No.10001222790 letter on September 28, 2011.

Note 23: Approved by Jin-Shou-Shang-Zi No.10101201320 letter on September 27, 2012.

Note 24: Approved by Jin-Shou-Shang-Zi No.10201191780 letter on September 14, 2013.

Note 25: Approved by Jin-Shou-Shang-Zi No.10301191080 letter on September 12, 2014.

Note 26: Approved by Jin-Shou-Shang-Zi No.10401153930 letter on July 29, 2015.

Note 27: Approved by Jin-Shou-Shang-Zi No.10501158260 letter on July 18, 2016.

Note 28: Approved by Jin-Shou-Shang-Zi No.10601095840 letter on July 13, 2017.

Note 29: Approved by Jin-Shou-Shang-Zi No.10701090970 letter on August 3, 2018.

Note 30: Approved by Jin-Shou-Shang-Zi No.10801086140 letter on July 19, 2019.

Note 31: Approved by Jin-Shou-Shang-Zi No.10901142530 letter on August 18, 2020.

Note 32: Approved by Jin-Shou-Shang-Zi No.11001180400 letter on October 5, 2021.

Note 33: Approved by Jin-Shou-Shang-Zi No.11101127160 letter on July 7, 2022.

Note 34: Approved by Jin-Shou-Shang-Zi No.11230164860 letter on September 6, 2023.

April 1, 2024 Unit: shares

| Shares Types | Authorized share capital | | | Notes |
|-----------------|---------------------------|-----------------|-------------|---------------|
| | Outstanding shares (Note) | Unissued shares | Total | |
| Common shares | 87,639,056 | 12,360,944 | 100,000,000 | Listed stocks |

Note: Placement and issuance of negotiable securities according to general declaration rules with approval: None.

(II) Composition of shareholders

April 1, 2024 (book closure date)

| Composition of Shareholders Number | Government institutions | Financial organization | Other Corporate shareholders | Foreign Institutions and overseas investors | Individuals | Total |
|---------------------------------------|-------------------------|------------------------|------------------------------|---|-------------|-------|
| Number | 0 | 3 | 18 | 7,390 | 22 | 7,433 |

| | | | | | | |
|--------------------------------|------|-----------|------------|------------|-----------|------------|
| Number of shares in possession | 0 | 3,910,000 | 22,340,750 | 55,425,533 | 5,962,773 | 87,639,056 |
| Shareholding rate (%) | 0.00 | 4.46 | 25.49 | 63.24 | 6.80 | 100.00 |

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

(III) Diversification of equity

April 1, 2024 (book closure date)

| Share class | Number of Shareholders | Number of shares in possession | Shareholding rate (%) |
|--------------------------|------------------------|--------------------------------|-----------------------|
| 1 to 999 | 1,657 | 211,655 | 0.24% |
| 1,000 to 5,000 | 4,514 | 9,193,845 | 10.49% |
| 5,001 to 10,000 | 664 | 5,366,762 | 6.12% |
| 10,001 to 15,000 | 197 | 2,563,614 | 2.93% |
| 15,001 to 20,000 | 134 | 2,515,033 | 2.87% |
| 20,001 to 30,000 | 99 | 2,521,544 | 2.88% |
| 30,001 to 40,000 | 42 | 1,512,892 | 1.73% |
| 40,001 to 50,000 | 27 | 1,257,476 | 1.43% |
| 50,001 to 100,000 | 43 | 2,933,212 | 3.35% |
| 100,001 to 200,000 | 21 | 2,852,651 | 3.25% |
| 200,001 to 400,000 | 8 | 2,112,198 | 2.41% |
| 400,001 to 600,000 | 4 | 2,047,736 | 2.34% |
| 600,001 to 800,000 | 3 | 2,091,225 | 2.39% |
| 800,001 to 1,000,000 | 2 | 1,658,906 | 1.89% |
| 1,000,001 to 999,999,999 | 18 | 48,800,307 | 55.68% |
| Total | 7,433 | 87,639,056 | 100.00% |

(IV) Roster of Major Shareholders

April 1, 2024 (book closure date)

| Name of Major Shareholders | Shares | Number of shares in possession | Shareholding rate (%) |
|---|--------|--------------------------------|-----------------------|
| SHENG BAO INVESTMENT CORP. | | 10,565,530 | 12.06% |
| JIN BAO INVESTMENT CORP. | | 8,230,406 | 9.39% |
| Kitagawa Industries Co., Ltd. | | 4,346,000 | 4.96% |
| Yang Cheng-Li | | 2,989,391 | 3.41% |
| Kuo Kun-Chang | | 2,944,353 | 3.36% |
| Chuang Yung-Shun | | 2,913,305 | 3.32% |
| SHENG BAO INVESTMENT CORP. is entrusted by Yang Cheng-Li to manage his special trust property account | | 2,300,000 | 2.62% |
| JIN BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account | | 1,900,000 | 2.17% |
| SHENG BAO INVESTMENT CORP. is entrusted by Shyu | | 1,600,000 | 1.83% |

| Name of Major Shareholders | Number of shares in possession | Shareholding rate (%) |
|--|--------------------------------|-----------------------|
| Lih-Hwa to manage her special trust property account | | |
| Wang Ta-Jen | 1,468,725 | 1.68% |

(V) Information on market value, net value, earnings and dividends per share, etc. in the past two years and as of the publication/printing date of the annual report

Unit: NT\$; share

| Item | | | Year | 2022 | 2023 | As of April 15, 2024 |
|----------------------------------|---|-------------------------------------|------|---------------|---------------|----------------------|
| Market value per share (Note 1) | High | Before retrospective adjustment | | 27.45 | 29.7 | 30.6 |
| | | After retrospective adjustment | | 25.95 | (Note 8) | - |
| | Low | Before retrospective adjustment | | 19.9 | 22.85 | 25.5 |
| | | After retrospective adjustment | | 18.4 | (Note 8) | - |
| | Average | Before retrospective adjustment | | 23.00 | 26.32 | 26.78 |
| | | After retrospective adjustment | | 21.5 | (Note 8) | - |
| Net value per share | Before distribution | | | 17.60 | 17.20 | - |
| | After distribution (Note 2) | | | Undistributed | Undistributed | - |
| EPS | Weighted average number of shares (thousand shares) | | | 87,116 | 87,572 | - |
| | EPS | Before adjustment | | 2.19 | 0.85 | - |
| | | After adjustment (Note 3) | | 2.17 | (Note 8) | - |
| Dividends per share | Cash dividends | | | 1.5 | (Note 8) | - |
| | Stock dividends | Earnings | | - | (Note 8) | - |
| | | Capital surplus shares distribution | | - | (Note 8) | - |
| | Accumulated unpaid dividends (Note 4) | | | - | - | - |
| Return analysis | Price-earnings ratio (Note 5) | | | 10.5 | 30.96 | - |
| | Price-dividend ratio (Note 6) | | | 15.33 | (Note 8) | - |
| | Cash dividend yield (Note 7) | | | 6.52 | (Note 8) | - |

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: List the highest and lowest market price of common shares in each year and calculate the annual average market price in accordance with the annual trading value and volume.

Note 2: Please fill in the form based on the number of outstanding shares at the end of the year and the distribution resolved by the Board of Director or resolved by the annual shareholders' meeting of the following year.

Note 3: Where stock dividends were issued, EPS shall be disclosed in amounts before and after retrospective adjustments.

Note 4: If the equity securities issuance is subject to the preconditions of having the dividend not yet paid for the year accumulated to a profitable year, the cumulative unpaid dividends up to the year is to be disclosed separately.

Note 5: Price-earnings ratio=Average closing price per share in current year / EPS.

Note 6: Price-dividend ratio =Average closing price per share in current year / cash dividend per share.

Note 7: Cash dividend yield=Cash dividend per share/average closing price per share in current year.

Note 8: To be finalized after a resolution is passed by the Board of Director.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

If the Company has a profit in the current accounting period, it shall first lawfully pay the taxes, make up any losses from the past years and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the total amount of the Company paid-in capital.

After special earnings are appropriated or reversed according to the laws, regulations and rules of competent authorities, 10% (including the figure) to 100% of the total amount of undistributed earnings accumulated in the past years and those of the current year shall be appropriated and distributed to shareholders as dividends with the approval of the shareholders'

meeting.

At present, the Company is in a mature industry. It shall distribute dividends in cash or by way of stocks. It shall measure its capital demand and capital structure in the next years. Its cash dividends shall not be below 10% of the shareholders' total dividends that year.

2. Proposed dividend distribution in the current year (2023)

The earnings distribution for 2023 was approved by the Board of Director on February 19, 2024, but not approved by 2024 general shareholders' meeting. The earnings distribution by the Board of Director is hereby presented as follows:

Dividend distribution to shareholders: In the current year, it is resolved that NT\$ 74,493 thousand will be distributed as cash dividends. In other words, NT\$ 0.85 per share will be distributed.

(VII) Impacts of proposed share allotment on the Company's business performance and EPS in the current year (2023)

This is not applicable, because it was proposed at this shareholders' meeting that cash dividends would be fully distributed.

(VIII) Remuneration for employees, directors and supervisors

1. Proportion or scope of remuneration for the employees, directors, and supervisors specified in the Articles of Incorporation:

- (1) Remuneration for directors: No more than 2% of that year's profit (namely pre-tax profit before deduction of remuneration for employees and directors) shall be appropriated as remuneration for employees.
- (2) Employee remuneration: 5% to 10% of the current year's profit (namely pre-tax profit before deduction of remuneration for employees and directors) shall be appropriated as employee remuneration, but where the Company has accumulated losses, certain amount of the profit shall be retained for loss recovery. The aforementioned employee remuneration shall be determined by the Board of Director based on fulfillment of targets on net operating benefits and performances. It shall be distributed in the form of stocks or in cash. It shall be paid to affiliates' employees who satisfy the conditions specified by the Board of Director or its authorized person.
- (3) Remuneration for supervisors: The Company has built an Audit Committee in place of the supervisor system, so this is inapplicable.

2. Basis for estimating amount of remuneration for employees, directors and supervisors, basis for calculating shares to be distributed as employee remuneration, and accounting performed when actual distributed amount differs from the estimate

In case of any difference between actual distributed amount and estimate, it will be accounted as change in accounting estimate, included in profit (loss) of the following year.

3. Remuneration distribution approved by the Board of Director:

(1) Employees' and directors' remuneration paid in cash or stock distribution:

① Employee remuneration: It was resolved by the Board of Director of the Company that NT\$ 4,686,270 (5% of the current year's profit) would be paid as employee compensation in 2023 by issuing new shares.

② Directors' remuneration: According to the Articles of Incorporation, the Board of Director of the Company resolved to distribute NT\$ 1,405,880 (approximately accounting for 1.5% of the current year's profit) as directors' remuneration in 2023. Directors' remuneration will be paid in cash.

The amount of directors' and employee remuneration distributed in 2023 as resolved by the Company's Board of Director does not differ from the accounting estimate.

- (2) The amount of employee remuneration distributed by stocks and its proportion to the total after-tax operating gross profit and total employee remuneration in the parent only financial report for the current period:

The amount of employee remuneration paid by stocks is up to NT\$ 4,686,270. It accounts for 6.27% of the net after-tax profit and 100% of total employee remuneration indicated in the 2023 parent only financial report. Calculated based on the closing market price of NT\$ 27.2 for issuing new shares on the day before this Board of Director meeting, 172,289 shares are issued in respect of NT\$ 4,686,270, and employee remuneration in respect of fractional shares amounting to NT\$ 10 will be paid in cash.

4. Actual distribution of remuneration for employees and directors in the preceding year (2022) is as follows:

| Item | February 20,2023 Resolved by the Board of Director | Accounted amount in the 2022 financial report | Difference | Cause of variance |
|------------------------------|--|--|------------|----------------------|
| Remuneration to Directors | 3,736,596 | 3,736,596 | - | - |
| Employee compensation | 12,455,320 | 12,455,320 | - | - |

Descriptions on difference: NT\$ 12,455,320 was actually appropriated from earnings as employee remuneration in 2022 (Based on the closing market price of NT\$ 25.35 on the day before the resolution date of the Board of Director, 491,334 shares were distributed, and employee remuneration in respect of fractional shares amounting to NT\$ 4 were paid in cash); directors' remuneration was NT\$ 3,736,596. No difference existed between the amount presented in the 2022 financial report and the distributed amount resolved by the Board of Director.

(IX) The Company's repurchase of its shares: None.

II. Disclosure relating to corporate bonds: None.

III. Disclosure relating to preference shares: None.

IV. Disclosure relating to depository receipts: None.

V. Status of employee stock options: None.

VI. Handling of restricted stock awards: None.

VII. M&A or receipt of new shares issued by other companies: None.

VIII. Implementation of capital utilization plan: None.

Chapter V. Business Overview

I. Business Contents

(I) Business activities

1. Businesses of the Company are as follows:

Manufacturing, processing and trading of soft ferrites, magnetic ferrite cores, flyback converters, convergence coils, delay-line filter, electromagnetic components, particulate coils, common mode choke, other coils, antenna-related products, multilayer chip inductors, chip beads, bead arrays, high frequency ceramic chip inductors, different types of inductors for communication, products related to EMI solutions and converters, etc.

Import and export of aforementioned products.

Distribution, bidding and quotation for said products on behalf of domestic and foreign suppliers.

2. Weight of business activities

Ratio of the Company's product businesses in 2023: Unit: %

| Item | Key usages | Percentage |
|---------------|---|------------|
| Ferrite cores | Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc. | 52.01% |
| Chips | Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, cellphones, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc. | 25.53% |
| Coils | Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, cellphones, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc. | 10.55% |

3. Current goods (services)

Manufacturing and sales of different flexible ferrite cores, absorber materials.

Manufacturing and sales of multi-layer chips and bead inductors.

Manufacturing and sales of wire-wound inductors and choke coils.

Trading of aforementioned products.

4. New products (services) under planning for development

Wire-wound common mode choke inductors for communication (resistance to high current) for vehicles and Internet of things

High-frequency antennas

Chip inductors resistant to high current

Iron-based power inductors resistant to high current

Customized power inductors (high inductance and resistant to high current) for vehicles and Internet of things

HDMI 2.0/USB3.2 common mode choke for high speed

HDMI 2.1/USB4.0/5-8K TV common mode choke for high speed

Composite material filters, multi-layer coils

SMD-Type Beads (Bead)

High-frequency and high-impedance multi-layer chip materials

High-frequency EMI resistant materials

Wireless inductive antennas, wireless inductive charging coils
NFC, magnetic sheet material for wireless charging and high-freq. wave absorption applications

(II) Overview of industry

1. Status quo and development of the industry

Elements of electronic products may be classified into two major categories, including electronic elements with functions for data calculation and operation, which are called active elements, including various IC chips. Other elements which perform no operation of passing current signals or without ability to give commands, but only adjust intensity of current signals, or procure current signals to pass or not to pass are categorized as passive elements, mainly including resistors, capacitors and inductors.

Downstream products of passive elements are used fairly widely. They are indispensable and critical components for manufacturers of electronics, electric appliances, automatic equipment and automotive electronics in their manufacturing processes.

Inductors of passive elements are designed based on electromagnetic inductance principles. They mainly function for preventing interference of electromagnetic waves, filtering current spikes and stabilizing current. There is a great variety of products, which are mainly classified into three categories, namely ferrite cores, coils and chip inductors. In terms of global inductor market share, European Union, Mainland China and Japan are still countries with the biggest production scale. However, in recent years, due to the US-China trade war, geopolitics, China's COVID-19 pandemic control measures, the US's plan to revitalize American manufacturing and the Russia-Ukraine war, the overall Chinese market has slowed down, and downstream assembly operators in the EU, the US and Japan have moved out to lower-cost countries such as Southeast Asia, India, and Central and South America, so the market size has evolved.

Nevertheless, development of smart appliances, wireless communications, Internet of Things, automotive electronics, automated equipment and medical devices have driven development of related system products. As to mainstream trend of product development, people have demands for light, thin, short and small-sized electronic products in the past years, so in response to market and customer needs, it is necessary to improve technologies and actively develop new products in the industry of electronic components, including inductors. The Company has kept up with this trend these years to develop products such as chip inductors and precision coils.

2. Associations among upstream, midstream and downstream of the industry

Vertical division of labor is fairly evident in inductor-related industries. Related upstream manufacturers mainly produce raw materials such as nickel oxide, cupric oxide, ferric oxide, zinc oxide, manganese oxide, magnesium oxide, electrodes and terminal plating materials. After they are made into ferrite cores, multilayer chip inductors/ beads, high frequency multilayer chip inductors and wire-wound inductors in mid-stream, they are ultimately delivered to downstream 3C practitioners of information, communication and consumer electronics, in order that they will be produced into terminal electronic products. The connections among upstream, midstream and downstream of the industry are summarized here below:

| Upstream | Mid-stream | Downstream |
|--------------|------------------------------|------------------------------------|
| Nickel oxide | Ferrite cores | <u>Digital products</u> |
| Cupric oxide | (Nickel zinc, manganese | PC, Notebooks, tablets, |
| Iron oxide | zinc, magnesium zinc | motherboards, power supply |
| Zinc oxide | series) | devices, various displays, optical |
| Manganese | | disk drives, hard disk drives, |
| oxide | Wire-wound inductors | scanners, computer peripherals |
| Magnesium | (Peaking coils, oscillation | and modems, etc. |
| oxide | coils, air core coils, choke | <u>Communication products</u> |
| Silver paste | coils, etc.) | Modems, cellphones, GPS, |
| Silver | | telephone sets, MFP, switches, |
| palladium | Multilayer chip inductors/ | servers, devices at local |
| Ceramic | beads | communication terminals and |
| powder | | user terminals |
| | High frequency multilayer | <u>Consumer electronics</u> |
| | chip inductors | SETOP BOX, LCDTV, sound |
| | | speakers, air conditioners, |
| | | refrigerators, sweeping machines, |
| | | gaming machines, Internet of |
| | | things, automotive electronics, |
| | | automation equipment, |
| | | automobile safety detection, |
| | | self-driving automobiles, robots, |
| | | automation, etc. |

3. Development trends of products

(1) Products become exquisite

As digital and electronic products gradually become miniaturized. Upstream electronic parts such as inductors have also tended to be small and high-frequency with saturation flux density. For instance, chip inductors are small mount devices (SMDs) with a volume smaller than conventional inductors. At present, they are widely applied in the automated manufacturing processes in combination with the Surface Mount Technology (SMT). In addition, as current electronic products become increasingly more functional powerful, the requirements for their computing speed have become more rigorous. Therefore, the demands for high frequency inductors are also growing. Besides, with the progressive popularization of digital articles for daily use and mobile communication products, low temperature rise and resistance to high current have become new trends of inductors and beads as well.

(2) Technology improvement

Impacted by rapid emergence of digital/communication products, increasingly lighter, thinner, shorter and smaller products as well as lower gross profit margin, manufacturers of inductor cores must actively strive to make technical breakthroughs. Their products tend to be featured by basic technologies, technological accumulation, differentiated technology development, design stability and high added value, in order to be applied in electronic products subject to more rigorous requirements, including digital and communication products. In addition, practitioners must foster their market sensitivity to understand development trends of the downstream 3C industry. Dependent upon their diverse product lines, short lead time, quick delivery, R&D and technical manufacturing capacity, they appropriately provide customers with technical support and swift services, in order to satisfy customer requirements and keep competitive. In combination with phased task adjustments of production patterns, a small quantity of diverse products are replaced by a large quantity of diverse products. Lower production costs and provide high-quality services. Flexibly respond to market demands dependent upon planned production and marketing strategies, so as to be in line with customer orientations.

(3) International division of labor

There are so many manufacturers of inductors that market competitions are fierce.

Besides, unit prices of products have declined due to pressure from global price competitions of global digital and communication products. In addition, products tend to be miniaturized, and production capacity increases for the purpose of reaching the economic scale. Hence, production strategies are still adopted to produce or assemble labor-intensive products with low added value in areas with relatively low labor costs, in order to ensure high market share dependent upon the competitive advantage in low costs. However, those products with higher unit prices, profits and added value are domestically manufactured.

Viewed from the perspective of overall downstream markets, 3C electronic products are particularly produced in Mainland China, India and Southeast Asia. In addition, 3C products tend to be diverse and cheap. All downstream manufacturers wish to promptly launch new products in the market, in hope of making relatively considerable profits. Hence, great importance is attached to timeliness. Besides, owing to changes in inventory management methods, no customer is willing to have many stocks of parts. Therefore, at present, all manufacturers are actively strengthening their global operational architectures and their capabilities of prompt supply and nearby service provisioning, in hope of getting long-term orders from international customers.

Changes in supply chains have been intensified due to impacts of major international circumstances, regional conflicts, global warming and giants' competitions. Topics on raw material supply, anti-epidemic management, corporate social responsibilities and sustainable operations have become far more important.

(4) Introduction of HSF (hazardous substance free) manufacturing processes

The European Union has successively promulgated Waste Electrical and Electronic Equipment Directive (WEEE) and Restriction of Hazardous Substances Directive (RoHS), which expressly stipulate that from June 2006, all products entering the market of European Union must not contain six major hazardous substances. Owing to new environmental protection regulations of the European Union, global manufacturers have gotten down to establishing related test standards in conformity with WEEE and RoHS. They have implemented "lead, halogen, hazardous substance free manufacturing processes" and more environment-friendly manufacturing plans. Although the ratio of inductors to all electronic products is a little low, it has been generally recognized that inductors contain no hazardous substance.

4. Product competitions

Domestically, competitions are extremely fierce among manufacturers of inductor cores. The Company faces fierce competitions within the industry. In response to global great demand for electronic products, it not only expands production capacity of its original products and safeguards its high-quality product image, but also actively develops and produces more advanced products in line with customer requirements, in order to gain competitive advantages.

Domestic major competitors and their businesses are hereby listed as follows:

| Competitors | Competitors' businesses |
|---|---|
| TAI-TECH ADVANCED ELECTRONICS CO., LTD. | Manufacturing, processing and trading of chip coils and other coils. Quotation, bidding and distribution of domestic and foreign products as well as import and export trade as agents. |
| ADVANCED CERAMIC X CORPORATION | Manufacturing of chip inductors, high frequency elements and modules necessary for wireless communications |
| ABC TAIWAN ELECTRONICS CORP. | Manufacturing, processing and trading of different inductors, chip inductors, filters and transformers Manufacturing, processing and trading of converters, delay lines, convergence coils and various magnetic cores Manufacturing and trading of power supply devices, electric/electronic parts, computers and their peripherals, etc. |

| | |
|-------------------------------|--|
| SPORTON INTERNATIONAL INC. | EMI test and verification; design and trading of inductors and magnetic elements |
|-------------------------------|--|

(III) Overview of technology and R&D

1. Annual R&D expenses in the past five years:

Unit: NT\$ thousand

| Item \ Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------|---------|---------|---------|---------|
| R&D expenses | 16,853 | 15,667 | 15,187 | 14,320 | 13,781 |
| Consolidated operating revenue | 649,900 | 606,740 | 799,566 | 770,147 | 544,602 |
| Ratio of R&D expenses to consolidated operating revenue | 2.59 | 2.58 | 1.9 | 1.86 | 2.53 |

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards of R.O.C.

2. Technologies or products developed successfully in the past five years

| Year | Technologies or products developed successfully |
|------|---|
| 2019 | <ul style="list-style-type: none"> • Iron-based power inductors resistant to high current • Customized power inductors (high inductance and resistant to high current) for vehicles and Internet of things |
| 2020 | <ul style="list-style-type: none"> • Metal-based and ferrite-based power inductors resistant to high current • Power and low-freq. high impedance core for automotive-electronics application |
| 2021 | <ul style="list-style-type: none"> • 1G~3GHz high-frequency antennas • Wire-wound common mode choke inductors for communication (resistance to high current) for vehicles and Internet of things • Metal-based power inductors resistant to high current |
| 2022 | <ul style="list-style-type: none"> • Bead products to address various current surges (multi-layer, wire-wound and clamp ferrite core.) • Common mode choke coils to meet the new generation of HDMI/USB protocols |
| 2023 | <ul style="list-style-type: none"> • Meeting the requirements of the Open Alliance with wire-wound common mode filters. |

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

1. Short-term development plan

(1) Production strategies

- ① Improve manufacturing capabilities by additionally purchasing automatic equipment, in order to improve pass yield/production capacity of manufacturing processes, and shorten manufacturing cycles.
- ② Adjust product mixes and enhance in-depth of product lines with high added value.
- ③ Enhance information systems, increase production efficiency, improve information communications, and shorten lead time with optimal schedules, so as to reinforce responsiveness to orders.

(2) Marketing strategies

- ① Strengthen expansion of new industries, to decentralize impacts of prospect changes or seasonal cycles of a single industry.
- ② Enhance export capacity and expand international markets.
- ③ In consideration that 3C products become smaller with more functions and intensity of their PCB SMT, active efforts will be made to improve specifications of miniaturized chip inductors and smaller coil series elements.
- ④ Deepen partnerships with key customers. In addition to closely monitoring the pulse of market demand, the Company also cooperates in the development of new specifications and products, so that our products can be the first to address market

demands.

(3) R&D strategies

- ①Whereas widespread applications in mobile communications lead to higher frequency, high-frequency precision coils and high-frequency high-impedance beads are continuously developed.
- ②Develop material formulas and create complete production lines to satisfy customers' design requirements.
- ③Understand development trends of electronic products and create infinite imagination space for wireless transmission and charging.
- ④Perform development in time and provide corresponding products of related industries, to keep up with development of IoT, automotive electronics and automation.

2. Long-term development trend

(1) Production strategies

- ①Gradually adjust product mix and production capacity, constantly improve mass production technologies, lower production costs and enhance responsiveness, in response to market demands and changes.
- ②Set up complete product lines to satisfy customer requirements, especially in respect of products inhibiting EMI and inductors of passive elements.
- ③Construct a complete information system to understand forecast of terminal customers' requirements, in order that production and sales can be synchronized, to satisfy customer requirements while reducing unnecessary overstocking.

(2) Marketing strategies

- ①Cultivate international marketing talents and set up marketing strongholds abroad, to attain the goal of internationalization and fully keep informative about international markets.
- ②Provide customers with complete product lines, especially in respect of products inhibiting EMI and inductors of passive elements, and become a professional company of EMI suppression and magnetic elements.
- ③Know about industry development and development trends of electronic products from multiple parties as policies for developing new products.

(3) R&D strategies

- ①Develop new products, especially EMI suppression and inductors of passive elements.
- ②Develop and design automation equipment; enhance production capacity, increase production flexibility and lower production cost.
- ③Actively develop key materials and understand autonomy of technologies for key materials.
- ④Fully take advantage of industry-university cooperation to improve R&D capacity and speed up technology consolidation.

II. Overview of market and production & marketing

(I) Market analysis

1. Regions for selling (providing) main products (services)

Unit: NT\$ thousand; %

| 2023 | | |
|-------------------|---------|-----------|
| Sales territories | Amount | Ratio (%) |
| China | 322,312 | 59.18 |
| Taiwan | 158,111 | 29.03 |
| Others | 64,179 | 11.79 |
| Total | 544,602 | 100.00 |

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards of R.O.C.

2. Market share, future market supply/demand and growth

In 2023, sales declined YoY compared to 2022 due to factors such as the COVID-19 pandemic, the US-China trade war, and geopolitical conflicts, leading to sluggish economic conditions and weak demand, particularly within the electronic products segment for ICT customers. However, there were stable returns in investments and deployments in the automotive electronics and smart home appliance markets, resulting in overall performance being only slightly lower than that of 2022. In response to the ever-changing dynamic market trends and the rapid evolution of electronic products, the Company not only strives to reduce manufacturing costs to increase gross margins, but also actively develops new products to increase ASP and product value. In the field of smart home appliances and automotive electronics, more and more clients and end-product applications are being gained and products delivered. King Core recognizes that continuous research and development innovation, along with understanding market trends, are essential for the Company's long-term development and sustainability. King Core also aspires to achieve better levels of growth and profitability in the new year ahead.

Taiwan electronics industry has accumulated years of R&D, design and manufacturing capabilities. It has fully consolidated upstream and downstream resources. Under the superior environment under which complete supply chains of industries have been created, related electronic products, including digital consumer electronics, have become key focuses of global production. Hence, with constant increase in domestic delivery of electronic, industrial and vehicle-specific electronic products, favorable space is provided for development of passive elements for being wafer-oriented and micro-sized.

3. Competition niche

(1) Magnetic material technologies

To satisfy the need for suppressing EMI by electronic products, the Company does not only specialize in manufacturing ferrite cores, but also further engages in production of more technologically advanced multilayer chip inductors and wire-wound inductors. As one of very few domestic practitioners in the industry, it is capable of manufacturing nickel zinc ferrite cores, multilayer chip inductors and wire-wound inductors. The former devices are mainly mounted in output (input) terminals or wires of digital products. The latter ones are primarily inside electronic products and make up electronic loops with electronic circuits. With functions for filtration, current resistance and energy storage, they provide solutions prior to EMI. Based on the demands for adjusting internal and external EMI protection and current adjustments for circuits based on electronic products, the Company strives to provide customers with all-round products and services, so as to fully satisfy customer requirements for suppressing electromagnetic interference.

With the vigorous development of automobile electronics, Internet of things, automation and green energy industry, wireless inductive charging technologies have derived in the past years. The Company has taken the lead over its competitors, gotten down to developing related products and technologies, and made considerable progress. Vigorous growth in mobile products have procured electronic elements to be miniaturized and cheap. Furthermore, appreciation of New Taiwan dollars has indirectly weakened competitiveness of Taiwan industry of electronic components in the international market. This is a serious issue which must be overcome by the Company.

(2) Concentrate on technology and research development

Based on the spirit of striving for excellence, the Company is actively engaged in eliminating electromagnetic interference. It develops new technologies and devotes to building a professional image with authoritative inductors for suppressing EMI. Its professional image is directly reflected from its stable product quality, recognition and trust from its customer bases. It actively collects information on

material engineering and product applications through its R&D team. Besides, it further conducts cooperation with academic organizations, to keep informative about the latest development trends and technical information. At present, the Company is actively promoting its research plans for products such as high-frequency materials, ultra-thin absorber materials, wireless inductive coils and thick-film RF common mode filters, in order to provide customers with services in respect of complete series of EMI, RFI and inductors.

- (3) Set up production bases and channels in Mainland China, to provide customers with nearby services

In consideration that Mainland China has sufficient market, large domestic electronics plants have built bases in different areas of Mainland China, and all nickel zinc EMI cores and coils supplied by the Company are applied in electronic, IoT, automation, green energy and automobile products, the Company has built a wholly-owned plant in Suzhou and set up a point-of-sale in Guanlan, Guangdong Province.

4. Favorable/unfavorable factors of development visions and countermeasures

(1) Favorable factors of future development

- ① Portable electronic products, Internet of things, automotive electronics and industrial automation exhibit infinite market potential.

Inductors are basic elements indispensable for circuits. As downstream consumer electronics, digital and communication products tend to be miniaturized, digitalized and high-frequency, there has been greater demand for high-precision chip inductors and coil elements with high added value. In addition, Taiwan manufacturers have become key areas for developing global mobile devices, digital products, WLAN and set top boxes. Hence, future growth of inductor market is promising.

- ② Still with low market share, domestic inductors show great potential for future growth.

According to monthly report of its customs, import and export statistics, the Republic of China annually has to import numerous special materials or high-precision inductors from America, Japan and other countries. Hence, with the prosperous development of domestic electronics industry, the manufacturers improve their materials and production technologies to satisfy customer requirements, thus creating sufficient space for growth of the inductor industry.

- ③ The demand for proposal for EMI suppression is increasing day by day.

With swift changes in technologies, electronic products are extensively applied in everyday lives. It would happen anytime that electromagnetic radiation and interference occur between electronic instruments, thus impacting human health. For instance, advanced countries such as America, Japan and Europe attach great importance to increasingly more serious problems with electromagnetic radiation. They have successively established stringent standards for electromagnetic tests. Hence, in the future, all electronic products must pass electromagnetic radiation tests under the harshest conditions, so the demand for inductors is increasing day by day.

(2) Unfavorable factors of future development and response strategies:

- ① Domestic shortage of grassroots labor workers cause higher production and operating costs.

In the past years, factors like economic restructuring cause shortage of labor workers in production lines, and salary has tended to increase.

Response strategies:

In addition to strengthening on-the-job training of employees, improving quality of human resources and increasing productivity, the Company is also dedicated to decreasing ratio of labor costs and transferring products with higher labor

costs or lower production levels to areas where production costs are low for production, for the purpose of industrial upgrading.

② Trade War, “Decoupling from China”

Regional wars, geopolitics, and market trends in decoupling from the supply chain in China as well as climate changes are reshaping the global supply chain, with greater ramifications in market demand fluctuation. Information and communications technology (ICT) industry clients responded to the increase in inventory levels by cutting down on orders. On the other hand, under the long-term deployment and efforts of King Core, the smart home appliances, tools and equipment, and automotive electronics customer sectors saw increased demand, while the power supply and green energy customer groups remained stable.

Response strategies:

In response to the dynamic changes in the general market environment, King Core shall continue to invest in Taiwan and will expand its investments in Taiwan. In 2023, King Core commenced construction on a new powder production line and facility for magnetic core materials in Pingzhen, Taoyuan. The designed capacity of the powder production is 300 tons per month. Apart from increasing production capacity, this initiative aims to reduce external disruptions in material supply and production processes, thus ensuring the stability and reliability of King Core's supply and production in Taiwan and providing peace of mind and satisfaction to our customers. Ultimately, it enhances and deepens the trust and cooperative relationship between King Core and its customers.

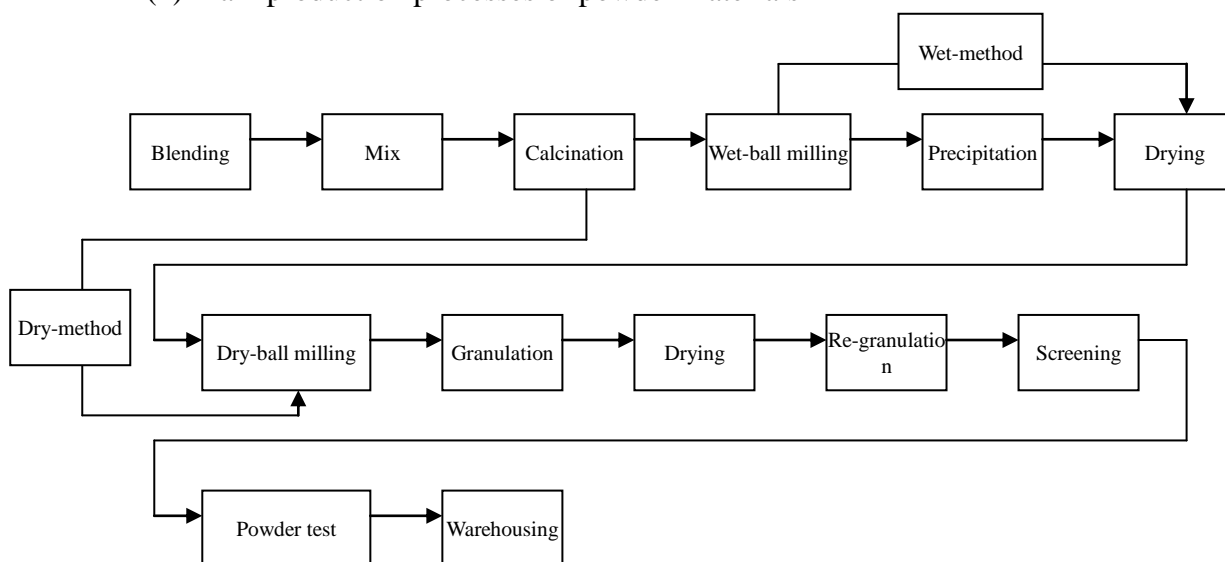
(II) Important purposes and manufacturing processes of main products

1. Important application of the main products

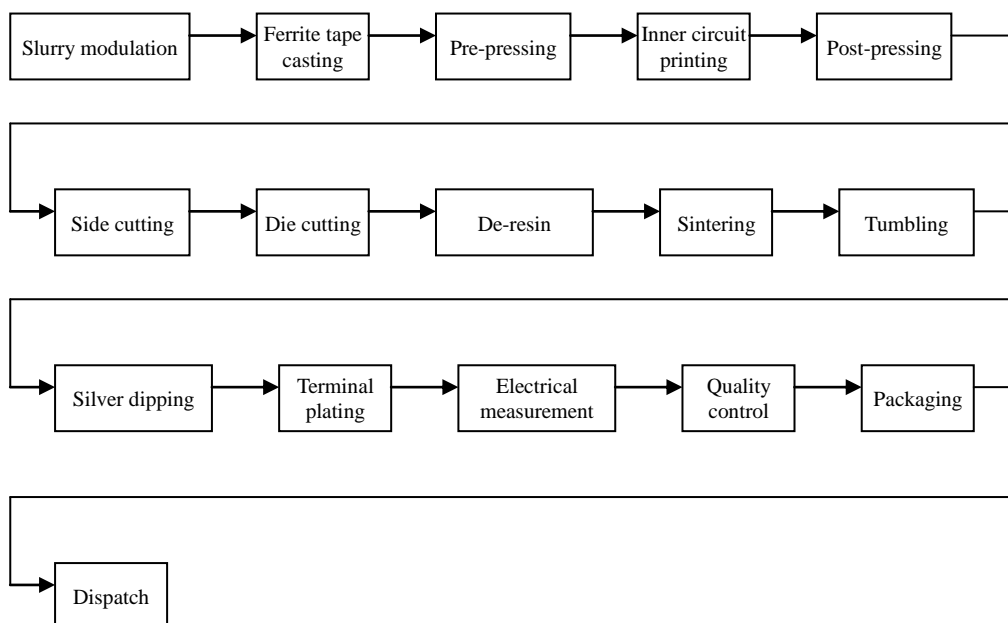
Main products of the Company include ferrite cores, multilayer chip inductors/ beads and precision coils, which are mainly utilized for filtering waves, suppressing EMI and adjusting current. The products are mostly applied in various consumer electronics, digital and communication products.

2. Production processes of main products

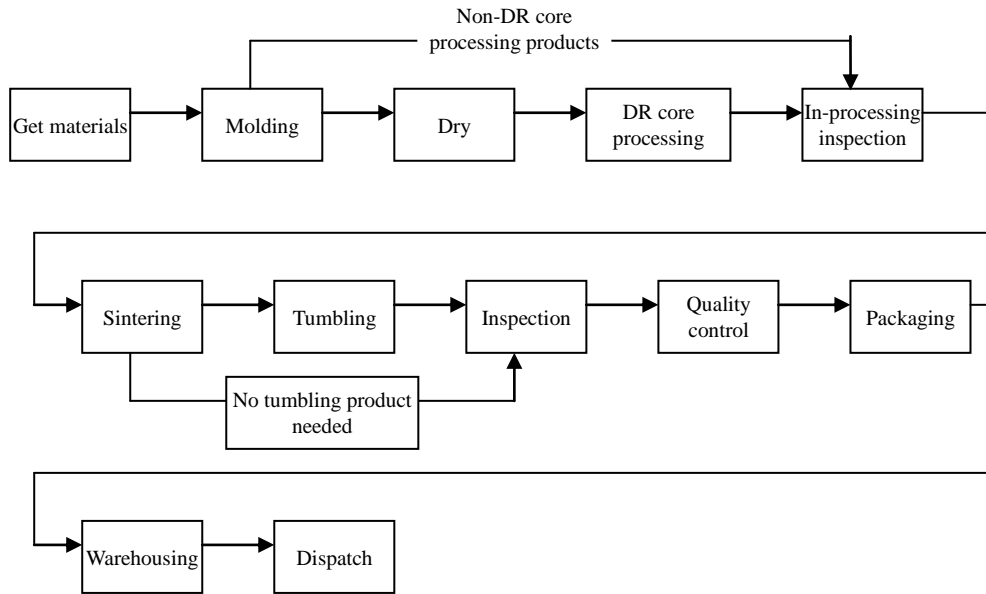
(1) Main production processes of powder materials



(2) Main production processes of chip inductors/thick-film common mode choke

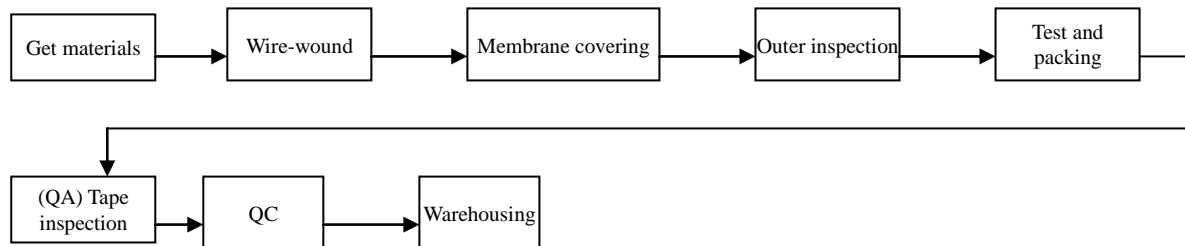


(3) Main production processes of ferrite cores

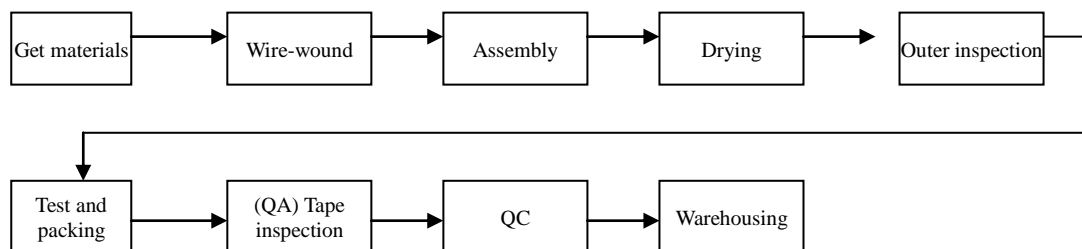


(4) Production processes of Coil Manufacturing Department

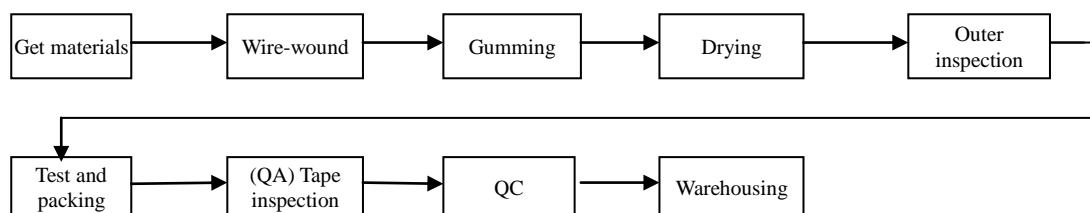
①HLC/FLC series



②COMMONMODE series



③Power Inductor series



(III). Supply of the important materials

Raw materials necessary for the Company's production of cores, chips and coils, etc. are ferric oxide, nickel oxide, zinc oxide, cupric oxide, inner electrode, external electrode, silver palladium, uranium plated magnetic rods, white magnetic rods, ferrite core powder and other raw materials with stable and sufficient sources. The Company maintains good relationships with its suppliers.

(IV) Names of customers who have accounted for over 10% of total (sales) purchase amount in either year of the past two years

1. Information on major suppliers in the past 2 years

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|---------------------|---------|--|---------------------------|---------------------|---------|--|---------------------------|
| | Name | Amount | As a % of the annual net purchase amount | Relation with the Company | Name | Amount | As a % of the annual net purchase amount | Relation with the Company |
| 1 | A | 54,233 | 20.11 | Non-related party | B | 27,810 | 17.05 | Non-related party |
| 2 | C | 50,015 | 18.54 | Non-related party | C | 26,834 | 16.46 | Non-related party |
| 3 | D | 30,715 | 11.39 | Non-related party | A | 23,190 | 14.22 | Non-related party |
| 4 | E | 30,342 | 11.25 | Non-related party | D | 17,176 | 10.53 | Non-related party |
| 5 | B | 30,322 | 11.24 | Non-related party | | | | |
| | Others | 74,114 | 27.47 | | Others | 68,054 | 41.74 | |
| | Purchase Net amount | 269,741 | 100 | | Purchase Net amount | 163,064 | 100 | |

Note: Net purchase amount means that indicated in the recent year's consolidated financial report.

2. Information on major customers in the past 2 years

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|-----------|---------|--------------------------------|---------------------------|-----------|---------|--------------------------------|---------------------------|
| | Name | Amount | As a % of the annual net sales | Relation with the Company | Name | Amount | As a % of the annual net sales | Relation with the Company |
| 1 | A | 243,047 | 31.56 | Non-related party | A | 149,843 | 27.51 | Non-related party |
| | | | | | | | | |
| | Others | 527,100 | 68.44 | | Others | 394,759 | 72.49 | |
| | Net sales | 770,147 | 100.00 | | Net sales | 544,602 | 100.00 | |

Note: Net sales means that indicated in the recent year's consolidated financial report.

Due to changes in the sales product mix and market environment, there have been fluctuations in the customers, amounts, and proportions related to purchases and sales.

(V) Production in the past two years

Unit: KPCS; NT\$

| Production value Main products | 2022 | | | 2023 | | |
|-----------------------------------|---------------------|---------|-----------------|---------------------|---------|-----------------|
| | Production capacity | Yield | Value of output | Production capacity | Yield | Value of output |
| Cores | 500,000 | 351,046 | 457,953 | 500,000 | 238,748 | 311,489 |
| Chip inductors | 900,000 | 598,271 | 91,299 | 900,000 | 586,034 | 88,524 |

| | | | | | | |
|-----------------|-----------|-----------|---------|-----------|---------|---------|
| Precision coils | 200,000 | 74,703 | 52,547 | 200,000 | 69,446 | 51,473 |
| Total | 1,600,000 | 1,024,020 | 601,799 | 1,600,000 | 894,228 | 451,486 |

(VI) Sales in the past two years

Unit: thousand pcs; NT\$

| Sales Main Products | Year | 2022 | | | | 2023 | | | |
|------------------------|------|----------------|---------|----------|---------|----------------|---------|----------|---------|
| | | Domestic sales | | Export | | Domestic sales | | Export | |
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Cores | | 82,674 | 283,956 | 106,516 | 122,653 | 50,134 | 178,130 | 187,791 | 105,104 |
| Chip inductors | | 78,365 | 2,063 | 543,581 | 110,118 | 59,213 | 15,604 | 554,306 | 123,438 |
| Precision coils | | 9,942 | 15,155 | 71,535 | 63,245 | 8,070 | 11,161 | 52,951 | 46,288 |
| Trading | | 3,357 | 12,066 | 11,264 | 47,239 | 1,523 | 6,611 | 3,799 | 58,266 |
| Total | | 174,338 | 313,240 | 732,896 | 343,255 | 118,940 | 211,506 | 798,847 | 333,096 |

III. The number of employees, their average years of service, average age and academic background in the past 2 years and as of the publication date of this annual report

April 15, 2024

| Year | | 2022 | 2023 | As of April 15, 2024 |
|---------------------------------|--------------------------|-------|-------|----------------------|
| Number of Employees | Direct labour | 149 | 132 | 129 |
| | Indirect labor | 36 | 36 | 37 |
| | General employee | 65 | 66 | 66 |
| | Total(Note) | 250 | 234 | 232 |
| Average Age | | 43.79 | 44.67 | 44.86 |
| Average Year of Service | | 11.6 | 12.71 | 12.83 |
| Academic distribution ratio (%) | Ph.D. | 0.4 | 0.43 | 0.43 |
| | Masters | 2.4 | 2.99 | 3.45 |
| | College | 34.4 | 35.47 | 34.48 |
| | Senior High School | 44.8 | 43.59 | 43.97 |
| | Under Senior High School | 18 | 17.52 | 17.57 |

Note: Statistics on number of employees exclude foreign labor workers and students receiving cooperative education

IV. Environment protection expenditure information

- (I) The Company mainly produces products for suppressing EMI, which are applied in notebooks, motherboards, servers, digital cameras, computer-related products, communication products and consumer electronics. It has become the best partner of customers who provides EMI solutions. In addition, the Company makes every effort to protect environment and perform social responsibilities. In terms of its environmental policies, it conscientiously protects environment and takes accountability for the society.

As to fixed pollution sources, the Company has applied for and obtained incorporation and operation licenses. It has appointed full-time personnel for preventing and controlling air pollution. In respect of wastewater, it has applied for connection to the sewage system of the industrial park and its application has been approved. It has appointed full-time personnel for wastewater treatment. Furthermore, the Company has declared its fees for preventing and controlling air pollution on time. It pays for wastewater treatment on time.

To implement policies for energy conservation and carbon emission reduction, the Company takes actual actions to support power generation with green energy. In, 2016, it mounted solar panels and power generation equipment on roofs of its factory buildings, which covered an area of 2,358.39m². In 2023, its total power generation was up to 471,269KWH and its cumulative power generation reached 3,235,487KWH. Such power generation was equivalent to planting of 5,628,688 trees and reduction of carbon emissions by 1,699,101t. The profit that the Company gained from solar power generation amounted to NT\$ 18,397 thousand. It reduced CO2 emissions, to mitigate greenhouse gas effects and make certain contributions to natural environment.

- (II) In the most recent year and as of the publication date of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be

stated:None.

V. Labor relations

- (I) The availability and implementation of employee welfare, training, education, retirement regulations, employer-employee agreements and the protection of employees' rights.

The Company has consistently treated its employees as its important assets. To fully take care of its employees and guarantee their living conditions, the Company has formulated the following welfare measures:

1. Employee welfare measures

- (1) Employee remuneration.
- (2) Group insurance.
- (3) Festival gifts.
- (4) Benefits and subsidies: Subsidies for marriage, childbirth, death, critical illnesses, cataclysm and major accidents.
- (5) Employee education and training.
- (6) Employee travel, cash gift for birthday, cash gifts (gifts) for May Day, Dragon Boat Festival and Mid-Autumn Day, etc. organized and arranged by the Staff Welfare Committee.
- (7) Annual regular health checkup.
- (8) Lactation room for employees.

2. Information on continuing education and training

To cultivate its employees in terms of professional knowledge, skills and concepts for the purpose of improving their quality and work efficiency, in order to achieve synchronous growth with its employees, the Company has formulated education and training procedures. It organizes new employee training, professional training, on-the-job education and training, co-training and external training, etc.

(1) New employee education and training

Assist new employees in knowing about their work environment, the Company's management rules and histories. Pay attention to training about work safety, organization, department businesses, quality concepts, materials for environmental management, professional work styles and requirements, labor laws, labor safety and health, so as to enhance new employees' understanding and appraisal of environment and policies, and become talents accommodating needs of the Company.

(2) Professional training

Annually designate employees to take part in related professional courses according to professional needs, to improve the Company's technologies and professional skills.

(3) Vocational training

Annually teach and re-educate employees about knowledge and skills necessary for performance of their duties or professional training according to the training plan, and review qualification of employees who have to hold work permits, in order that employees will be competent for their work.

(4) Co-training

Facilitate employees' constant self-growth dependent upon complete education and training systems, particularly based on employees' co-occupation, in order to promote general development of the Company.

(5) External training

Department heads and employees have to be recommended to take part in related external courses pursuant to their work needs, so as to increase their training benefits and enable employees to finish the most complete learning.

Related education and training results in 2023 are shown as follows:

Unit: NT Dollars

| Item | | Number of class | Total number of trainees | Total hours | Total fees |
|-----------------------------------|-----------------------|-----------------|--------------------------|-------------|------------|
| Orientation training | | 26 | 248 | 21.5 | 0 |
| On-the-job education and training | Professional training | 17 | 140 | 18.5 | 0 |
| | Vocational training | 53 | 930 | 49.5 | 0 |
| | Co-training | 26 | 866 | 17.75 | 0 |
| | External training | 27 | 28 | 296 | 67,927 |
| Total | | 149 | 2,212 | 403.25 | 67,927 |

Note: Education and training statistics exclude foreign workers.

3. Holding of related permits specified by competent authorities among personnel related to transparency of financial information: In 2023, no related personnel got related permits.

4. Retirement system

The Company has formulated the employee retirement policy to maintain employees' stable lives after their retirement. According to the Labor Standards Act, 2% of the total paid salary is appropriated as retirement reserve, which is deposited in and withdrawn from the special account of the Supervisory Committee for Workers' Retirement Reserve. As approved by the competent authority on April 3, 2002, 3% of the total paid salary was appropriated as workers' retirement reserve. 4.5% of the total paid salary was appropriated as such reserve with the approval of the competent authority on January 6, 2004.

The Labor Pension Act was enforced from July 1, 2005, and defined contribution system was adopted. After its enforcement, related pension rules of the Labor Standards Act or the pension rules hereunder should apply to the employees. The seniority before enforcement of the act should be maintained. For those employees to whom these regulations apply, the Company shall appropriate no less than 6% of their monthly salary as their pension.

The Company's retirement policy is as follows:

(1) Workers who have one of the following circumstances may request their retirement:

- ① Workers who attains the age of 55 and have worked in the Company for more than 15 consecutive years.
- ② Workers who attains the age of 60 and have worked in the Company for more than 10 consecutive years.
- ③ Workers who have worked in the Company for more than 25 consecutive years.
- ④ The workers whose seniority for retirement exceeds 15 years (including the figure) and who attain the age of 50 have to apply for earlier retirement.

(2) The employer mustn't force any of the following workers to retire:

- ① Over 65 years of age.
- ② Mentally or physically disabled and unable to perform the duty required.

The business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature. However, the age shall not be reduced below 55.

Procedures for workers to apply for retirement and pension standards are as follows:

(1) To apply for retirement, the employees shall complete an application form for retirement one month in advance. Only after their application is approved can they retire, and this is also the case for notices of mandatory retirement.

(2) Payment standard for employees' pension:

- ①Baseline pension means the average salary of one month when retirement is approved.
- ②Pension shall be checked and paid based on years of employment. Twice the baseline pension will be paid as pension for one year of employment, but for more than 15 years of employment (thirty times the baseline pension), baseline pension will be paid for each year of employment, and less than half a year's employment will be reckoned as half a year's employment, while over half a year's but less than one year's employment shall be regarded as one year of employment.
- ③For any workers who suffer from lipophrenia or who are physically disabled for performance of their duties that they are incompetent for work, apart from the baseline specified by the Labor Standards Act, 20% shall be additionally paid.

In 2023, 1 worker applied for retirement. The Labor Standards Act and the Company's retirement policy were followed so that the employees' lives could be guaranteed after their retirement, in order to safeguard employees' rights and interests.

5. Information on labor agreements

To coordinate labor relationships and protect the rights/interests therein, the Company is dedicated to strengthening harmonious labor relationships, quarterly convening meetings on labor relationships and communicating with employees to solve related problems. Hence, no material and pending labor dispute has occurred in the Company.

6. Information on measures for safeguarding employees' rights and interests

The Company has formulated work rules for employees and truly carried out related work to protect employees' rights and interests.

7. Codes of conduct and ethics for employees

To make rules available for obeying, improve organization and management, and increase work efficiency and productive efficiency, the Company has specially formulated work rules in accordance with the Labor Standards Act and related government regulations. Its rules and regulations on employee services are as follows:

(1) The employees shall abide by the following rules:

- ①Respect each other's personality, humbly follow etiquette, help each other and get along well with each other.
- ②Value reputation and credit of the Company and colleagues, Never speak or act inappropriately.
- ③Don't take advantage of powers, opportunities or methods in positions to illegally receive money or articles or commit any acts for swindling the Company or disclosing secrets.
- ④Don't do any other work or businesses prejudicing rights and interests of the Company without the Company's permission.
- ⑤Don't abuse powers or commit arbitrary acts beyond powers. When anything urgent happens, appropriate actions shall be taken and a report shall be immediately made to the immediate supervisor.
- ⑥Don't violate or instigate violation of these regulations.

(2) The employees shall obey the following rules and faithfully discharge their duties, to improve their operation efficiency:

- ①Cooperatively follow supervisors' instructions on work assignment, overtime work, job transfer, form completion, education and training, etc. Don't reject or delay with any excuse.
- ②Don't be absent without leave or negligent at work during working hours without

the supervisors' permission.

(3) The employees shall observe the following rules and jointly maintain internal order of the Company:

- ① They shall not commit such acts as violence, coercion, harm, insult, theft, drinking, gambling, incendiary, destruction of public property, carrying of weapons, disruption of order, interference with work, disruption of public security and other improper behaviors in the Company.
- ② Don't instigate strike, sabotage or anything else hindering production.
- ③ To take photos of or depict buildings, machines, appliances or molds inside the Company or lead others to visit the Company, corresponding supervisor shall firstly report to the General Manager in advance. Only after approval is obtained from the General Manager will such acts be committed.
- ④ Don't enter the premise without permission, and non-related personnel are banned from access without permission.
- ⑤ To smoke in work sites, they shall do that in specified areas.
- ⑥ To meet with customers according to specified procedures during working hours, they shall do that in specified areas.
- ⑦ They shall not look over files, correspondences or accounts beyond their duties. Personnel who are responsible for managing the aforementioned information shall not disclose such information to anyone else without permission.
- ⑧ Keep meeting rooms, reception rooms and work sites orderly and clean.
- ⑨ Before getting off work, the employees shall complete their own tasks and put up their tools.

(4) The employees shall abide by the following rules, take good care of corporate articles and keep them well:

- ① Properly use raw materials, power, tools, fuel and consumables to avoid waste.
- ② Repair, maintain and put machines, appliances, molds, tools, products, and other property of the Company in order. Malfunction, damage or loss must be immediately reported to corresponding supervisor if any.
- ③ Keep all money-making appliances and articles in place before and after use.
- ④ They shall not deliberately damage, privately use, hide or move any public property out of the Company.

(5) The employees' routine services and tasks shall be determined as specified in the job descriptions or assigned by their supervisors.

8. Measures for protecting work environment and employees' personal safety

- (1) The Company is located in Pingzhen Industrial Park, where traffic is convenient, area is spacious, environment is elegant, and there are multiple recreational facilities (e.g. billiard rooms) for employees of the Company to entertain themselves for fun at leisure or carry out get-together activities.
- (2) To protect employees' safety, the Company buys labor, health, group and other insurances for its employees.
- (3) It organizes a regular health checkup for its employees and special physical examination for special operators once per year, to ensure its employees' health.
- (4) It builds a Labor Safety and Health Committee, lawfully appoints labor and health managers in its workplaces, formulates labor safety and health rules, and quarterly convenes a meeting on labor safety and health.
- (5) The Company's clothing rules specified in its labor safety and health rules are as follows:
 - ① The employees must be properly and neatly dressed. They absolutely must not wear slippers or shoes without covering their toes, or work barebacked or barefooted. They shall wear safety shoes if required under their work environment.

- ②The employees have to wear hair buns or hats if they operate rotary machines, exposed to the risk of being entangled by the machines.
- ③They shall wear safety helmets when they get to and off work by motorcycle.
- ④The employees have to wear safety protection equipment in enter the premise if instructed so.
- ⑤The employees must not put sharp drill, ragged cloth with oil stain or anything easily caught by fire in pockets of clothes.
- ⑥They must not wear uniforms with oil stain, which are not only unsanitary, but also easily cause fire.
- (6) A regular inspection of fire safety, building safety and utilities shall be performed once per year, to ensure safety of work environment.
- (7) Conduct safety and health education and training on new employees. Organize on-the-job safety and health education and training, lectures and practical training about fire safety for supervisors of special operations; conduct on-the-job training on labor safety and health for general employees.
- (8) Supervise professional disaster investigation and handling; perform statistical analysis of professional disasters.

9. Rules on work safety review

The Labor Safety Department of the Company has also formulated Safety and Health Work Rules. Its personnel review work safety of different units. The units are also required to independently review their own work safety. The Company appraises performances in work safety and environmental protection. It teaches personnel at varying levels about safety concepts and safety observation programs and projects, in order to fully promote safety practices, in hope of providing a mechanism for continuous improvements and improving performances in work safety. To keep informative about accidents, emergency response plans and other specifications are formulated. Then, the business units establish appropriate organizations and countermeasures for crisis and emergency handling based on their own operations and environmental conditions. Regular drills are organized to make employees familiar with response steps, in hope of mitigating aggravation of disasters, personnel and equipment loss in case of any accident.

10. Equipment safety management

The Company has formulated complete procedures for equipment safety management to inspect dangerous equipment relatively thoroughly, in order to ensure safe equipment operation. During operation, the operators must perform automatic and key inspections, and in operation sites. Inside equipment areas, safety management measures for safety of people, things, places and materials shall be controlled according to standard operating procedures. For instance, the Company formulates access , logout/tagout management procedures for personnel in machine operation areas. These safety work rules are greatly associated with factory personnel's safety and equipment operation. Hence, these safety work rules must be formulated inside the factory of the Company.

11. Fire drills

Apart from implementing declaration procedures for regular overhaul of fire safety equipment in different places according to fire control laws, the Company also formulates fire management measures and other pertinent rules, in order that all fire equipment will be regularly inspected once a year and readily kept available anytime.

12. Building inspection inside the factory

Professional organization or personnel must be annually engaged to inspect, certify and confirm the buildings inside the factory with respect to structure and equipment safety. For this, a declaration must be made to the competent building authority, to ensure public security of buildings.

- (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including labor inspection results that violate the Labor Standards Act, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

As of the publication date of annual report, the Company has not suffered any loss for labor dispute, and it is expected that such loss would not occur to the Company in the future.

VI. Information security management:

- (I) State the information security risk management framework, the information security policy, the specific management plan, resources invested in the information security management, etc.

1. Information security risk management framework system

(1) Purpose:

As to matters on security protection of information systems and crisis handling, a security control mechanism shall be established for computer network systems.

(2) Scope:

Applicable to construction, operation, maintenance and control of the Company's information security system and covering the following fields:

- ① Internal/external networks
- ② Operating systems
- ③ Storage media management

(3) Rights and duties:

- ① Unit in charge of computer information systems: Management Department
- ② Internally, the Company appoints full-time personnel and builds an information security group to protect security of related information systems and handle crisis. It regularly reviews policy effectiveness and reports to the General Manager.

(4) Security monitoring architecture:

- ① Internally, the Company appoints full-time personnel to protect security of related information systems and handle crises, to prevent risks and crises of computer networks and protect security of information systems.
- ② Construct a security control mechanism for computer network systems, to ensure security of materials transferred via networks, protect networking and prevent unauthorized access to systems, to avoid disclosure of confidential data.
- ③ For computer network systems of multinational companies, it is necessary to specially strengthen network security management. Internally, anti-virus software shall be installed, and externally, network firewalls must be set, to prevent invasion of computer viruses and aggressive malicious software, or else the Company's network system will paralyze.

(5) Control over file security

- ① Prevent unrelated personnel's access to system information.
- ② Personnel with the highest privileges shall separately set users' accounts and privileges according to their business scope, powers and duties. The users must not privately exchange their accounts and privileges. Once any users leave their original posts, their accounts and privileges shall be immediately canceled.
- ③ In respect of their accounts, users shall avoid using passwords which are easy to identify and guess. They shall regularly change their passwords.

2. Information security policy:

- (1) Educate employees to correctly use lawful software, procure employees to correctly understand threats of computer viruses, and further increase employees' awareness of information security.

- (2) Announce instant information on information security through an email system.
 - (3) The employees involved in operation of information systems shall sign the Affidavit on Application Safety of Networks and Copyright Software. Any employees who violate the Company's information security policy, operating specifications on computer software and related rules shall solely assume criminal responsibilities as stipulated by related national laws in addition to receiving punishments of the Company and being subject to related personnel rules of the Company.
3. Specific management proposal:
- Data backup and maintenance methods:
- ① Regular backups of important archives and data shall be daily created for data of network systems for use from time to time.
 - ② Servers of personal computers and network systems shall be equipped with computer virus scanning tools. It is necessary to regularly and automatically scan computer viruses and update virus patterns.
 - ③ Administrators of network systems shall draft network safety rules, set and operate network management tools, check internal/external network traffic of firewalls, and review related log files, to ensure safety and integrity of systems and materials.
4. Propaganda of information security:
- (1) Related users shall sign affidavits on application safety of network/copyright software.
 - (2) Announce instant information on information security through an email system.
 - (3) Annually and regularly convene a monthly meeting for education, training and propaganda among all employees of the factory. In 2023, the Company organized 0.5 hour of education and training on the Company's issues about information security, and 41 employee took part in the training.
5. Resources invested for information security management:
- Information security team of Chunghwa Telecom (intrusion detection and protection system), firewall, anti-virus software.

- (II) List any losses suffered by the Company in the most recent fiscal year and up to the publication date of annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company hasn't been involved in this circumstance as of the publication date of annual report.

VII. Important contracts:

| Nature of contract | Parties concerned | Contract start and end dates | Main Content | Restrictive clauses |
|-----------------------------------|-------------------|-----------------------------------|---------------------------|---------------------|
| Construction engineering contract | Company A | July 11, 2023 - December 30, 2024 | New construction of plant | None |

Six. Overview of finance

I. Condensed balance sheet and statement of income in the past five years

1. Condensed balance sheet

Condensed balance sheet - consolidated information

Unit: NT\$ thousand

| Item | Year | Financial information in the most recent 5 years (Note 1) | | | | |
|---|---------------------|---|-----------|-----------|-----------|---------------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 1,445,471 | 1,838,129 | 2,225,529 | 1,591,427 | 1,346,184 |
| Property, plant, and equipment (Note 2) | | 320,987 | 289,709 | 307,831 | 305,702 | 326,559 |
| Intangible assets | | 57 | 0 | 43 | 205 | 107 |
| Other assets (Note 2) | | 393,390 | 423,233 | 433,350 | 436,623 | 450,005 |
| Total assets | | 2,159,905 | 2,551,071 | 2,966,753 | 2,333,957 | 2,122,855 |
| Current liabilities | Before distribution | 684,198 | 1,107,083 | 1,506,892 | 779,621 | 601,849 |
| | After distribution | 774,332 | 1,172,215 | 1,580,775 | 910,342 | Undistributed |
| Non-current liabilities | | 37,795 | 28,554 | 37,723 | 20,200 | 13,387 |
| Total liabilities | Before distribution | 721,993 | 1,135,637 | 1,544,615 | 799,821 | 615,236 |
| | After distribution | 812,127 | 1,200,769 | 1,618,498 | 930,542 | Undistributed |
| Equity attributable to the parent company | | 1,437,912 | 1,415,434 | 1,422,138 | 1,534,136 | 1,507,619 |
| Capital stock | | 866,676 | 868,427 | 869,204 | 871,477 | 876,390 |
| Capital surplus | | 199,124 | 196,753 | 198,157 | 200,654 | 208,422 |
| Retained earnings | Before distribution | 394,697 | 342,298 | 359,673 | 477,841 | 420,059 |
| | After distribution | 304,563 | 277,166 | 285,790 | 347,120 | Undistributed |
| Other equities | | (22,585) | 7,956 | (4,896) | (15,836) | 2,748 |
| Treasury stock | | - | - | - | - | - |
| Non-controlling equity | | - | - | - | - | - |
| Total equity | Before distribution | 1,437,912 | 1,415,434 | 1,422,138 | 1,534,136 | 1,507,619 |
| | After distribution | 1,347,778 | 1,350,302 | 1,348,255 | 1,403,415 | Undistributed |

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: If the assets are revalued in this accounting year, the revaluation date and re-estimated added value shall be indicated: None.

Note 3: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 4: The aforementioned post-distribution figures shall be indicated based on the resolutions passed at the Board of Director meeting or the annual shareholders' meeting of the following year.

Note 5: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

Condensed balance sheet - parent only information

Unit: NT\$ Thousand

| Year Item | | Financial information in the most recent 5 years (Note 1) | | | | |
|---|---------------------|---|-----------|-----------|-----------|---------------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 1,246,541 | 1,617,597 | 1,952,802 | 1,385,539 | 1,153,132 |
| Property, plant, and equipment (Note 2) | | 291,892 | 262,586 | 279,009 | 278,898 | 301,395 |
| Intangible assets | | 57 | 0 | 43 | 205 | 107 |
| Other assets (Note 2) | | 594,264 | 632,853 | 691,003 | 655,653 | 662,559 |
| Total assets | | 2,132,754 | 2,513,036 | 2,922,857 | 2,320,295 | 2,117,193 |
| Current liabilities | Before distribution | 657,484 | 1,069,762 | 1,463,333 | 766,634 | 596,855 |
| | After distribution | 747,618 | 1,134,894 | 1,537,216 | 897,355 | Undistributed |
| Non-current liabilities | | 37,358 | 27,840 | 37,386 | 19,525 | 12,719 |
| Total liabilities | Before distribution | 694,842 | 1,097,602 | 1,500,719 | 786,159 | 609,574 |
| | After distribution | 784,976 | 1,162,734 | 1,574,602 | 916,881 | Undistributed |
| Equity attributable to the parent company | | 1,437,912 | 1,415,434 | 1,422,138 | 1,534,136 | 1,507,619 |
| Capital stock | | 866,676 | 868,427 | 869,204 | 871,477 | 876,390 |
| Capital surplus | | 199,124 | 196,753 | 198,157 | 200,654 | 208,422 |
| Retained earnings | Before distribution | 394,697 | 342,298 | 359,673 | 477,841 | 420,059 |
| | After distribution | 304,563 | 277,166 | 285,790 | 347,120 | Undistributed |
| Other equities | | (22,585) | 7,956 | (4,896) | (15,836) | 2,748 |
| Treasury stock | | - | - | - | - | - |
| Non-controlling equity | | - | - | - | - | - |
| Total equity | Before distribution | 1,437,912 | 1,415,434 | 1,422,138 | 1,534,136 | 1,507,619 |
| | After distribution | 1,347,778 | 1,350,302 | 1,348,255 | 1,403,415 | Undistributed |

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: If the assets are revalued in this accounting year, the revaluation date and re-estimated added value shall be indicated: None.

Note 3: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 4: The aforementioned post-distribution figures shall be indicated based on the resolutions passed at the annual shareholders' meeting of the following year.

Note 5: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

2. Condensed comprehensive income statement

Condensed comprehensive income statement - consolidated information

Unit: NT\$ Thousand (except for EPS)

| Item \ Year | Financial information in the most recent 5 years (Note 1) | | | | |
|--|---|---------|----------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 649,900 | 606,740 | 799,566 | 770,147 | 544,602 |
| Operating gross profit | 163,313 | 153,991 | 250,667 | 205,014 | 116,956 |
| Operating profit or loss | 48,084 | 42,494 | 127,648 | 70,117 | 7,061 |
| Non-operating revenue and expense | 48,352 | (2,335) | (19,875) | 163,334 | 80,932 |
| Net income before tax | 96,436 | 40,159 | 107,773 | 233,451 | 87,993 |
| Net income for current period of continuing department | 80,341 | 34,073 | 80,798 | 190,616 | 74,796 |
| Loss of discontinued department | - | - | - | - | - |
| Net income for current period (loss) | 80,341 | 34,073 | 80,798 | 190,616 | 74,796 |
| Current term other comprehensive profit/loss (net amount after tax) | 30,708 | 34,203 | (11,143) | (7,271) | 16,727 |
| Total comprehensive income | 111,049 | 68,276 | 69,655 | 183,345 | 91,523 |
| Operating gross profit (loss) attributable to parent company | 80,341 | 34,073 | 80,798 | 190,616 | 74,796 |
| Operating gross profit (loss) attributable to non-controlling equity | - | - | - | - | - |
| Total comprehensive income attributable to parent company | 111,049 | 68,276 | 69,655 | 183,345 | 91,523 |
| Total comprehensive profit attributable to non-controlling interests | - | - | - | - | - |
| EPS | 0.93 | 0.39 | 0.93 | 2.19 | 0.85 |

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally

Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: The loss of the defunct company shall be presented net of taxes.

Note 4: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

Condensed comprehensive income statement - parent only information

Unit: NT\$ Thousand (except for EPS)

| Item \ Year | Financial information in the most recent 5 years (Note 1) | | | | |
|--|---|---------|----------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 538,299 | 506,558 | 642,179 | 656,496 | 451,552 |
| Operating gross profit | 126,652 | 94,381 | 160,042 | 180,134 | 90,324 |
| Operating profit or loss | 38,227 | 10,497 | 69,692 | 75,866 | 6,588 |
| Non-operating revenue and expense | 52,620 | 26,717 | 31,059 | 157,048 | 81,045 |
| Net income before tax | 90,847 | 37,214 | 100,751 | 232,914 | 87,633 |
| Net income for current period of continuing department | 80,341 | 34,073 | 80,798 | 190,616 | 74,796 |
| Loss of discontinued department | - | - | - | - | - |
| Net income for current period (loss) | 80,341 | 34,073 | 80,798 | 190,616 | 74,796 |
| Current term other comprehensive profit/loss (net amount after tax) | 30,708 | 34,203 | (11,143) | (7,271) | 16,727 |
| Total comprehensive income | 111,049 | 68,276 | 69,655 | 183,345 | 91,523 |
| Operating gross profit (loss) attributable to parent company | 111,049 | 34,073 | 80,798 | 190,616 | 74,796 |
| Operating gross profit (loss) attributable to non-controlling equity | - | - | - | - | - |
| Total comprehensive income attributable to parent company | 111,049 | 68,276 | 69,655 | 183,345 | 91,523 |
| Total comprehensive profit attributable to non-controlling interests | - | - | - | - | - |
| EPS | 0.93 | 0.39 | 0.93 | 2.19 | 0.85 |

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: The loss of the defunct company shall be presented net of taxes.

Note 4: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

3. Names of auditors and audit opinions for the latest 5 years

| Year | Title of the CPA agency (note) | CPA's name (note) | Audit Opinion |
|------|--------------------------------|------------------------------------|--|
| 2019 | Ernst & Young, Taiwan | Lo Hsiao-Chin, Cheng Ching-Piao | Unqualified opinion plus other matter |
| 2020 | Ernst & Young, Taiwan | Lo Hsiao-Chin, Cheng Ching-Piao | Unqualified opinion plus other matter |
| 2021 | Ernst & Young, Taiwan | Chen Kuo-Shuai, Hong Mao-Yi | Unqualified opinion plus other matter |
| 2022 | Ernst & Young, Taiwan | Lin Cheng-Wei, Chen Kuo-Shuai | Unqualified opinion plus other matter |
| 2023 | Ernst & Young, Taiwan | Lin Cheng-Wei, Chen Kuo-Shuai | Unqualified opinion plus other matter |

Note: The CPAs were changed for internal position adjustment of Ernst & Young, Taiwan.

II. Financial analysis in the most recent five years

Financial analysis for the last five years - consolidated information

| Year (Note 1) Analytical items (Note 3) | | Financial Analysis for the last 5 years | | | | |
|--|--|---|--------|--------|--------|---------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Liabilities to total assets | 33.43 | 44.52 | 52.06 | 34.27 | 28.98 |
| | Long-term fund to property, plant and equipment | 459.74 | 498.43 | 474.24 | 508.45 | 465.77 |
| Solvency(%) | Current ratio | 211.27 | 166.03 | 147.69 | 204.13 | 223.67 |
| | Quick ratio | 190.6 | 151.33 | 133.44 | 175.83 | 190.39 |
| | Times interest earned | 16.21 | 7.74 | 14.63 | 31.35 | 12.76 |
| Operation capacity | Receivables turnover (time) | 2.95 | 2.78 | 3.44 | 3.36 | 2.95 |
| | Average number of days receivables outstanding | 123.72 | 131.29 | 106.10 | 108.63 | 123.72 |
| | Inventory turnover (time) | 2.52 | 2.48 | 2.52 | 2.27 | 1.71 |
| | Payables turnover (time) | 6.38 | 6.09 | 6.23 | 6.34 | 6.78 |
| | Average number of days of sales | 144.84 | 147.17 | 144.84 | 160.79 | 213.45 |
| | Property, plant and equipment turnover (time) | 1.94 | 1.99 | 2.68 | 2.51 | 1.72 |
| | Total assets turnover (time) | 0.29 | 0.26 | 0.29 | 0.29 | 0.24 |
| Profitability | Return on assets (%) | 3.83 | 1.65 | 3.16 | 7.42 | 3.63 |
| | Equity return ratio (%) | 5.66 | 2.39 | 5.69 | 12.9 | 4.92 |
| | Pre-tax income to paid-in capital ratio (%) (Note 7) | 11.13 | 4.62 | 12.40 | 26.79 | 10.04 |
| | Operating gross profit margin (%) | 12.36 | 5.62 | 10.11 | 24.75 | 13.73 |
| | EPS (NT\$) | 0.93 | 0.39 | 0.93 | 2.19 | 0.85 |
| Cash flow | Cash flow ratio (%) | 19.35 | 6.89 | 5.99 | 37.55 | 11.63 |
| | Cash flow adequacy ratio (%) | 113.9 | 99.93 | 83.37 | 124.64 | 95.43 |
| | Cash flow reinvestment ratio (%) | 2.54 | (0.76) | 1.41 | 11.93 | (3.39) |
| Leverage | Operating leverage | 5.57 | 5.7 | 2.73 | 4.24 | 26.72 |
| | Financial leverage | 1.15 | 1.16 | 1.07 | 1.12 | (16.73) |

Specify the reasons that caused the changes in the financial ratios in the last two years.

The changes in financial ratios exceeding 20% in 2023 and 2022 are analyzed as follows:

1. Interest coverage ratio decreased by 59.3%, mainly due to the decrease in net income before tax.
2. Inventory turnover rate decreased by 24.67%, mainly due to the decrease in COGS for the current period.
3. Days sales of inventory increased by 32.75%, mainly due to the decrease in COGS for the current period.
4. The turnover rate of property, plant and equipment decreased by 31.47%, mainly due to an increase in average equipment and a decrease in revenue for the current period.
5. Return on assets decreased by 51.08%, mainly due to a decrease in net profit after tax for the current period.
6. The return on equity decreased by 61.86%, mainly due to an increase in average shareholders' equity for the current period and a decrease in net profit after tax.
7. The ratio of pre-tax net income to paid-in capital decreased by 62.52%, mainly due to a decrease in pre-tax net income for the current period.
8. The net profit margin decreased by 44.53%, mainly due to a decrease in net profit after tax for the current period.
9. Earnings per share decreased by 61.19%, mainly due to a decrease in the profit attributable to owners of the parent company for the current period.
10. The cash flow ratio decreased by 69.03%, mainly due to a decrease in net cash flow from operating activities for the current period.
11. The cash flow adequacy ratio decreased by 23.44%, mainly due to a decrease in net cash flow from operating activities over the past five years and an increase in capital expenditures and cash dividends over the past five years.
12. The cash reinvestment ratio decreased by 128.42%, mainly due to a decrease in net cash flow from operating activities for the current period.
13. Operating leverage increased by 530.19%, mainly due to a decrease in operating revenue and operating income for the current period.
14. Financial leverage decreased by 1593.75%, mainly due to a decrease in operating income for the current period.

* If unconsolidated financial statements are compiled by the Company, the unconsolidated financial analysis should be presented separately.

* If the company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Financial analysis for the last five years - parent only information

| <div> <div>Year (Note 1)</div> <div>Analytical items (Note 3)</div> </div> | | Financial Analysis for the last 5 years | | | | |
|--|--|---|--------|--------|--------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Liabilities to total assets | 32.58 | 43.68 | 51.34 | 33.88 | 28.79 |
| | Long-term fund to property, plant and equipment | 505.42 | 549.64 | 523.11 | 557.07 | 504.43 |
| Solvency (%) | Current ratio | 189.59 | 151.21 | 133.45 | 180.73 | 193.20 |
| | Quick ratio | 176 | 141.05 | 123.98 | 158.40 | 166.03 |
| | Times Interest Earned | 15.33 | 7.25 | 13.78 | 31.31 | 12.75 |
| Operation capacity | Receivables turnover (time) | 2.82 | 3.05 | 4.14 | 4.27 | 3.67 |
| | Average number of days receivables outstanding | 129.43 | 119.67 | 88.16 | 85.48 | 99.46 |
| | Inventory turnover (time) | 3.31 | 3.55 | 3.40 | 2.76 | 1.96 |
| | Payables turnover (time) | 6.24 | 6.25 | 6.16 | 5.21 | 4.58 |
| | Average number of days of sales | 110.27 | 102.81 | 107.35 | 132.25 | 186.22 |
| | Property, plant and equipment turnover (time) | 1.76 | 1.83 | 2.37 | 2.35 | 1.56 |
| | Total assets turnover (time) | 0.24 | 0.22 | 0.24 | 0.25 | 0.20 |
| Profitability | Return on assets (%) | 3.88 | 1.67 | 3.20 | 7.51 | 3.64 |
| | Equity return ratio (%) | 5.66 | 2.39 | 5.69 | 12.9 | 4.92 |
| | Pre-tax Income to Paid-in Capital Ratio (%) (Note 7) | 10.48 | 4.29 | 11.59 | 26.73 | 10.00 |
| | Operating gross profit margin (%) | 14.92 | 6.73 | 12.58 | 29.04 | 16.56 |
| | EPS (NT\$) | 0.93 | 0.39 | 0.93 | 2.19 | 0.85 |
| Cash flow | Cash flow ratio (%) | 24.77 | 6.57 | 6.41 | 40.94 | 10.81 |
| | Cash flow adequacy ratio (%) | 133.05 | 116.1 | 102.94 | 138.8 | 102.72 |
| | Cash flow reinvestment ratio (%) | 4.55 | (1.18) | 1.74 | 14.26 | (4.01) |
| Leverage | Operating leverage | 5.88 | 17.43 | 3.67 | 3.51 | 23.64 |
| | Financial leverage | 1.20 | 2.31 | 1.13 | 1.11 | (7.57) |

Specify the reasons that caused the changes in the financial ratios in the last two years.

The changes in financial ratios exceeding 20% in 2023 and 2022 are analyzed as follows:

1. Interest coverage ratio decreased by 59.28%, mainly due to a decrease in pre-tax net income for the current period.
2. Inventory turnover ratio decreased by 28.99%, mainly due to a decrease in COGS sold for the current period.
3. Days sales of inventory increased by 40.81%, mainly due to a decrease in COGS for the current period.
4. The turnover rate of property, plant and equipment decreased by 33.62%, mainly due to an increase in average equipment and a decrease in revenue for the current period.
5. Total asset turnover ratio decreased by 20%, mainly due to a decrease in revenue for the current period.
6. Return on assets decreased by 51.53%, mainly due to a decrease in net profit after tax for the current period.
7. Return on equity decreased by 61.86%, mainly due to an increase in average shareholder equity and a decrease in net profit after tax for the current period.
8. The ratio of pre-tax net income to paid-in capital decreased by 62.59%, mainly due to a decrease in pre-tax net income for the current period.
9. The net profit margin decreased by 42.98%, mainly due to a decrease in net profit after tax for the current period.
10. Earnings per share decreased by 61.19%, mainly due to a decrease in the profit attributable to owners of the parent company for the current period.
11. The cash flow ratio decreased by 73.6%, mainly due to a decrease in net cash flow from operating activities for the current period.
12. The cash flow adequacy ratio decreased by 25.99%, mainly due to a decrease in net cash flow from operating activities over the past five years and an increase in capital expenditures and cash dividends over the past five years.
13. The cash reinvestment ratio decreased by 128.12%, mainly due to a decrease in net cash flow from operating activities for the current period.
14. Operating leverage increased by 573.5%, mainly due to a decrease in operating revenue and operating income for the current period.
15. Financial leverage decreased by 781.98%, mainly due to a decrease in operating income for the current period.

Note 1: All of the above financial information has been certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall analyze its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: the calculation formula below should be presented at the end of the annual financial report

1. Financial structure

(1) Liabilities to total assets = Total liabilities / total assets.

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

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepayment) / current liabilities

(3) Times Interest Earned = earnings before interest and tax / interest expenses in the current period

3. Operational capacity

(1) Receivables turnover ratio (including accounts receivable and notes receivable resulting from operation) = Net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from sales) for the period.

(2) Average cash collection days = 365 / receivables turnover ratio.

(3) Inventory turnover ratios = Cost of goods sold / Average inventory.

(4) Payables (including accounts payable and notes payable arising from sales) turnover ratio = Cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from sales) for the period.

(5) Average sales days = 365 / inventory turnover ratio.

(6) Immovable property, plant and equipment turnover ratio = Net sales / average net immovable property, plant and equipment.

(7) Total asset turnover ratio = Net sales / average total assets.

4. Profitability

(1) Return on Asset = [Profit and loss after tax + Interest expense × (1 - tax rate)] / average total assets.

(2) ROE = Profit and loss after tax / average net equity.

(3) Profit margin = Income after tax / net sales

(4) EPS = (income attributable to parent company - dividends from preferred shares) / weighed average quantity of outstanding shares

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / operating profit

(2) Financial leverage = Operating profit / (operating profit - interest expenses).

Note 4: The following shall be considered in assessing the equation EPS as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.

2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.

3. If any additional shares were issued against retained earnings or capital surplus, the full year or half-year EPS must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.

4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss. If preference shares were non-cumulative, the preference shares dividends must be deducted from after tax operating gross profit; no adjustment is required from after tax net loss.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.

2. Capital expenditure refers to the cash outflow for annual capital investments.

3. The increase in inventory is included only when the balance at the ending is greater than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero."

4. Cash dividend includes cash dividend for common stock and preferred stock.

5. Gross property, plant and equipment refers to the total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonableness and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation about the ratio of the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

III. Audit Committee's report on the review of the latest financial report

KING CORE ELECTRONICS INC.
Audit Committee's Review Report

Authorized

The Board of Director has prepared the Company's 2023 Business Report, financial statements and earnings distribution proposal. Lin Cheng-Wei and Chen Kuo-Shuai, as CPAs of Ernst & Young, Taiwan, have audited the financial statements and issued an audit report. The abovementioned business report, financial statements and earnings distribution proposal have been examined and approved by the Audit Committee and there was no discrepancy found. The Review Report is therefore issued in accordance with the Securities Exchange Act and the Company Act; please review and verify.

Best regards

2024 General Shareholders' Meeting of the Company

KING CORE ELECTRONICS INC.
Convener of Audit Committee: Huang Hsu-Nan

February 19, 2024

IV. The latest financial statements.

English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of King Core Electronics Inc. as of December 31, 2023 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, King Core Electronics Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

King Core Electronics Inc.

By

Yang, Cheng-Li

Chairman

February 19th, 2024

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors and Shareholders of
King Core Electronics Inc.

Opinion

We have audited the accompanying consolidated balance sheets of King Core Electronics Inc. (the “Company”) and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of material accounting policies (together referred as “the consolidated financial statements”).

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter – Making Reference to the Audit of Other Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

The Company and its subsidiaries recognized NT\$544,602 thousand as revenue for the year ended December 31, 2023. The Company and its subsidiaries have conducted these sale activities in multi-marketplace, including Taiwan, China, and Europe, etc. Among these locations, the Company has established foreign hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including checking the revenue recognition from foreign hub-warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of Other Auditor

We did not audit the financial statements of Allied Biotech Corp., an invested associate accounted for using the equity method by the Group. The financial statements of Allied Biotech Corp as of December 31, 2023 and 2022, and for the years then ended were audited by other auditor, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for using the equity method amounting to NT\$254,569 thousand and NT\$258,238 thousand as of December 31, 2023 and 2022 representing 11.99% and 11.07% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT\$18,352 thousand and NT\$27,660 thousand representing 20.86% and 11.85% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT\$(720) thousand and NT\$417 thousand representing (4.30)% and (5.74)% of the other comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent-company-only financial statements of the Company as of December 31, 2023 and 2022, and for the years then ended.

/s/Lin, Cheng-Wei

/s/Chen, Kuo-Shuai

Ernst & Young, Taiwan, R.O.C

February 19th, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
King Core Electronics Inc. and Subsidiaries
Consolidated Balance Sheets
As at December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Assets | | | As at Dec.31, 2023 | | As at Dec.31, 2022 | |
|--------|---|------------|--------------------|------------|--------------------|------------|
| Code | Accounts | Notes | Amount | % | Amount | % |
| 1100 | Current assets | | | | | |
| 1110 | Cash and cash equivalents | 4, 6(1) | \$368,545 | 17 | \$568,347 | 24 |
| 1110 | Financial assets at fair value through profit or loss | 4, 6(2) | 59,035 | 3 | 46,767 | 2 |
| 1120 | Financial assets at fair value through other comprehensive income | 4, 6(3) | 55,571 | 3 | 56,219 | 3 |
| 1136 | Financial assets measured at amortized cost | 4, 6(4), 8 | 497,950 | 24 | 505,033 | 22 |
| 1150 | Notes receivable, net | 4, 6(5) | 10,463 | 1 | 8,557 | - |
| 1170 | Accounts receivable, net | 4, 6(6) | 136,712 | 6 | 183,073 | 8 |
| 1200 | Other receivables | | 3,470 | - | 2,632 | - |
| 1210 | Other receivables-related parties | 7 | 4,725 | - | - | - |
| 1220 | Current tax assets | 4, 6(24) | 9,123 | - | - | - |
| 1310 | Inventories, net | 4, 6(7) | 194,501 | 9 | 211,623 | 9 |
| 1410 | Prepayments | | 5,814 | - | 8,970 | - |
| 1470 | Other current assets | | 275 | - | 206 | - |
| 11xx | Total current assets | | <u>1,346,184</u> | <u>63</u> | <u>1,591,427</u> | <u>68</u> |
| | Non-current assets | | | | | |
| 1510 | Financial assets at fair value through profit or loss | 4, 6(2) | 16,969 | 1 | 13,881 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income | 4, 6(3) | 128,792 | 6 | 105,805 | 5 |
| 1550 | Investment accounted for using equity method | 4, 6(8) | 274,887 | 13 | 291,828 | 13 |
| 1600 | Property, plant and equipment | 4, 6(9), 8 | 326,559 | 15 | 305,702 | 13 |
| 1755 | Right-of-use assets | 4, 6(20) | 5,860 | - | 5,734 | - |
| 1780 | Intangible assets | 4, 6(10) | 107 | - | 205 | - |
| 1840 | Deferred tax assets | 4, 6(24) | 10,206 | 1 | 8,691 | - |
| 1900 | Other non-current assets | 4, 6(11) | 13,291 | 1 | 10,684 | - |
| 15xx | Total non-current assets | | <u>776,671</u> | <u>37</u> | <u>742,530</u> | <u>32</u> |
| 1xxx | Total Assets | | <u>\$2,122,855</u> | <u>100</u> | <u>\$2,333,957</u> | <u>100</u> |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
King Core Electronics Inc. and Subsidiaries
Consolidated Balance Sheets (Continued)
As at December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | As at Dec.31, 2023 | | As at Dec.31, 2022 | |
|------------------------|--|--------------|--------------------|-----|--------------------|-----|
| Code | Accounts | Notes | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2100 | Short-term loans | 6(12), 8 | \$494,000 | 23 | \$582,000 | 25 |
| 2120 | Financial liabilities at fair value through profit or loss | 4, 6(13) | 28 | - | 433 | - |
| 2130 | Contract liabilities | 4, 6(18) | 858 | - | 564 | - |
| 2150 | Notes payable | | 491 | - | 404 | - |
| 2170 | Accounts payable | | 48,505 | 2 | 76,768 | 3 |
| 2200 | Other payables | 6(14) | 52,874 | 3 | 78,001 | 3 |
| 2230 | Current income tax liabilities | 4, 6(24) | 204 | - | 36,974 | 2 |
| 2280 | Lease liabilities | 4, 6(20) | 460 | - | - | - |
| 2300 | Other current liabilities | | 4,429 | - | 4,477 | - |
| 21xx | Total current liabilities | | 601,849 | 28 | 779,621 | 33 |
| | Non-current liabilities | | | | | |
| 2570 | Deferred tax liabilities | 4, 6(24) | 8,517 | 1 | 9,133 | - |
| 2600 | Other non-current liabilities | 6(15), 6(16) | 4,870 | - | 11,067 | 1 |
| 25xx | Total non-current liabilities | | 13,387 | 1 | 20,200 | 1 |
| 2xxx | Total liabilities | | 615,236 | 29 | 799,821 | 34 |
| | Equity attributable to shareholders of the parent | | | | | |
| 31xx | Capital | 6(17) | | | | |
| 3100 | Common stock | | 876,390 | 41 | 871,477 | 37 |
| 3110 | Capital surplus | 6(17) | 208,422 | 10 | 200,654 | 9 |
| 3200 | Retained earnings | 6(17) | | | | |
| 3300 | Legal reserve | | 293,712 | 14 | 274,507 | 12 |
| 3310 | Special reserve | | 15,836 | 1 | 6,584 | - |
| 3320 | Unappropriated earnings | | 110,511 | 5 | 196,750 | 9 |
| 3350 | Other components of equity | | 2,748 | - | (15,836) | (1) |
| 3400 | Total equity | | 1,507,619 | 71 | 1,534,136 | 66 |
| 3xxx | Total liabilities and equity | | \$2,122,855 | 100 | \$2,333,957 | 100 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements Of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | Accounts | Notes | 2023 | | 2022 | |
|------|---|-------------|-----------|------|-----------|------|
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 4, 6(18), 7 | \$544,602 | 100 | \$770,147 | 100 |
| 5000 | Operating costs | 6(7) | (427,646) | (79) | (565,133) | (73) |
| 5900 | Gross profit | | 116,956 | 21 | 205,014 | 27 |
| 6000 | Operating expenses | | | | | |
| 6100 | Sales and marketing | | (40,106) | (7) | (52,224) | (7) |
| 6200 | General and administrative | | (56,938) | (10) | (68,353) | (9) |
| 6300 | Research and development | | (13,781) | (3) | (14,320) | (2) |
| 6450 | Expected credit gains (losses) | 4, 6(19) | 930 | - | - | - |
| | Total operating expenses | | (109,895) | (20) | (134,897) | (18) |
| 6900 | Operating income | | 7,061 | 1 | 70,117 | 9 |
| 7000 | Non-operating income and expenses | 6(22) | | | | |
| 7100 | Interest income | | 35,144 | 6 | 15,196 | 2 |
| 7010 | Other income | | 13,370 | 2 | 17,819 | 2 |
| 7020 | Other gains and losses | | 35,514 | 7 | 119,328 | 16 |
| 7050 | Finance costs | | (7,483) | (1) | (7,692) | (1) |
| 7060 | Share of profit or loss of associates and joint ventures accounted for using equity method | | 4,387 | 1 | 18,683 | 2 |
| | Total non-operating income and expenses | | 80,932 | 15 | 163,334 | 21 |
| 7900 | Income before income tax | | 87,993 | 16 | 233,451 | 30 |
| 7950 | Income tax expense | 4, 6(24) | (13,197) | (2) | (42,835) | (5) |
| 8200 | Net income | | 74,796 | 14 | 190,616 | 25 |
| 8300 | Other comprehensive income (loss) | 6(23) | | | | |
| 8310 | Item that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurements of defined benefit plans | | (1,190) | - | 3,062 | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | 22,339 | 4 | (17,457) | (2) |
| 8321 | Remeasurements of defined benefit plans of associates and joint ventures | | (667) | - | 607 | - |
| 8326 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of associates and joint ventures | | (128) | - | (352) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | (4,440) | (1) | 7,605 | 1 |
| 8371 | Exchange differences on translation of foreign operations of associates and joint ventures | | 813 | - | (736) | - |
| | Total other comprehensive income (loss), net of tax | | 16,727 | 3 | (7,271) | (1) |
| 8500 | Total comprehensive income (loss) | | \$91,523 | 17 | \$183,345 | 24 |
| 9750 | Earnings per share - basic (in NTD) | 6(25) | \$0.85 | | \$2.19 | |
| 9850 | Earnings per share - diluted (in NTD) | 6(25) | \$0.85 | | \$2.17 | |

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

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Change in Equity

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Items | Equity attributable to owners of the parent | | | | | | | Total Equity |
|------|---|---|-----------------|---------------|-----------------|----------------------------|---|--|--------------|
| | | Retained Earnings | | | | Other Components of equity | | | |
| | | Capital | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange differences arising on translation of foreign operations | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | |
| A1 | Balance as at January 1, 2022 | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| | | \$869,204 | \$198,157 | \$266,256 | \$6,584 | \$86,833 | \$(24,411) | \$19,515 | \$1,422,138 |
| B1 | Appropriation and distribution of 2021 earnings: | | | | | | | | |
| B5 | Legal reserve | | | 8,251 | | (8,251) | | | - |
| B5 | Cash dividends - common shares | | | | | (73,883) | | | (73,883) |
| C7 | Share of changes in net assets of associates and joint ventures accounted for using equity method | | (618) | | | (2,234) | | | (2,852) |
| D1 | Net income for 2022 | | | | | 190,616 | | | 190,616 |
| D3 | Other comprehensive income (loss) for 2022 | | | | | 3,669 | 6,869 | (17,809) | (7,271) |
| D5 | Total comprehensive income (loss) | - | - | - | - | 194,285 | 6,869 | (17,809) | 183,345 |
| N1 | Issuance of common stock from compensation of employees | 2,273 | 3,115 | | | | | | 5,388 |
| Z1 | Balance as at December 31, 2022 | \$871,477 | \$200,654 | \$274,507 | \$6,584 | \$196,750 | \$(17,542) | \$1,706 | \$1,534,136 |
| A1 | Balance as at January 1, 2023 | \$871,477 | \$200,654 | \$274,507 | \$6,584 | \$196,750 | \$(17,542) | \$1,706 | \$1,534,136 |
| | Appropriation and distribution of 2022 retained earnings: | | | | | | | | |
| B1 | Legal reserve | | | 19,205 | | (19,205) | | | - |
| B3 | Special reserve | | | | 9,252 | (9,252) | | | - |
| B5 | Cash dividends-common shares | | | | | (130,721) | | | (130,721) |
| C7 | Share of changes in net assets of associates and joint ventures accounted for using equity method | | 226 | | | | | | 226 |
| D1 | Net income for 2023 | | | | | 74,796 | | | 74,796 |
| D3 | Other comprehensive income (loss) for 2023 | | | | | (1,857) | (3,627) | 22,211 | 16,727 |
| D5 | Total comprehensive income (loss) | - | - | - | - | 72,939 | (3,627) | 22,211 | 91,523 |
| N1 | Issuance of common stock from compensation of employees | 4,913 | 7,542 | | | | | | 12,455 |
| Z1 | Balance as at December 31, 2023 | \$876,390 | \$208,422 | \$293,712 | \$15,836 | \$110,511 | \$(21,169) | \$23,917 | \$1,507,619 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Items | 2023 | | 2022 | | Code | Items | 2023 | | 2022 | |
|--------|--|----------|--|-----------|--|--------|--|-----------|--|-----------|--|
| | | Amount | | Amount | | | | Amount | | Amount | |
| AAAA | Cash flows from operating activities: | | | | | BBBB | Cash flows from investing activities: | | | | |
| A10000 | Net income before tax | \$87,993 | | \$233,451 | | B00010 | Acquisition of financial assets at fair value through other comprehensive income | - | | (3,076) | |
| A20000 | Adjustments: | | | | | B00050 | Proceeds from disposal of financial assets measured at amortised cost | 7,083 | | 444,353 | |
| A20010 | Profit or loss not effecting cash flows: | | | | | B01800 | Acquisition of investments accounted for using equity method | - | | (24,350) | |
| A20100 | Depreciation (including right-of-use assets) | 29,393 | | 36,622 | | B02700 | Acquisition of property, plant and equipment | (52,655) | | (44,117) | |
| A20200 | Amortization | 260 | | 292 | | B02800 | Proceeds from disposal of property, plant and equipment | 58 | | 733 | |
| A20300 | Expected credit losses (gains) | (930) | | - | | B03700 | (Increase) decrease in refundable deposits | (128) | | 129 | |
| A20400 | Net loss (gain) of financial assets at fair value through profit or loss | (15,356) | | 9,120 | | B04500 | Acquisition of intangible assets | (162) | | (454) | |
| A20400 | Net loss (gain) of financial liabilities at fair value through profit or loss | (184) | | (390) | | BBBB | Net cash provided by (used in) investing activities | (45,804) | | 373,218 | |
| A20900 | Interest expense | 7,483 | | 7,692 | | | | | | | |
| A21200 | Interest income | (35,144) | | (15,196) | | CCCC | Cash flows from financing activities: | | | | |
| A21300 | Dividend income | (7,957) | | (8,780) | | C00100 | Increase in (repayment of) short-term loans | (88,000) | | (737,000) | |
| A22300 | Share of profit or loss of associates and joint ventures accounted for using equity method | (4,387) | | (18,683) | | C03100 | Increase (decrease) in deposits received | (9) | | 442 | |
| A22500 | Loss (gain) on disposal of property, plant and equipment | 40 | | (543) | | C04020 | Payments for principal portion of the lease liability | (475) | | (478) | |
| A23100 | Loss (gain) on disposal of investments | - | | 688 | | C04500 | Cash dividends | (130,721) | | (73,883) | |
| A30000 | Changes in operating assets and liabilities: | | | | | C09900 | Employee bonus paid | - | | (10) | |
| A31115 | Financial assets at fair value through profit or loss | - | | 4,312 | | CCCC | Net cash provided by (used in) financing activities | (219,205) | | (810,929) | |
| A31130 | Notes receivable | (1,906) | | 3,060 | | | | | | | |
| A31150 | Accounts receivable | 48,249 | | 35,415 | | DDDD | Effect of exchange rate changes | (4,801) | | 7,093 | |
| A31160 | Accounts receivable-related parties | - | | 5,462 | | | | | | | |
| A31180 | Other receivables | (836) | | 3,111 | | EEEE | Net increase (decrease) in cash and cash equivalents | (199,802) | | (137,859) | |
| A31190 | Other receivables-related parties | (4,725) | | - | | E00100 | Cash and cash equivalents at beginning of period | 568,347 | | 706,206 | |
| A31200 | Inventories | 17,122 | | (8,733) | | E00200 | Cash and cash equivalents at end of period | \$568,347 | | \$568,347 | |
| A31230 | Prepayment | 3,156 | | 2,858 | | | | | | | |
| A31240 | Other current assets | (69) | | 6 | | | | | | | |
| A32110 | Financial liabilities at fair value through profit or loss | (221) | | 653 | | | | | | | |
| A32125 | Contract liabilities | 294 | | (553) | | | | | | | |
| A32130 | Notes payable | 87 | | (142) | | | | | | | |
| A32150 | Accounts payable | (28,263) | | (23,660) | | | | | | | |
| A32180 | Other payables | (12,719) | | 13,345 | | | | | | | |
| A32230 | Other current liabilities | (48) | | 171 | | | | | | | |
| A32240 | Net defined benefit liability | (7,378) | | (2,043) | | | | | | | |
| A33000 | Cash generated from (used in) operations | 73,954 | | 277,535 | | | | | | | |
| A33100 | Interest received | 35,142 | | 14,256 | | | | | | | |
| A33200 | Dividend received | 29,529 | | 17,768 | | | | | | | |
| A33300 | Interest paid | (7,411) | | (7,941) | | | | | | | |
| A33500 | Income tax paid | (61,206) | | (8,859) | | | | | | | |
| AAAA | Net cash provided by (used in) operating activities | 70,008 | | 292,759 | | | | | | | |

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

King Core Electronics Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

King Core Electronics Inc. (referred to as “the Company”) was established on November 29, 1986. Its main business activities include the manufacture of soft ferrites, magnetic core flyback converters, convergence coil, delay-line filtering, electromagnetic component, micro coil, common mode choke, other coil, multilayer chip inductors, bead core/ chip bead, bead array, high frequency ceramic chip inductor, telecommunications inductor and electromagnetic interference (EMI), converters and sales of the previously mentioned products.

The Company’s stocks have been governmentally approved on October 9, 2001 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting March 1, 2002 and have been traded in Taiwan Stock Exchange starting on August 18, 2006. The registered business premise and main operation address are both at No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan City.

2. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended December 31, 2023 and 2022 were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 19, 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments and interpretation of initial application had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as of the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| a | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | January 1, 2024 |
| b | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | January 1, 2024 |
| c | Non-current Liabilities with Covenants – Amendments to IAS 1 | January 1, 2024 |
| d | Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | January 1, 2024 |

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as of the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| c | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28

was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after

January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (e) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) Recognizes any surplus or deficit difference in profit or loss.

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main business | Percentage of Ownership (%), As of December 31, | |
|--|--|--|--|------|
| | | | 2023 | 2022 |
| The Company | King Core (B.V.I.) Electronics Co., Ltd. | Sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | 100% | 100% |
| King Core (B.V.I.) Electronics Co., Ltd. | King Core Electronics (Suzhou) Co., Ltd | Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | 100% | 100% |
| King Core Electronics (Suzhou) Co., Ltd | Shenzhen Zhen King Electronics Components Co., Ltd. | Sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | 100% | 100% |

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are

measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and the income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, the cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal

operating cycle

- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Group's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset

except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired.
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of

an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10)Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or

loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures

and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|-------------------------|------------|
| Buildings | 3~20 years |
| Machinery and equipment | 3~10 years |

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | |
|--------------------------|------------|
| Transportation equipment | 5~10 years |
| Office equipment | 3~5 years |
| Other equipment | 2~20 years |

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount uses the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements’ comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognized lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

| | Computer Software |
|---|---|
| Useful economic life | 1 year |
| Amortization method | Amortized on a straight-line basis over the estimated useful life |
| Internally generated or acquired externally | Acquired externally |

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sales of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is Passive Component and revenue is recognized based on the consideration stated in the contract. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component

to the contract.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

All regular employees of the Company is entitled to pension plans that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and

(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the

transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive

income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

A. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information).

However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C. Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and

taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As at December 31, | |
|---------------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Cash on hand | \$852 | \$850 |
| Checking accounts and demand deposits | 97,468 | 92,781 |
| Time deposits | 270,225 | 474,716 |
| Total | <u>\$368,545</u> | <u>\$568,347</u> |

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

| | As at December 31, | |
|--|--------------------|-----------------|
| | 2023 | 2022 |
| a. Mandatorily measured at fair value through profit or loss – current: | | |
| Non-derivative financial assets | | |
| Listed companies stocks | \$9,522 | \$9,522 |
| Funds | 41,020 | 41,020 |
| Subtotal | 50,542 | 50,542 |
| Valuation adjustments of financial assets as measured by fair value through profit or loss | 8,493 | (3,775) |
| Total | <u>\$59,035</u> | <u>\$46,767</u> |

b. Mandatorily measured at fair value through profit or loss - non-current:

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | As at December 31, | |
|--|--------------------|----------|
| | 2023 | 2022 |
| Non-derivative financial assets | | |
| Listed companies stocks | \$5,949 | \$5,949 |
| Valuation adjustments of financial assets as measured by fair value through profit or loss | 11,020 | 7,932 |
| Total | \$16,969 | \$13,881 |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

| | As at December 31, | |
|---|--------------------|----------|
| | 2023 | 2022 |
| Equity instrument investments measured at fair value through other comprehensive income -current: | | |
| Listed companies stocks | \$15,520 | \$15,520 |
| Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss | 40,051 | 40,699 |
| Total | \$55,571 | \$56,219 |

| | | |
|---|-----------|-----------|
| Equity instruments investments measured at fair value through other comprehensive income -non-current: | | |
| Listed companies stocks | \$91,954 | \$91,954 |
| Unlisted companies stocks | 51,886 | 51,886 |
| Subtotal | 143,840 | 143,840 |
| Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss | (15,048) | (38,035) |
| Total | \$128,792 | \$105,805 |

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 were NT\$6,248 thousand and NT\$7,140 thousand, respectively.

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

| | As at December 31, | |
|---------------------|--------------------|------------------|
| | 2023 | 2022 |
| Restricted deposits | \$377,057 | \$469,098 |
| Time deposits | 120,893 | 35,935 |
| Total | <u>\$497,950</u> | <u>\$505,033</u> |
| Current | \$497,950 | \$505,033 |
| Non-current | - | - |
| Total | <u>\$497,950</u> | <u>\$505,033</u> |

The Group classified certain of its financial assets as financial assets at financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5) Notes receivable

| | As at December 31, | |
|--|--------------------|----------------|
| | 2023 | 2022 |
| Notes receivable arising from operating activities | \$10,463 | \$8,557 |
| Less: loss allowance | - | - |
| Total | <u>\$10,463</u> | <u>\$8,557</u> |

Notes receivable were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivable

| | As at December 31, | |
|----------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Accounts receivable, gross | \$151,381 | \$198,700 |
| Less: loss allowance | (14,669) | (15,627) |
| Total | <u>\$136,712</u> | <u>\$183,073</u> |

Accounts receivable were not pledged.

Accounts receivable are generally on 30-150 days terms. The total carrying amounts were NT\$151,381 thousand and NT\$198,700 thousand as at December 31, 2023 and 2022, respectively. Please refer to Note 6(19) for more details on loss allowance of accounts receivable for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

A.Details of inventory

| | As at December 31, | |
|-----------------|--------------------|----------|
| | 2023 | 2022 |
| Raw material | \$53,948 | \$60,462 |
| Supplies | - | 135 |
| Work in process | 54,638 | 56,580 |
| Finished goods | 78,744 | 82,886 |

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | | |
|--------------|-----------|-----------|
| Merchandises | 7,171 | 11,560 |
| Total | \$194,501 | \$211,623 |

B. For the years ended December 31, 2023 and 2022, the Group recognized NT\$427,646 thousand and NT\$565,133 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

| | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| Loss from inventory market decline | \$1,748 | \$7,151 |
| Loss from physical count | 5,297 | 7,856 |
| Unallocated fixed manufacturing overheads | 5,987 | 10,049 |
| Total | \$13,032 | \$25,056 |

C. The inventories were not pledged.

(8) Investments accounted for using the equity method

| Investee | As at December 31, | | | |
|---------------------------|--------------------|-----------------|-----------------|-----------------|
| | 2023 | | 2022 | |
| | Carrying amount | Ownership ratio | Carrying amount | Ownership ratio |
| Investment in associates: | | | | |
| Allied Biotech Corp. | \$254,569 | 18.77% | \$258,283 | 18.85% |
| CSX Material Co., Ltd. | 20,318 | 28.39% | 33,545 | 28.39% |
| Total | \$274,887 | | \$291,828 | |

A. Investments in associates

Information about affiliated companies that are material to the Group is as follows:

a. Business name: Allied Biotech Corp.

b. Business location (Registered country): Taiwan

c. Fair value of open market quotation measurement:

Allied Biotech Corp. is a listed entity on the emerging market of Taipei Exchange. The fair value of the investment in Allied Biotech Corp. was NT\$297,155 thousand and NT\$252,213 thousand, as at December 31, 2023 and 2022, respectively.

d. For the year ended December 31, 2022, Allied Biotech Corp. due to unrecipient dividend increase additional paid-in capital NT\$315 thousand, according to the ownership ratio recognized additional paid-in capital NT\$59 thousand.

In August 2022, Allied Biotech Corp. transacted employees' compensation. The Group shareholding percentage was still 18.85%, according to the ownership ratio recognized additional paid-in capital NT\$23 thousand.

For the year ended December 31, 2023, Allied Biotech Corp. due to unrecipient dividend increase additional paid-in capital NT\$303 thousand, according to the ownership ratio recognized additional paid-in capital NT\$57 thousand.

In August 2023, Allied Biotech Corp. transacted employees' compensation. The Group shareholding percentage decreased from 18.85% to 18.77%, according to the ownership ratio recognized additional paid-in capital NT\$169 thousand.

The Company accounts for its investment in Allied Biotech Corp. as an associate given the fact that the Company obtained the ability to exercise significant influence over Allied Biotech Corp. through representation on its Board of Directors.

e. Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company interest in the associate:

| | As at December 31, | |
|----------------|--------------------|-------------|
| | 2023 | 2022 |
| Current assets | \$1,428,282 | \$1,510,057 |

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | | |
|-----------------------------------|-----------|-----------|
| Non-current assets | 641,442 | 654,757 |
| Current liabilities | (820,460) | (876,863) |
| Non-current liabilities | (80,476) | (104,339) |
| Equity | 1,168,788 | 1,183,612 |
| Percentage of ownership | 18.77% | 18.85% |
| Subtotal | 219,356 | 223,070 |
| Premium on acquisition | 35,213 | 35,213 |
| Carrying amount of investment | \$254,569 | \$258,283 |
| For the years ended December 31, | | |
| | 2023 | 2022 |
| Operating revenue | \$594,088 | \$669,229 |
| Profit from continuing operations | 97,412 | 146,741 |
| Other comprehensive income | (3,840) | 2,216 |
| Total comprehensive income | 93,572 | 148,957 |

For the year ended December 31, 2023, due to surplus earnings distribution proposal, according to the ownership ratio reduced investments accounted for under the equity method NT\$21,572 thousand.

Information about affiliated companies that are not material to the Group is as follows:

The Group involved CSX Material Co., Ltd. in cash capital increase, and the Group increase investment capital NT\$24,350, acquisition 2,029 thousand shares. Therefore, shareholding increase capital from 26.47% to 28.39%. Due to subscription of not in proportion with the shareholding percentage, the Group recognized the reduction of the capital reserve in the amount of NT\$700 thousand and the retained earnings in the amount of NT\$2,234 thousand.

The aggregate carrying amounts of the Group's interests in CSX Material Co., Ltd. were NT\$20,318 thousand and NT\$33,545 thousand as at December 31, 2023 and 2022, respectively. The aggregate financial information of the Group's investments in associates is as follows:

| | |
|----------------------------------|------|
| For the years ended December 31, | |
| 2023 | 2022 |

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King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | | |
|---|---------------------------|--------------------------|
| Profit or loss from continuing operations | \$ (13,965) | \$ (8,977) |
| Other comprehensive income (after-tax) | <u>738</u> | <u>(899)</u> |
| Total comprehensive income | <u><u>\$ (13,227)</u></u> | <u><u>\$ (9,876)</u></u> |

B. The associates had no contingent liabilities or capital commitments and were not pledged as collateral as at December 31, 2023 and 2022, respectively.

(9) Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Other Equipment | Construction in progress and equipment awaiting examination | Total |
|------------------------------|-------------------------|-------------------------|----------------------------|-----------------------------|-----------------------|------------------------|---|-------------------------|
| Cost: | | | | | | | | |
| As at Jan. 1, 2023 | \$144,000 | \$107,557 | \$261,775 | \$11,387 | \$3,510 | \$65,447 | \$7,310 | \$600,986 |
| Additions | - | 990 | 4,740 | - | 196 | 2,092 | 42,158 | 50,176 |
| Disposals | - | (95) | (29,999) | (1,548) | (287) | (2,768) | - | (34,697) |
| Exchange differences | - | (813) | (2,567) | (14) | (46) | (16) | (10) | (3,466) |
| Transfer | - | - | 5,221 | - | - | 252 | (5,473) | - |
| As at Dec.31, 2023 | <u><u>\$144,000</u></u> | <u><u>\$107,639</u></u> | <u><u>\$239,170</u></u> | <u><u>\$9,825</u></u> | <u><u>\$3,373</u></u> | <u><u>\$65,007</u></u> | <u><u>\$43,985</u></u> | <u><u>\$612,999</u></u> |
| As at Jan. 1, 2022 | \$144,000 | \$108,384 | \$301,877 | \$5,522 | \$3,186 | \$70,533 | \$17,321 | \$650,823 |
| Additions | - | 1,830 | 10,736 | 7,900 | 315 | 3,261 | 9,435 | 33,477 |
| Disposals | - | (3,383) | (72,579) | (2,061) | (32) | (8,362) | - | (86,417) |
| Exchange differences | - | 726 | 2,285 | 26 | 41 | 15 | 10 | 3,103 |
| Transfer | - | - | 19,456 | - | - | - | (19,456) | - |
| As at Dec.31, 2022 | <u><u>\$144,000</u></u> | <u><u>\$107,557</u></u> | <u><u>\$261,775</u></u> | <u><u>\$11,387</u></u> | <u><u>\$3,510</u></u> | <u><u>\$65,447</u></u> | <u><u>\$7,310</u></u> | <u><u>\$600,986</u></u> |
| Depreciation and impairment: | | | | | | | | |
| As at Jan. 1, 2023 | \$- | \$74,111 | \$177,570 | \$3,005 | \$2,635 | \$37,963 | \$- | \$295,284 |

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | | | | | | | Construction in progress and equipment awaiting examination | Total |
|----------------------------|-----------|-----------|----------------------------|-----------------------------|---------------------|--------------------|---|-----------|
| | Land | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Other Equipment | | |
| Depreciation | - | 3,691 | 16,869 | 1,930 | 301 | 5,929 | - | 28,720 |
| Disposals | - | (95) | (29,999) | (1,450) | (287) | (2,768) | - | (34,599) |
| Exchange differences | - | (617) | (2,282) | (11) | (41) | (14) | - | (2,965) |
| Transfer | - | 1,518 | (1,518) | - | - | - | - | - |
| As at Dec. 31, 2023 | \$- | \$78,608 | \$160,640 | \$3,474 | \$2,608 | \$41,110 | \$- | \$286,440 |
| As at Jan. 1, 2022 | \$- | \$72,691 | \$224,240 | \$3,571 | \$2,341 | \$40,149 | \$- | \$342,992 |
| Depreciation | - | 4,271 | 23,939 | 1,283 | 289 | 6,163 | - | 35,945 |
| Disposals | - | (3,383) | (72,579) | (1,871) | (32) | (8,362) | - | (86,227) |
| Exchange differences | - | 532 | 1,970 | 22 | 37 | 13 | - | 2,574 |
| Transfer | - | - | - | - | - | - | - | - |
| As at Dec. 31, 2022 | \$- | \$74,111 | \$177,570 | \$3,005 | \$2,635 | \$37,963 | \$- | \$295,284 |
| Net carrying amount as at: | | | | | | | | |
| Dec. 31, 2023 | \$144,000 | \$29,031 | \$78,530 | \$6,351 | \$765 | \$23,897 | \$43,985 | \$326,559 |
| Dec. 31, 2022 | \$144,000 | \$33,446 | \$84,205 | \$8,382 | \$875 | \$27,484 | \$7,310 | \$305,702 |

Significant component of building that have different useful lives are main building structure, and facility equipment, which are depreciated over 20 years and 3 to 10 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) Intangible assets

Computer
software

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | |
|---------------------------------|--------------|
| Cost: | |
| As at January 1, 2023 | \$404 |
| Additions – acquired separately | 162 |
| Write-off | (454) |
| Effect of exchange rate changes | - |
| As at December 31, 2023 | <u>\$112</u> |
| As at January 1, 2022 | \$47 |
| Additions – acquired separately | 454 |
| Write-off | (97) |
| Effect of exchange rate changes | - |
| As at December 31, 2022 | <u>\$404</u> |
| Amortization and Impairment: | |
| As at January 1, 2023 | \$199 |
| Amortization | 260 |
| Write-off | (454) |
| Effect of exchange rate changes | - |
| As at December 31, 2023 | <u>\$5</u> |
| As at January 1, 2022 | \$4 |
| Amortization | 292 |
| Write-off | (97) |
| Effect of exchange rate changes | - |
| As at December 31, 2022 | <u>\$199</u> |
| Net carrying amount as at: | |
| December 31, 2023 | <u>\$107</u> |
| December 31, 2022 | <u>\$205</u> |

The amortization amounts of intangible assets were as follows:

For the years ended December 31,

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | 2023 | 2022 |
|-------------------------|-------|-------|
| Operating costs | \$55 | \$48 |
| Administrative expenses | 205 | 244 |
| Total | \$260 | \$292 |

(11) Other non-current assets

| | As at December 31, | |
|--------------------------|--------------------|----------|
| | 2023 | 2022 |
| Prepayment for equipment | \$13,119 | \$10,640 |
| Refundable deposits | 172 | 44 |
| Total | \$13,291 | \$10,684 |

(12) Short-term loans

| | | As at December 31, | |
|----------------------|-------------------|--------------------|-----------|
| | Interest Rate (%) | 2023 | 2022 |
| Secured bank loans | 1.315%~1.53% | \$395,000 | \$582,000 |
| Unsecured bank loans | 1.53% | 99,000 | - |
| Total | | \$494,000 | \$582,000 |

The Group's unused short-term lines of credits amount to NT\$756,500 thousand and NT\$188,000 thousand, as at December 31, 2023, and 2022, respectively.

Please refer to Note 8 for more details on property, plant and equipment and financial assets measured at amortized cost pledged as secured bank loans.

(13) Financial liabilities at fair value through profit or loss

| | As at December 31, | |
|--|--------------------|------|
| | 2023 | 2022 |

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | | |
|---|-------|---------|
| Held for trading-current: | | |
| Foreign currency options | \$830 | \$1,051 |
| Adjustments for change in value of financial liabilities | (802) | (618) |
| Total | \$28 | \$433 |

(14) Other payables

| | As at December 31, | |
|------------------|--------------------|----------|
| | 2023 | 2022 |
| Accrued expense | \$52,664 | \$77,863 |
| Accrued interest | 210 | 138 |
| Total | \$52,874 | \$78,001 |

(15) Other non-current liabilities

| | As at December 31, | |
|---------------------------|--------------------|----------|
| | 2023 | 2022 |
| Defined benefit liability | \$4,425 | \$10,613 |
| Deposits received | 445 | 454 |
| Total | \$4,870 | \$11,067 |

(16) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$5,265 thousand and NT\$5,640 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS

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19. The Company expects to contribute NT\$0 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As at December 31, 2023 and 2022, the maturities of the Company's defined benefits plan are in 2031 and 2029, respectively.

Pension costs recognized in profit or loss were as follows.

| | For the years ended December 31, | |
|---|----------------------------------|-------|
| | 2023 | 2022 |
| Current service costs | \$304 | \$294 |
| Net interest of defined benefit liability (asset) | 130 | 109 |
| Total | \$434 | \$403 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | As at | | |
|---|---------------|---------------|--------------|
| | Dec. 31, 2023 | Dec. 31, 2022 | Jan. 1, 2022 |
| Defined benefit obligation | \$45,800 | \$52,096 | \$52,213 |
| Plan assets at fair value | (41,375) | (41,483) | (36,495) |
| Other non-current liabilities – net defined benefit liability | \$4,425 | \$10,613 | \$15,718 |

Reconciliation of liability (asset) of the defined benefit liability is as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability (asset) |
|---------------------------|--|------------------------------|---|
| As at January 1, 2022 | \$52,213 | \$(36,495) | \$15,718 |
| Current service costs | 294 | - | 294 |
| Interest expense (income) | 361 | (252) | 109 |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability (asset) |
|---|--|------------------------------|---|
| Pasts service cost and settlement | - | - | - |
| Subtotal | 655 | (252) | 403 |
| Remeasurement on defined benefit liability/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 290 | - | 290 |
| Actuarial gains and losses arising from changes in financial assumptions | (202) | - | (202) |
| Experience adjustments | (481) | - | (481) |
| Remeasurement on defined benefit assets | - | (2,669) | (2,669) |
| Subtotal | (393) | (2,669) | (3,062) |
| Payments from the plan | (379) | 379 | - |
| Contributions by employer | - | (2,446) | (2,446) |
| Effect of changes in foreign exchange rates | - | - | - |
| As at December 31, 2022 | 52,096 | (41,483) | 10,613 |
| Current service costs | 304 | - | 304 |
| Interest expense (income) | 640 | (510) | 130 |
| Pasts service cost and settlement | - | - | - |
| Subtotal | 944 | (510) | 434 |
| Remeasurement on defined benefit liability/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 3,706 | - | 3,706 |
| Experience adjustments | (2,332) | - | (2,332) |
| Remeasurement on defined benefit assets | - | (184) | (184) |

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability (asset) |
|--|--|------------------------------|---|
| Subtotal | 1,374 | (184) | 1,190 |
| Payments from the plan | (8,614) | 8,614 | - |
| Contributions by employer | - | (7,812) | (7,812) |
| Effect of changes in foreign exchange rates | - | - | - |
| As at December 31, 2023 | \$45,800 | \$(41,375) | \$4,425 |

The following assumptions are used to determine the present value of the defined benefit plan:

| | As at December 31, | |
|-----------------------------------|--------------------|-------|
| | 2023 | 2022 |
| Discount rate | 1.20% | 1.23% |
| Expected rate of salary increases | 3.00% | 2.00% |

Sensitivity analysis

| | For the years ended December 31, | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 2023 | | 2022 | |
| | Increase in defined benefit | Decrease in defined benefit | Increase in defined benefit | Decrease in defined benefit |
| Discount rate increased by 0.5% | \$- | \$(1,873) | \$- | \$(1,692) |
| Discount rate decreased by 0.5% | 1,999 | - | 2,095 | - |
| Expected salary level increased by 0.5% | 1,953 | - | 2,068 | - |
| Expected salary level decreased by 0.5% | - | (1,850) | - | (1,690) |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant.

The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equity

A. Common stock

As at December 31, 2023 and 2022, the Company's authorized capital were both NT\$1,000,000 thousand, each share at par of NT\$10. The Company's paid-in capital were NT\$876,390 thousand and NT\$871,477 thousand, respectively, divided into 87,639 thousand shares and 87,148 thousand shares, respectively.

On February 21, 2022, the Company was resolved by the board of directors issued NT\$5,388 thousand (277,330 shares) by stock to the employee remuneration in 2021, and the capital increase was based on June 29 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand and the issued share capital is NT\$871,477 thousand, with a par value of NT\$10 per share, divided into 87,148 thousand shares.

On February 20, 2023, the Company was resolved by the board of directors issued NT\$12,455 thousand (491,334 shares) by stock to the employee remuneration in 2022, and the capital increase was based on August 15 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand and the issued share capital is NT\$876,390 thousand, with a par value of NT\$10 per share, divided into 87,639 thousand shares.

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B. Capital surplus

| | As at December 31, | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Additional paid-in capital | \$80,155 | \$72,613 |
| Conversion premium of convertible corporate bonds | 128,041 | 128,041 |
| Changes in equity of investment accounted for using the equity method | 226 | - |
| Total | <u>\$208,422</u> | <u>\$200,654</u> |

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The adjustment amount of prior period's undistributed earnings and current period's undistributed earnings, shall be proposed by the Board of Directors to allocate 10% to 100%;

- f. Recommended by the Board of Directors and resolved in the shareholders' meeting, then distribute the dividends to shareholders.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

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On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As at December 31, 2023 and 2022, the Company increase NT\$6,584 thousand special reserve upon the first-time adoption of T-IFRS.

- (e) The appropriations of earnings for the years ended December 31, 2023 and 2022 were approved through the Board of Directors' meetings and shareholders' meeting held on February 19, 2024 and May 31, 2023, respectively. The details of the distribution are as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|-----------------|---------------------------|------------------|------------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | \$7,294 | \$19,205 | | |
| Special reserve | (9,252) | 9,252 | | |
| Cash dividend | 74,493 | 130,721 | \$0.85 | \$1.5 |
| Total | <u>\$72,535</u> | <u>\$159,178</u> | | |

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors.

(18) Operating revenue

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|------------------|
| | 2023 | 2022 |
| Revenue from customer contracts | | |
| Sales of goods | <u>\$544,602</u> | <u>\$770,147</u> |

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Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

| | For the years ended December 31, | |
|--------------------------------|----------------------------------|-----------|
| | 2023 | 2022 |
| Sales of goods | \$544,602 | \$770,147 |
| Timing of revenue recognition: | | |
| At a point in time | \$544,602 | \$770,147 |

B. Contract balances

(a) Contract liabilities – current

| | As at | | |
|----------------|---------------|---------------|--------------|
| | Dec. 31, 2023 | Dec. 31, 2022 | Jan. 1, 2022 |
| Sales of goods | \$858 | \$564 | \$1,117 |

The changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

| | For the years ended December 31, | |
|--|----------------------------------|-----------|
| | 2023 | 2022 |
| The opening balance transferred to revenue | \$(547) | \$(1,117) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 841 | 564 |

(19) Expected credit losses/(gains)

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| | For the years ended December 31, | |
|---|----------------------------------|------|
| | 2023 | 2022 |
| Operating expenses – Expected credit losses | | |
| Accounts receivable | \$ (930) | \$ - |

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at December 31, 2023 and 2022 are as follows:

A. The historical credit loss experience for accounts receivable shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance of accounts receivable is measured at amount equal to lifetime expected credit losses and with no distinction between groups. Details are as follows.

As at December 31, 2023

| | | Overdue | | | | | |
|--|-----------------------|--------------|---------------|---------------|----------------|---------------|-----------|
| | Not yet Due (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross carrying amount | \$136,053 | \$9,661 | \$1,180 | \$358 | \$2 | \$14,590 | \$161,844 |
| Loss ratio | - | - | - | 21.51% | 100% | 100% | |
| Lifetime expected credit losses | - | - | - | (77) | (2) | (14,590) | (14,669) |
| Carrying amount of accounts receivable | \$136,053 | \$9,661 | \$1,180 | \$281 | \$- | \$- | \$147,175 |

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As at December 31, 2022

| | Not yet Due (Note) | Overdue | | | | | Total |
|--|-----------------------|--------------|---------------|---------------|----------------|---------------|-----------|
| | | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | |
| Gross carrying amount | \$180,217 | \$9,579 | \$2,411 | \$430 | \$8 | \$14,612 | \$207,257 |
| Loss ratio | -% | 1% | 19.95% | 100% | 100% | 100% | |
| Lifetime expected credit losses | - | (96) | (481) | (430) | (8) | (14,612) | (15,627) |
| Carrying amount of accounts receivable | \$180,217 | \$9,483 | \$1,930 | \$- | \$- | \$- | \$191,630 |

Note: The Group's notes receivables are not overdue.

B. The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31, 2023 and 2022 are as follows:

| | Notes receivable | Accounts receivable |
|--|---------------------|------------------------|
| Beginning balance as at January 1, 2023 | \$- | \$15,627 |
| Addition/(reversal) for the current period | - | (930) |
| Exchange influence | - | (28) |
| Ending balance as at December 31, 2023 | \$- | \$14,669 |
| Beginning balance as at January 1, 2022 | \$- | \$15,602 |
| Addition/(reversal) for the current period | - | - |
| Exchange influence | - | 25 |
| Ending balance as at December 31, 2022 | \$- | \$15,627 |

(20) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings. The lease terms range from 2 to 50 years. The Group is not allowed to loan, sublease

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or sell without obtaining the consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

| | As at December 31, | |
|-----------|--------------------|----------------|
| | 2023 | 2022 |
| Land | \$5,408 | \$5,734 |
| Buildings | 452 | - |
| Total | <u>\$5,860</u> | <u>\$5,734</u> |

II. Lease liability

| | As at December 31, | |
|-------------------|--------------------|------------|
| | 2023 | 2022 |
| Lease liabilities | <u>\$460</u> | <u>\$-</u> |
| Current | \$460 | \$- |
| Non-current | - | - |
| Total | <u>\$460</u> | <u>\$-</u> |

Please refer to Note 6(22)(d) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022 refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

| For the years ended December 31, | |
|----------------------------------|------|
| 2023 | 2022 |

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| | | |
|-----------|-------|-------|
| Land | \$214 | \$216 |
| Buildings | 459 | 461 |
| Total | \$673 | \$677 |

(c) Income and costs relating to leasing activities

| | For the years ended December 31, | |
|--|----------------------------------|-------|
| | 2023 | 2022 |
| The expense relating to short-term leases | \$490 | \$539 |
| The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets) | 89 | 2 |

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounting to NT\$1,054 thousand and NT\$1,019 thousand, respectively.

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows:

| Function Nature | For the years ended December 31, | | | | | |
|----------------------------|----------------------------------|-------------------|-----------|--------------------|-------------------|-----------|
| | 2023 | | | 2022 | | |
| | Cost of goods sold | Operating expense | Total | Cost of goods sold | Operating expense | Total |
| Employee benefit | | | | | | |
| Salaries & wages | \$85,531 | \$38,349 | \$123,880 | \$110,940 | \$50,657 | \$161,597 |
| Labor and health insurance | 9,806 | 3,254 | 13,060 | 10,644 | 3,212 | 13,856 |
| Pension | 4,148 | 1,551 | 5,699 | 4,595 | 1,448 | 6,043 |
| Directors' remuneration | - | 1,640 | 1,640 | - | 3,989 | 3,989 |
| Other employee | 3,694 | 809 | 4,503 | 4,363 | 781 | 5,144 |

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| benefit | | | | | | |
|--------------|--------|--------|--------|--------|--------|--------|
| Depreciation | 18,861 | 10,532 | 29,393 | 26,460 | 10,162 | 36,622 |
| Amortization | 55 | 205 | 260 | 48 | 244 | 292 |

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 5-10% as employees' compensation and no more than 2% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 amounted to NT\$4,686 thousand and NT\$1,406 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$12,455 thousand and NT\$3,737 thousand, respectively, recognized as employee benefits expense.

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT\$4,686 thousand, in a meeting held on February 19, 2024. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT\$1,406 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2023.

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT\$12,455 thousand, in a meeting held on February 20, 2023. If the board of directors resolved to distribute employees'

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compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT\$3,737 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2022.

(22) Non-operating incomes and expenses

A. Interest incomes

| | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| Financial assets measured at amortized cost | \$35,144 | \$15,196 |

B. Other incomes

| | For the years ended December 31, | |
|-----------------------|----------------------------------|----------|
| | 2023 | 2022 |
| Rental income | \$- | \$1,594 |
| Dividend income | 7,957 | 8,780 |
| Other income – others | 5,413 | 7,445 |
| Total | \$13,370 | \$17,819 |

C. Other gains and losses

| | For the years ended December 31, | |
|---|----------------------------------|---------|
| | 2023 | 2022 |
| Gains (losses) on disposal of investments | \$- | \$(688) |
| Foreign exchange gain (loss), net | 20,054 | 129,507 |
| Gains (losses) on financial assets at fair value through profit or loss | 15,356 | (9,120) |

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| | | |
|--|-----------------|------------------|
| Gains (losses) on financial liabilities at fair value through profit or loss | 184 | 390 |
| Gain (loss) on disposal of property, plant and equipment | (40) | 543 |
| Other losses | (40) | (1,304) |
| Total | <u>\$35,514</u> | <u>\$119,328</u> |

D. Finance costs

| | <u>For the years ended December 31,</u> | |
|-------------------------------|---|----------------|
| | <u>2023</u> | <u>2022</u> |
| Interest on bank loans | \$7,458 | \$7,684 |
| Interest on lease liabilities | 25 | 8 |
| Total | <u>\$7,483</u> | <u>\$7,692</u> |

(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2023

| | <u>Arising during the period</u> | <u>Reclassificat ion during the period</u> | <u>Subtotal</u> | <u>Income tax benefit (expense)</u> | <u>OCI, net of tax</u> |
|--|--|--|-----------------|---|----------------------------|
| <u>Not reclassified to profit or loss:</u> | | | | | |
| Remeasurements of defined benefit plans | \$(1,190) | \$- | \$(1,190) | \$- | \$(1,190) |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 22,339 | - | 22,339 | - | 22,339 |
| Remeasurements of the defined benefit plan for associates and joint ventures | (667) | - | (667) | - | (667) |

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| | Arising during the period | Reclassificat ion during the period | Subtotal | Income tax benefit (expense) | OCI, net of tax |
|---|---------------------------------|---|-----------------|------------------------------------|--------------------|
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures | (128) | - | (128) | - | (128) |
| <u>Items that may subsequently be reclassified to profit or loss:</u> | | | | | |
| Exchange differences arising on translation of foreign operations | (4,440) | - | (4,440) | - | (4,440) |
| Exchange differences on translation of foreign operations for associates and joint ventures | 813 | - | 813 | - | 813 |
| Total OCI | <u>\$16,727</u> | <u>\$-</u> | <u>\$16,727</u> | <u>\$-</u> | <u>\$16,727</u> |

For the year ended December 31, 2022

| | Arising during the period | Reclassificat ion during the period | Subtotal | Income tax benefit (expense) | OCI, net of tax |
|--|---------------------------------|---|----------|------------------------------------|--------------------|
| <u>Not reclassified to profit or loss:</u> | | | | | |
| Remeasurements of defined benefit plans | \$3,062 | \$- | \$3,062 | \$- | \$3,062 |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (17,457) | - | (17,457) | - | (17,457) |
| Remeasurements of the defined benefit plan for associates and | 607 | - | 607 | - | 607 |

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| | Arising during the period | Reclassificat ion during the period | Subtotal | Income tax benefit (expense) | OCI, net of tax |
|---|---------------------------------|---|-------------------------|------------------------------------|-------------------------|
| joint ventures | | | | | |
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures | (352) | - | (352) | - | (352) |
| <u>Items that may subsequently be reclassified to profit or loss:</u> | | | | | |
| Exchange differences arising on translation of foreign operations | 7,605 | - | 7,605 | - | 7,605 |
| Exchange differences on translation of foreign operations for associates and joint ventures | (736) | - | (736) | - | (736) |
| Total OCI | <u><u>\$(7,271)</u></u> | <u><u>\$-</u></u> | <u><u>\$(7,271)</u></u> | <u><u>\$-</u></u> | <u><u>\$(7,271)</u></u> |

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

| | <u>For the years ended December 31,</u> | |
|--|---|-------------|
| | <u>2023</u> | <u>2022</u> |
| Current income tax expense: | | |
| Current income tax expense | \$16,525 | \$43,943 |
| Adjustments in respect of current income tax of prior periods | (1,197) | 3,099 |

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| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2023 | 2022 |
| Deferred tax expense (benefit): | | |
| Deferred tax expense (benefit) relating to | (2,131) | (339) |
| origination and reversal of temporary differences | | |
| Tax expense (income) recognized in the period for | - | (3,868) |
| previously unrecognized tax loss, tax credit or | | |
| temporary difference of prior periods | | |
| Total income tax expense | <u>\$13,197</u> | <u>\$42,835</u> |

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2023 | 2022 |
| Accounting profit before tax from continuing operations | <u>\$87,993</u> | <u>\$233,451</u> |
| Tax payable at the enacted tax rates | 18,505 | \$46,859 |
| Tax effect of revenue tax-exempted | (4,683) | (5,152) |

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| | | |
|--|-----------------|-----------------|
| Income tax for undistributed earnings | 1,755 | - |
| Tax effect of deferred tax assets / liabilities | (1,183) | 1,897 |
| Adjustment in respect of current income tax of prior periods | (1,197) | 3,099 |
| Adjustment in respect of deferred tax of prior periods | - | (3,868) |
| Total income tax expense recognized in profit or loss | <u>\$13,197</u> | <u>\$42,835</u> |

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

| | Beginning balance as at January 1, 2023 | Deferred tax income (expense) recognized in profit or loss | Ending balance as at December 31, 2023 |
|-----------------------|---|--|--|
| Temporary differences | | | |

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| | Beginning balance as at January 1, 2023 | Deferred tax income (expense) recognized in profit or loss | Ending balance as at December 31, 2023 |
|--|---|--|--|
| Unrealized loss on inventory valuation | \$4,561 | \$202 | \$4,763 |
| Bad debt expenses | 2,558 | (106) | 2,452 |
| Unrealized gain or loss on financial assets | (124) | (36) | (160) |
| Unrealized profits and losses | 142 | 71 | 213 |
| Unrealized profits and losses of subsidiaries | (233) | (2) | (235) |
| Outward processing | 494 | 55 | 549 |
| Past due payables transfer revenue | 1 | - | 1 |
| Pay in unused vacation payroll | 935 | (681) | 254 |
| Investment income | (8,436) | 314 | (8,122) |
| Unrealized exchange loss (gain) | (340) | 2,314 | 1,974 |
| Deferred tax (expense)/ income | | \$2,131 | |
| Net deferred tax assets/(liabilities) | <u>\$(442)</u> | | <u>\$1,689</u> |
| Reflected in balance sheet as follows: | | | |
| Deferred tax assets | <u>\$8,691</u> | | <u>\$10,206</u> |
| Deferred tax liabilities | <u>\$(9,133)</u> | | <u>\$(8,517)</u> |

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| | Beginning balance as of January 1, 2022 | Deferred tax income (expense) recognized in profit or loss | Ending balance as of December 31, 2022 |
|---|---|--|--|
| Temporary differences | | | |
| Unrealized loss on inventory valuation | \$4,665 | \$(104) | \$4,561 |
| Bad debt expenses | 2,514 | 44 | 2,558 |
| Unrealized gain or loss on financial assets | (45) | (79) | (124) |
| Unrealized profits and losses | 44 | 98 | 142 |
| Unrealized profits and losses of subsidiaries | (337) | 104 | (233) |
| Outward processing | 180 | 314 | 494 |
| Past due payables transfer revenue | 1 | - | 1 |
| Pay in unused vacation payroll | 935 | - | 935 |
| Investment income | (21,611) | 13,175 | (8,436) |
| Unrealized exchange loss (gain) | 9,005 | (9,345) | (340) |
| Deferred tax (expense)/ income | | <u>\$4,207</u> | |
| Net deferred tax assets/(liabilities) | <u>\$ (4,649)</u> | | <u>\$ (442)</u> |
| Reflected in balance sheet as follows: | | | |
| Deferred tax assets | <u>\$17,344</u> | | <u>\$8,691</u> |
| Deferred tax liabilities | <u>\$(21,993)</u> | | <u>\$(9,133)</u> |

D. Unrecognized deferred tax assets

As at December 31, 2023 and 2022, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to \$4,764 thousand and \$6,049 thousand, respectively, as the future taxable profit may not be available.

E. The approval of income tax returns

As at December 31, 2023, the Company's income tax return is approved until 2021.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

| | <u>For the years ended December 31,</u> | |
|--|---|------------------|
| | <u>2023</u> | <u>2022</u> |
| Net income attributable to common shareholders of the parent company (in thousand NT\$) | <u>\$74,796</u> | <u>\$190,616</u> |
| Weighted average number of common shares outstanding (in thousand shares) | <u>87,572</u> | <u>87,116</u> |
| Basic earnings per share (in NT\$) | <u>\$0.85</u> | <u>\$2.19</u> |

B. Diluted earnings per share

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| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2023 | 2022 |
| Net income attributable to common shareholders of the parent company (in thousand NT\$) | <u>\$74,796</u> | <u>\$190,616</u> |
| Net income attributable to common shareholders of the parent after dilution (in thousand NT\$) | <u>\$74,796</u> | <u>\$190,616</u> |
| Weighted average number of common shares outstanding (in thousand shares) | 87,572 | 87,116 |
| Effect of dilution: | | |
| Employee compensation – stock (in thousand shares) | 243 | 543 |
| Weighted average number of common shares outstanding after dilution (in thousand shares) | <u>87,815</u> | <u>87,659</u> |
| Diluted earnings per share (in NT\$) | <u>\$0.85</u> | <u>\$2.17</u> |

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Related parties | Relationship |
|---|--------------|
| Jinhu Coolingworks Electronics Co., LTD | Associate |

Significant transactions with related parties

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A. Other receivables-related parties

| | As at December 31, | |
|---|--------------------|------|
| | 2023 | 2022 |
| Jinhu Coolingworks Electronics Co., LTD | \$4,725 | \$- |

B. For the year ended December 31, 2023, the Group was entrusted by Jinhu Coolingworks Electronics Co., LTD to purchase raw materials in the amount of NT\$9,421 thousand.

C. Salaries and rewards to key management of the Group

| | For the years ended December 31, | |
|------------------------------|----------------------------------|----------|
| | 2023 | 2022 |
| Short-term employee benefits | \$15,576 | \$13,961 |
| Post-employee benefits | 497 | 548 |
| Total | \$16,073 | \$14,509 |

8. PLEDGED ASSETS

| Items | Carrying amount as at December 31, | | Secured liabilities |
|---|---------------------------------------|-----------|--------------------------|
| | 2023 | 2022 | |
| Property, plant and equipment - land (cost) | \$144,000 | \$144,000 | Short-term secured loans |
| Property, plant and equipment - buildings (carrying value) | 20,966 | 23,387 | Short-term secured loans |
| Financial assets measured at amortized cost | 377,057 | 469,098 | Short-term secured loans |
| Total | \$542,023 | \$636,485 | |

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

As at December 31, 2023, the Group issued NT\$500 thousand guaranteed bill for the duty and commodity tax bookkeeping guarantee, which is not included in the financial statements due to the nature of contingent liabilities.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

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(1) Categories of financial instruments

Financial assets

| | As at December 31, | |
|---|--------------------|-------------|
| | 2023 | 2022 |
| Financial assets at fair value through profit or loss: | | |
| Measured at fair value through profit or loss | \$76,004 | \$60,648 |
| Financial assets at fair value through other comprehensive income | 184,363 | 162,024 |
| Financial assets measured at amortized cost | | |
| Cash and cash equivalents | 367,693 | 567,497 |
| Financial assets measured at amortized cost | 497,950 | 505,033 |
| Notes receivable | 10,463 | 8,557 |
| Accounts receivable | 136,712 | 183,073 |
| Other receivables (including related parties) | 8,195 | 2,632 |
| Refundable deposits | 171 | 44 |
| Subtotal | 1,021,184 | 1,266,836 |
| Total | \$1,281,551 | \$1,489,508 |

Financial liabilities

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| | As at December 31, | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Financial liabilities at amortized cost: | | |
| Short-term loans | \$494,000 | \$582,000 |
| Accounts payable | 101,870 | 155,173 |
| Financial liabilities at fair value through profit or loss: | | |
| Financial liability held for trading | 28 | 433 |
| Total | <u>\$595,898</u> | <u>\$737,606</u> |

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2023 and 2022 would decrease/increase by NT\$5,733 thousand and NT\$7,800 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2023 and 2022 would increase/decrease by NT\$398 thousand and NT\$518 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2023 and 2022 by NT\$493 thousand and NT\$334 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,782 thousand and NT\$1,558 thousand on the equity attributable to the Group for the years ended December 31, 2023 and 2022, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As at December 31, 2023 and 2022, receivables from the top ten customers were accounted

for 42% and 45% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the other remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

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King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | <u>Less than 1 year</u> |
|-------------------------|-------------------------|
| As at December 31, 2023 | |
| Loans | \$494,526 |
| Payables | 101,870 |
| As at December 31, 2022 | |
| Loans | \$582,355 |
| Payables | 155,173 |

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2023:

| | Short-term borrowings | Deposits received | Lease liabilities | Employees' compensation payable | Total liabilities from financing activities |
|------------------------------|--------------------------|----------------------|----------------------|---------------------------------------|---|
| As at January 1, 2023 | \$582,000 | \$454 | \$- | \$232 | \$582,686 |
| Cash flows | (88,000) | (9) | (475) | - | (88,484) |
| Non-cash changes | - | - | 928 | - | 928 |
| Foreign exchange movement | - | - | 7 | - | 7 |
| As at December 31, 2023 | <u>\$494,000</u> | <u>\$445</u> | <u>\$460</u> | <u>\$232</u> | <u>\$495,137</u> |

Movement schedule of liabilities for year ended December 31, 2022:

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Short-term | Deposits | Lease | Employees' | Total liabilities |
|-------------------------|-------------|----------|-------------|--------------|-------------------|
| | borrowings | received | liabilities | compensation | from financing |
| | | | | | activities |
| As at January 1, 2022 | \$1,319,000 | \$12 | \$460 | \$242 | \$1,319,714 |
| Cash flows | (737,000) | 442 | (478) | (10) | (737,046) |
| Non-cash changes | - | - | 8 | - | 8 |
| Foreign exchange | - | - | 10 | - | 10 |
| movement | | | | | |
| As at December 31, 2022 | \$582,000 | \$454 | \$- | \$232 | \$582,686 |

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds) at the report date.

- (c) Fair value of equity instruments without market quotations (including private

placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2023 and 2022, the relevant information of the Company's holdings of derivatives including Foreign Exchange Swaps and foreign currency options that did not meet the requirements of hedging accounting and have not yet expired are as follows:

Foreign Exchange Swaps

Foreign Exchange Swaps, not designated as a hedging tool:

| Item | Contract Amount | Term |
|-------------------------|-----------------|-----------------------|
| As at December 31, 2023 | | |
| None. | | |
| As at December 31, 2022 | | |
| Foreign Exchange Swaps | Sold USD1,590 | 2022.12.09~2023.06.27 |

Foreign currency options

As at December 31, 2023 Unwrite off Foreign Exchange Options:

| Bank | Foreign currency | Vlue date | Settle condition |
|-----------------------|------------------|----------------|--|
| First Commercial Bank | USD/TWD | $FX \geq 32.3$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 32.5$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 32.7$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.0$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.2$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.4$ | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.6$ | Performance obliganting |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Bank | Foreign currency | Value date | Settle condition |
|-----------------------|------------------|----------------|------------------------|
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.2$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.4$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.6$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 34.0$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 34.2$ | Performance obligating |
| | | | sale USD 990 thousands |

As at December 31, 2022 Unwrite off Foreign Exchange Options:

| Bank | Foreign currency | Value date | Settle condition |
|-----------------------|------------------|----------------|------------------------|
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 31.7$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 32.5$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.0$ | Performance obligating |
| | | | sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.5$ | Performance obligating |
| | | | sale USD 990 thousands |

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| Financial assets value: | | | | |
| Financial assets fair value through profit or loss | | | | |
| Funds | \$26,742 | \$- | \$- | \$26,742 |
| Stock | 49,263 | - | - | 49,263 |
| Measured at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | 178,155 | - | 6,208 | 184,363 |
| Financial liabilities: | | | | |
| Measured at fair value through profit or loss | | | | |
| Foreign currency options | - | 28 | - | 28 |

As at December 31, 2022

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| Financial assets value: | | | | |
| Financial assets fair value through profit or loss | | | | |
| Funds | \$27,270 | \$- | \$- | \$27,270 |
| Stock | 33,378 | - | - | 33,378 |
| Measured at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | 155,816 | - | 6,208 | 162,024 |
| Financial liabilities: | | | | |
| Measured at fair value through profit or loss | | | | |
| Foreign Exchange Swaps | - | 229 | - | 229 |
| Foreign currency options | - | 204 | - | 204 |

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

movements during the period is as follows:

| | Assets |
|--|---|
| | Financial assets at fair value through other comprehensive income |
| | Stock |
| As at January 1, 2023 | \$6,208 |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - |
| Disposals | - |
| As at December 31, 2023 | \$6,208 |

| | Assets |
|--|---|
| | Financial assets at fair value through other comprehensive income |
| | Stock |
| As at January 1, 2022 | \$8,024 |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (1,789) |
| Disposals | (27) |
| As at December 31, 2022 | \$6,208 |

Information on significant unobservable inputs to valuation

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2023

| | Valuation | Significant unobservable | Quantitative | Relationship | Sensitivity of the input |
|---|--------------------|--|--------------|---|---|
| | techniques | inputs | information | between inputs and fair value | to fair value |
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | Discount for lack of marketability | 20% | The higher the lack of liquidity reduction, the lower the fair value of the stocks | 5% increase (decrease) in the discount for lack of marketability would result in decrease / (increase) in the Group's equity by NT\$248 thousand |

As at December 31, 2022

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|--|----------------------|------------------------------------|--------------------------|--|--|
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | Discount for lack of marketability | 20% | The higher the lack of liquidity reduction, the lower the fair value of the stocks | 5% increase (decrease) in the discount for lack of marketability would result in decrease / (increase) in the Group's equity by NT\$248 thousand |

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies is listed below. (In Thousands)

| | As at | | | | | |
|-------------------------|--------------------|---------------|-----------|--------------------|---------------|-----------|
| | December 31, 2023 | | | December 31, 2022 | | |
| | Foreign Currencies | Exchange Rate | NTD | Foreign Currencies | Exchange Rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items:</u> | | | | | | |
| USD | \$18,762 | 30.65 | \$575,037 | \$25,661 | 30.66 | \$786,758 |
| CNY | \$38,010 | 4.33 | \$164,565 | \$34,809 | 4.42 | \$153,770 |
| EUR | \$6,229 | 33.78 | \$210,408 | \$6,539 | 32.52 | \$212,662 |

The above information is disclosed based on the carrying amount of foreign currency

(after being converted to functional currency).

The Group has foreign operations which have different functional currencies. They could not be disclosed the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with its significant influence. The foreign exchange gains or losses of the Group amounted to NT\$20,054 thousand and NT\$129,507 thousand for the years ended December 31, 2023 and 2022, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: None.
- I. Derivative instrument transactions: Please refer to Note 12(8).
- J. Intercompany relationships and significant intercompany transactions: Please refer to attachment 3.

(2) Information on investees

- A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.
- B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):
 - (a) Financing provided to others: None.
 - (b) Endorsement/Guarantee provided to others: None.
 - (c) Marketable securities held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): None.
 - (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
 - (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: None.
- (i) Derivative instrument transactions: None.

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Notes to Consolidated Financial Statements (Continued)

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(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

| Name of Investee in China | Main Business | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2023 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2023 | Profit/ Loss of Investee | Percentage of Ownership (Direct or Indirect Investment) | Share of Profit/Loss | Carrying Amount as of Dec. 31, 2023 | Accumulated Inward Remittance of Earnings as of Dec. 31, 2023 |
|--|--|-----------------|---|--|------------------|--------|---|--------------------------|---|----------------------|-------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | | |
| King Core Electronics Factory, Dab Lane, Guanlan district, Bao' an district. | Manufacturing and sales business of operating soft iron core and yoke iron expect for earth group magnets. | \$- (Note 2) | Reinvest through a third-region company | \$- | \$- | \$- | \$- | \$- | -% | \$- (Note 2) | \$- (Note 2) | \$- |

(In Thousands of New Taiwan Dollars)

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Name of Investor | Main Business | Paid-in Capital | Method of Investment | Accumulated Outflow of Investment | Investment Flows | | Accumulated Outflow of Investment | Profit/ Loss of Investment | Percentage of Ownership | Share of Profit/Loss | Carrying Amount as of | Accumulated Losses |
|---|---|------------------------|-------------------------|---|------------------|-----|---|-------------------------------|----------------------------|----------------------------|----------------------------|-----------------------|
| King Core Electronics (Suzhou) Co., Ltd | Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | \$170,413 (Note 4) | (Note 3) | \$170,413 (Note 4) | \$- | \$- | \$170,413 (Note 4) | \$(1,593) (Note 4 and 6) | 100% | \$(1,593) (Note 4、6 and 7) | \$217,410 (Note 4、6 and 7) | \$119,575 |
| Shenzhen Zhen King Electronics Components Co., Ltd. | Sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | \$2,165 (Note 4 and 5) | (Note 3) | \$- | \$- | \$- | \$- | \$5,146 (Note 4 and 6) | 100% | \$5,146 (Note 4、6 and 7) | \$22,913 (Note 4、6 and 7) | \$- |

| | | |
|---|--|---|
| Accumulated Outflow of Investment from Taiwan to Mainland China as at Dec. 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment in China by Investment Commission, MOEA |
| \$171,948 | \$171,948 | \$904,571 |

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Note 1: King Core (B.V.I.) Electronics Co., Ltd. 100% Shares of subsidiary owned by King Core Electronics Factory , Dab Lane, Guanlan district, Bao'an district, established as a processing plant in mainland, therefore, not applicable.

Note 2: Paid-in capital was written off during 2013.

Note 3: Reinvest in mainland China through a third-region company.

Note 4: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5: 100% Shares of Shenzhen Zhen King Electronics Components Co., Ltd. owned and directly invested by King Core Electronics (Suzhou) Co., Ltd.

Note 6: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of December 31, 2023: Please refer to attachment 3 for details.
- (b) Sale and balance of related accounts receivable as of December 31, 2023: Please refer to attachment 3 for details.
- (c) Property transaction amounts and resulting gain or loss: None.
- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- (f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 3 for details.
- (g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 3 for details.

(4) Information on major shareholders:

| Name | Ownership of shares | Number of shares held | Ownership ratio |
|----------------------------|---------------------|-----------------------|-----------------|
| | (shares) | (shares) | |
| Sheng Bao Investment Corp. | | 10,565,530 | 12.05% |
| Jin Bao Investment Corp. | | 8,230,406 | 9.39% |

14. SEGMENT INFORMATION

(1) The revenue of companies in the Group mainly comes from the manufacturing and trading of iron cores and chips. The chief operating decision maker reviewed the overall operating results to make decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment and adopted the same accounting.

(2) Geographical information

Revenues from external customers

| | For the years ended December 31, | |
|-----------------|----------------------------------|------------------|
| | 2023 | 2022 |
| China | \$322,312 | \$430,460 |
| Taiwan | 158,111 | 230,998 |
| Other countries | 64,179 | 108,689 |
| Total | <u>\$544,602</u> | <u>\$770,147</u> |

Non-current assets

| | As at December 31, | |
|--------|--------------------|------------------|
| | 2023 | 2022 |
| Taiwan | \$314,771 | \$289,743 |
| China | 31,046 | 32,582 |
| Total | <u>\$345,817</u> | <u>\$322,325</u> |

(3) Information about major customers

Individual customer's sale accounted for at least 10% of consolidated net sale:

| Name of customers | For the years ended December 31, | |
|-------------------|----------------------------------|------------------|
| | 2023 | 2022 |
| Customer A | <u>\$149,843</u> | <u>\$243,047</u> |

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Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)
As at December 31, 2023

Attachment 1
(In Thousands of New Taiwan Dollars)

| Name of Held Company | Type and Name of Marketable Securities (Note 1) | Relationship with the Issuer | Financial Statement Account | As of December 31, 2023 | | |
|----------------------------|--|--|---|-------------------------|-----------------|------------------------------|
| | | | | Shares / Units | Carrying Amount | Shareholding % Fair Value |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through profit or loss - current | | | | | |
| KING CORE ELECTRONICS INC. | Equity Funds — Shin Kong China Growth Fund USD | NA | Financial assets at fair value through profit or loss - current | 1,495,005 | \$21,020 | \$7,640 |
| KING CORE ELECTRONICS INC. | Asset Securitization Funds — FSITC Global REITs | NA | Financial assets at fair value through profit or loss - current | 2,000,320 | 20,000 | 19,102 |
| KING CORE ELECTRONICS INC. | Listed stock — Planet Technology Corporation | NA | Financial assets at fair value through profit or loss - current | 204,277 | 7,200 | 30,539 |
| KING CORE ELECTRONICS INC. | Listed stock — Darwin Precisions Corporation | NA | Financial assets at fair value through profit or loss - current | 130,900 | 2,322 | 1,754 |
| | Subtotal | | | | 50,542 | \$59,035 |
| | Add: Valuation adjustments of financial assets at fair value through profit or loss - current | | | | 8,493 | |
| | Total | | | | \$59,035 | |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through other comprehensive income - current | | | | | |
| KING CORE ELECTRONICS INC. | Listed stock — Johnson Health Tech. Co., Ltd. | NA | Financial assets at fair value through other comprehensive income - current | 808,904 | \$15,520 | \$55,571 |
| | Add: Valuation adjustments of financial assets at fair value through other comprehensive income- current | | | | 40,051 | |
| | Total | | | | \$55,571 | |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through profit or loss - non-current | | | | | |
| KING CORE ELECTRONICS INC. | Shin Kong Financial Holding Co., Ltd. | NA | Financial assets at fair value through profit or loss - non-current | 556,163 | \$5,173 | \$5,099 |
| KING CORE ELECTRONICS INC. | Thinking Electronic Industrial Co., Ltd. | NA | Financial assets at fair value through profit or loss - non-current | 70,653 | 776 | 11,870 |
| | Subtotal | | | | 5,949 | |
| | Add: Valuation adjustments of financial assets at fair value through profit or loss | | | | 11,020 | |
| | Total | | | | \$16,969 | |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through other comprehensive income - non-current | | | | | |
| KING CORE ELECTRONICS INC. | Everlight Electronics Co., Ltd. | NA | Financial assets at fair value through other comprehensive income - non-current | 1,924,354 | \$72,466 | \$96,218 |
| KING CORE ELECTRONICS INC. | Muto Optronics Corporation | NA | Financial assets at fair value through other comprehensive income - non-current | 115,000 | 2,185 | 766 |
| KING CORE ELECTRONICS INC. | ATECH OEM INC. | The chairman of their Company is a director of the company | Financial assets at fair value through other comprehensive income - non-current | 1,723,903 | 17,303 | 25,600 |
| KING CORE ELECTRONICS INC. | 5V TECHNOLOGIES, TAIWAN LTD. | | Financial assets at fair value through other comprehensive income - non-current | 471 | 16,201 | 27 |
| KING CORE ELECTRONICS INC. | SUNENGINE CORPORATION LTD. | | Financial assets at fair value through other comprehensive income - non-current | 149,033 | 27,715 | - |
| KING CORE ELECTRONICS INC. | TYFONE INC. | | Financial assets at fair value through other comprehensive income - non-current | 186,598 | 6,181 | 6,181 |
| KING CORE ELECTRONICS INC. | ICASHE INC. | NA | Financial assets at fair value through other comprehensive income - non-current | 18,438 | 611 | - |
| KING CORE ELECTRONICS INC. | AUSPINEN LLC. | NA | Financial assets at fair value through other comprehensive income - non-current | 35,580 | 1,178 | - |
| | Subtotal | | | | 143,840 | \$128,792 |
| | Add: Valuation adjustments of financial assets at fair value through other comprehensive income- non-current | | | | (15,048) | |
| | Total | | | | \$128,792 | |

Note 1: The marketable securities mentioned in attachment refer to stock, bonds, beneficiary certificates and securities derived from abovementioned item within the scope of IFRS 9 Financial Instruments.

King Core Electronics Inc. and Subsidiaries

The Company exercise significant influence or control (excluding investees in mainland china) as at December 31, 2023

Attachment 2

(In Thousands of New Taiwan Dollars)

| Investor | Investee | Business Location | Main Business and Product | Original Investment Amount | | Balance as of December 31, 2023 | | Net Income (Loss) of the Investee | Share of Income (Loss) of the Investee |
|---------------------------------|--|------------------------|---|----------------------------|-------------------------|---------------------------------|----------------|-----------------------------------|--|
| | | | | As of December 31, 2023 | As of December 31, 2022 | Shares | Carrying Value | | |
| King Core Electronics Co., Ltd. | King Core (B.V.I.) Electronics Co., Ltd. | British Virgin Islands | Operating soft core and yoke iron except for rare earth group magnets | USD 5,600 | USD 5,600 | 5,600,000 | \$218,671 | \$(1,572) | \$(1,572) |
| | | | | | | | | | |
| King Core Electronics Co., Ltd. | Allied Biotech Corporation | Da-an District, Taipei | Research, manufacturing and development of carotenoid products and others | \$235,617 | \$235,617 | 17,976,721 | \$254,569 | \$97,412 | \$18,352 |
| | | | | | | | | | |
| King Core Electronics Co., Ltd. | CSX Material Co., Ltd. | Da-an District, Taipei | Operating electronic parts and components manufacturing | \$73,251 | \$73,251 | 6,529,200 | \$20,318 | \$(49,195) | \$(13,965) |
| | | | | | | | | | |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023

Attachment 3

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Company Name | Counter-Party | Nature of Relationship (Note 2) | Intercompany Transaction | | |
|-----------------|--|--|------------------------------------|-----------------------------|------------------------|---|
| | | | | Financial Statement Account | Amount (Note 4 - 5) | Percentage to Consolidated Net Revenue or Total Assets (Note 3) |
| 0 | 2023.01.01~2023.12.31 King Core Electronics Co., Ltd. | KING CORE ELECTRONICS (SUZHOU) CO., LTD | 1 | Sales revenue | \$53,577 | 9.84% |
| | | | 1 | Processing expenses | 21,576 | 3.96% |
| | | | 1 | Other income | 2,800 | 0.51% |
| | | | 1 | Accounts payable | 28,127 | 1.32% |
| 0 | King Core Electronics Co., Ltd. | Shenzhen Zhen King Electronics Components Co.,Ltd. | 1 | Sales revenue | 54,988 | 10.10% |
| | | | 1 | Accounts receivable | 14,807 | 0.70% |
| 2 | KING CORE ELECTRONICS (SUZHOU) CO., LTD | Shenzhen Zhen King Electronics Components Co.,Ltd. | 1 | Sales revenue | 11,744 | 2.16% |
| | | | 1 | Accounts receivable | 2,692 | 0.13% |

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

V. Latest audited individual financial statements.

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders of King Core Electronics Inc. :

Opinion

We have audited the accompanying parent-company-only balance sheets of King Core Electronics Inc. (the “Company”) as of December 31, 2023 and 2022, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of material accounting policies (together referred as “the parent-company-only financial statements”).

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter — Making Reference to the Audit of Other Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2023 and 2022, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

The Company recognized NT\$451,552 thousand as revenue for the year ended December 31, 2023. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Europe, etc. Among these locations, the Company has established foreign hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including checking the revenue recognition from foreign hub-warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

Other Matter – Making Reference to the Audit of Other Auditor

We did not audit the financial statements of Allied Biotech Corp., an invested associate accounted for using the equity method by the Company. The financial statements of Allied Biotech Corp. as of December 31, 2023 and 2022, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for using the equity method amounting to NT\$254,569 thousand and NT\$258,283 thousand as of December 31, 2023 and 2022 representing 12.02% and 11.13% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT\$18,352 thousand and NT\$27,660 thousand representing 20.94% and 11.88% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT\$(720) thousand and NT\$417 thousand, representing (4.30)% and (5.74)% of the other comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the Regulations Governing the Preparation

of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

/s/Lin, Cheng-Wei

/s/Chen, Kuo-Shuai

Ernst & Young
Taiwan, R.O.C.
February 19th, 2024

Notice to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent-company-only financial statements and report of independent accountants are

not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
King Core Electronics Inc.
Parent-Company-Only Balance Sheets
As at December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

| Assets | | | As at December 31, 2023 | | As at December 31, 2022 | |
|--------|---|------------|-------------------------|-----|-------------------------|-----|
| Code | Accounts | Notes | Amount | % | Amount | % |
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 4, 6(1) | \$326,770 | 15 | \$504,760 | 22 |
| 1110 | Financial assets at fair value through profit or loss | 4, 6(2) | 59,035 | 3 | 46,767 | 2 |
| 1120 | Financial assets at fair value through other comprehensive income | 4, 6(3) | 55,571 | 3 | 56,219 | 3 |
| 1136 | Financial assets measured at amortized cost | 4, 6(4), 8 | 446,785 | 21 | 474,960 | 21 |
| 1150 | Notes receivable, net | 4, 6(5) | 2,291 | - | 2,507 | - |
| 1170 | Accounts receivable, net | 4, 6(6) | 72,859 | 3 | 120,649 | 5 |
| 1180 | Accounts receivable-related parties, net | 4, 6(6), 7 | 14,807 | 1 | 5,696 | - |
| 1200 | Other receivables | | 3,427 | - | 2,594 | - |
| 1220 | Current tax assets | 4, 6(24) | 9,123 | - | - | - |
| 1310 | Inventories, net | 4, 6(7) | 158,735 | 8 | 166,445 | 7 |
| 1410 | Prepayments | | 3,454 | - | 4,736 | - |
| 1470 | Other current assets | | 275 | - | 206 | - |
| 11xx | Total current assets | | 1,153,132 | 54 | 1,385,539 | 60 |
| | Non-current assets | | | | | |
| 1510 | Financial assets at fair value through profit or loss | 4, 6(2) | 16,969 | 1 | 13,881 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income | 4, 6(3) | 128,792 | 6 | 105,805 | 5 |
| 1550 | Investment accounted for using equity method | 4, 6(8) | 493,558 | 23 | 516,869 | 22 |
| 1600 | Property, plant and equipment | 4, 6(9), 8 | 301,395 | 14 | 278,898 | 12 |
| 1780 | Intangible assets | 4, 6(10) | 107 | - | 205 | - |
| 1840 | Deferred tax assets | 4, 6(24) | 9,971 | 1 | 8,458 | - |
| 1900 | Other non-current assets | 4, 6(11) | 13,269 | 1 | 10,640 | - |
| 15xx | Total non-current assets | | 964,061 | 46 | 934,756 | 40 |
| 1xxx | Total Assets | | \$2,117,193 | 100 | \$2,320,295 | 100 |

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
King Core Electronics Inc.
Parent-Company-Only Balance Sheets (Continued)
As at December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | As at December 31, 2023 | | As at December 31, 2022 | |
|------------------------|--|--------------|-------------------------|-----|-------------------------|-----|
| Code | Accounts | Notes | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2100 | Short-term loans | 6(12), 8 | \$494,000 | 23 | \$582,000 | 25 |
| 2120 | Financial liability at fair value through profit or loss | 4, 6(13) | 28 | - | 433 | - |
| 2130 | Contract liabilities | 4, 6(18) | 179 | - | 185 | - |
| 2150 | Notes payable | | 491 | - | 404 | - |
| 2170 | Accounts payable | | 36,515 | 2 | 69,578 | 3 |
| 2180 | Accounts payable-related parties | 7 | 28,127 | 1 | 22,627 | 1 |
| 2200 | Other payables | 6(14) | 33,346 | 2 | 52,847 | 2 |
| 2230 | Current income tax liabilities | 4, 6(24) | - | - | 34,459 | 2 |
| 2300 | Other current liabilities | | 4,169 | - | 4,101 | - |
| 21xx | Total current liabilities | | 596,855 | 28 | 766,634 | 33 |
| | Non-current liabilities | | | | | |
| 2570 | Deferred tax liabilities | 4, 6(24) | 8,282 | 1 | 8,900 | - |
| 2600 | Other non-current liabilities | 6(15), 6(16) | 4,437 | - | 10,625 | 1 |
| 25xx | Total non-current liabilities | | 12,719 | 1 | 19,525 | 1 |
| 2xxx | Total liabilities | | 609,574 | 29 | 786,159 | 34 |
| 31xx | Equity attributable to shareholders of the parent | | | | | |
| 3100 | Capital | 6(17) | | | | |
| 3110 | Common stock | | 876,390 | 41 | 871,477 | 38 |
| 3200 | Capital surplus | 6(17) | 208,422 | 10 | 200,654 | 9 |
| 3300 | Retained earnings | 6(17) | | | | |
| 3310 | Legal reserve | | 293,712 | 14 | 274,507 | 12 |
| 3320 | Special reserve | | 15,836 | 1 | 6,584 | - |
| 3350 | Unappropriated earnings | | 110,511 | 5 | 196,750 | 8 |
| 3400 | Other components of equity | | 2,748 | - | (15,836) | (1) |
| 3xxx | Total equity | | 1,507,619 | 71 | 1,534,136 | 66 |
| | Total liabilities and equity | | \$2,117,193 | 100 | \$2,320,295 | 100 |

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
King Core Electronics Inc.
Parent-Company-Only Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| Code | Items | Notes | 2023 | | 2022 | |
|------|---|-------------|-----------|------|-----------|------|
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 4, 6(18), 7 | \$451,552 | 100 | \$656,496 | 100 |
| 5000 | Operating costs | 6(7), 7 | (361,228) | (80) | (476,362) | (73) |
| 5900 | Gross profit | | 90,324 | 20 | 180,134 | 27 |
| 5920 | Unrealized gross (profit) loss from sales | | (358) | - | (487) | - |
| 5950 | Gross profit | | 89,966 | 20 | 179,647 | 27 |
| 6000 | Operating expenses | 7 | | | | |
| 6100 | Sales and marketing | | (25,531) | (6) | (31,615) | (5) |
| 6200 | General and administrative | | (44,996) | (10) | (57,846) | (9) |
| 6300 | Research and development | | (13,781) | (3) | (14,320) | (2) |
| 6450 | Expected credit gains (losses) | 4, 6(19) | 930 | - | - | - |
| | Total operating expenses | | (83,378) | (19) | (103,781) | (16) |
| 6900 | Operating income | | 6,588 | 1 | 75,866 | 11 |
| 7000 | Non-operating income and expenses | 6(22), 7 | | | | |
| 7100 | Interest income | | 33,614 | 8 | 13,726 | 2 |
| 7010 | Other income | | 15,724 | 3 | 18,652 | 3 |
| 7020 | Other gains and losses | | 36,350 | 8 | 122,628 | 19 |
| 7050 | Finance costs | | (7,458) | (2) | (7,684) | (1) |
| 7070 | Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | | 2,815 | 1 | 9,726 | 1 |
| | Total non-operating incomes and expenses | | 81,045 | 18 | 157,048 | 24 |
| 7900 | Income before income tax | | 87,633 | 19 | 232,914 | 35 |
| 7950 | Income tax expense | 4, 6(24) | (12,837) | (3) | (42,298) | (6) |
| 8200 | Net income | | 74,796 | 16 | 190,616 | 29 |
| 8300 | Other comprehensive income (loss) | 6(23) | | | | |
| 8310 | Item that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurements of defined benefit plans | | (1,190) | - | 3,062 | 1 |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive | | 22,339 | 5 | (17,457) | (3) |
| 8331 | Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures | | (667) | - | 607 | - |
| 8336 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries, associates and joint ventures | | (128) | - | (352) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | (3,627) | (1) | 6,869 | 1 |
| 8381 | Exchange differences on translation of foreign operations | | 16,727 | 4 | (7,271) | (1) |
| | Total comprehensive income (loss), net of tax | | \$91,523 | 20 | \$183,345 | 28 |
| 8500 | Total comprehensive income | | | | | |
| 9750 | Earnings per share-basic (in NTD) | 6(25) | \$0.85 | | \$2.19 | |
| 9850 | Earnings per share-diluted (in NTD) | 6(25) | \$0.85 | | \$2.17 | |

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
King Core Electronics Inc.
Parent-Company-Only Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

| Equity Attributable to Shareholders of the Parent | | | | | | | | | | |
|---|------|---|-------------------|-----------------|---------------|-----------------|----------------------------|---|--------------|--|
| | Code | Items | Retained Earnings | | | | Other components of equity | | Total Equity | |
| | | | Capital | Capital Surplus | Legal Reserve | Special reserve | Unappropriated Earnings | Exchange differences arising on translation of foreign operations | | Unrealized gains (losses) on financial assets at fair value through other comprehensive income |
| | | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| | A1 | Balance as of January 1, 2022 | \$869,204 | \$198,157 | \$266,256 | \$6,584 | \$86,833 | \$(24,411) | \$19,515 | \$1,422,138 |
| | B1 | Appropriation and distribution of 2021 retained earnings | | | | | | | | |
| | B5 | Legal reserve | | | 8,251 | | (8,251) | | | - |
| | C7 | Cash dividends-common shares | | | | | (73,883) | | | (73,883) |
| | | Changes in subsidiaries, associates, and joint ventures accounted for using equity method | | (618) | | | (2,234) | | | (2,852) |
| | D1 | Net income for 2022 | | | | | 190,616 | | | 190,616 |
| | D3 | Other comprehensive income (loss), for 2022 | | | | | 3,669 | 6,869 | (17,809) | (7,271) |
| | D5 | Total comprehensive income (loss) | - | - | - | - | 194,285 | 6,869 | (17,809) | 183,345 |
| | N1 | Issuance of common stock from compensation of employees | 2,273 | 3,115 | | | | | | 5,388 |
| | Z1 | Balance as of December 31, 2022 | \$871,477 | \$200,654 | \$274,507 | \$6,584 | \$196,750 | \$(17,542) | \$1,706 | \$1,534,136 |
| | A1 | Balance as of January 1, 2023 | \$871,477 | \$200,654 | \$274,507 | \$6,584 | \$196,750 | \$(17,542) | \$1,706 | \$1,534,136 |
| | B1 | Appropriation and distribution of 2022 retained earnings | | | | | | | | |
| | B3 | Legal reserve | | | 19,205 | | (19,205) | | | - |
| | B5 | Special reserve | | | | 9,252 | (9,252) | | | - |
| | C7 | Cash dividends-common shares | | | | | (130,721) | | | (130,721) |
| | | Changes in subsidiaries, associates, and joint ventures accounted for using equity method | | 226 | | | | | | 226 |
| | D1 | Net income for 2023 | | | | | 74,796 | | | 74,796 |
| | D3 | Other comprehensive income (loss), for 2023 | | | | | (1,857) | (3,627) | 22,211 | 16,727 |
| | D5 | Total comprehensive income (loss) | - | - | - | - | 72,939 | (3,627) | 22,211 | 91,523 |
| | N1 | Issuance of common stock from compensation of employees | 4,913 | 7,542 | | | | | | 12,455 |
| | Z1 | Balance as of December 31, 2023 | \$876,390 | \$208,422 | \$293,712 | \$15,836 | \$110,511 | \$(21,169) | \$23,917 | \$1,507,619 |

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Code | Items | 2023 | | 2022 | | Code | Items | 2023 | | 2022 | |
|--------|--|--------|----------|--------|-----------|--------|--|--------|-----------|--------|-----------|
| | | Amount | | Amount | | | | Amount | | Amount | |
| AAAA | Cash flows from operating activities: | | | | | BBBB | Cash flows from investing activities: | | | | |
| A10000 | Income before income tax | | \$87,633 | | \$232,914 | B00010 | Acquisition of financial assets at fair value through other comprehensive income | | - | | (3,076) |
| A20000 | Adjustments: | | | | | B00040 | Acquisition of financial assets measured at amortized cost | | 28,175 | | 431,903 |
| A20010 | Profit or loss not effecting cash flows: | | | | | B01800 | Acquisition of investments accounted for using equity method | | - | | (24,350) |
| A20100 | Depreciation | | 26,647 | | 33,163 | B02700 | Acquisition of property, plant and equipment | | (51,623) | | (43,883) |
| A20200 | Amortization | | 260 | | 292 | B02800 | Proceeds from disposal of property, plant and equipment | | - | | 734 |
| A20300 | Expected credit losses (gains) | | (930) | | - | B03700 | Increase in refundable deposits | | (150) | | - |
| A20400 | Net loss (gain) of financial assets at fair value through profit or loss | | (15,356) | | 9,120 | B04500 | Acquisition of intangible assets | | (162) | | (454) |
| A20400 | Net loss (gain) of financial liabilities at fair value through profit or loss | | (184) | | (390) | BBBB | Net cash provided by (used in) investing activities | | (23,760) | | 360,874 |
| A20900 | Interest expense | | 7,458 | | 7,684 | | | | | | |
| A21200 | Interest income | | (33,614) | | (13,726) | CCCC | Cash flows from financing activities: | | | | |
| A21300 | Dividend income | | (7,957) | | (8,780) | C00100 | Increase in (repayment of) short-term laons | | (88,000) | | (737,000) |
| A22300 | Share of profit or loss of subsidiaries, associates and joint ventures accounted | | (2,815) | | (9,726) | C04500 | Cash dividends | | (130,721) | | (73,883) |
| A22500 | Loss (gain) on disposal of property, plant and equipment | | - | | (543) | C09900 | Employee bonus paid | | - | | (10) |
| A24000 | Unrealized (realized) profit from sales | | 358 | | 487 | CCCC | Net cash provided by (used in) investing activities | | (218,721) | | (810,893) |
| A23100 | Loss (gain) on disposal of investments | | - | | 688 | | | | | | |
| A30000 | Changes in operating assets and liabilities: | | | | | EEEE | Increase (decrease) in cash and cash equivalents | | (177,990) | | (136,173) |
| A31115 | Financial assets at fair value through profit or loss | | - | | 4,312 | E00100 | Cash and cash equivalents at beginning of period | | 504,760 | | 640,933 |
| A31130 | Notes receivable | | 216 | | 1,367 | E00200 | Cash and cash equivalents at end of period | | \$326,770 | | \$504,760 |
| A31150 | Accounts receivable | | 48,720 | | 14,737 | | | | | | |
| A31160 | Accounts receivable-related parties | | (9,111) | | 5,563 | | | | | | |
| A31180 | Other receivables | | (830) | | (518) | | | | | | |
| A31200 | Inventories | | 7,710 | | (31,489) | | | | | | |
| A31230 | Prepayment | | 1,282 | | (1,164) | | | | | | |
| A31240 | Other current assets | | (69) | | 6 | | | | | | |
| A32110 | Financial liabilities at fair value through profit or loss | | (221) | | 653 | | | | | | |
| A32125 | Contract liabilities | | (6) | | (60) | | | | | | |
| A32130 | Notes payable | | 87 | | (142) | | | | | | |
| A32150 | Accounts payable | | (33,063) | | (20,073) | | | | | | |
| A32160 | Accounts payable-related parties | | 5,500 | | 22,627 | | | | | | |
| A32180 | Other payables | | (7,118) | | 14,068 | | | | | | |
| A32230 | Other current liabilities | | 68 | | 284 | | | | | | |
| A32240 | Net defined benefit liability | | (7,378) | | (2,043) | | | | | | |
| A33000 | Cash generated from (used in) operations | | 67,287 | | 259,311 | | | | | | |
| A33100 | Interest received | | 33,611 | | 12,785 | | | | | | |
| A33200 | Dividend received | | 29,529 | | 55,346 | | | | | | |
| A33300 | Interest paid | | (7,386) | | (7,933) | | | | | | |
| A33500 | Income tax paid | | (58,550) | | (5,663) | | | | | | |
| AAAA | Net cash provided by (used in) operating activities | | 64,491 | | 313,846 | | | | | | |

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

1. HISTORY AND ORGANIZATION

King Core Electronics Inc. (referred to as “the Company”) was established on November 29, 1986. Its main business activities include the manufacture of soft ferrites, magnetic core flyback converters, convergence coil, delay-line filtering, electromagnetic component, micro coil, common mode choke, other coil, multilayer chip inductors, bead core/ chip bead, bead array, high frequency ceramic chip inductor, telecommunications inductor and electromagnetic Interference (EMI), converters and sales of the previously mentioned products.

The Company’s stocks have been governmentally approved on October 9, 2001 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting March 1, 2002, and have been traded in Taiwan Stock Exchange starting on August 18, 2006. The registered business premise and main operation address are both at No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan City.

2. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The Parent-Company-Only financial statements of the Company for the year ended December 31, 2023 and 2022 were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 19, 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments and interpretation of initial application had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| a | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | January 1 2024 |
| b | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | January 1 2024 |
| c | Non-current Liabilities with Covenants – Amendments to IAS 1 | January 1 2024 |
| d | Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | January 1 2024 |

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| c | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

(a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that

constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1 , 2023 (from the original effective date of January 1 , 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1 , 2023.

(c)Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2023 and 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3) Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction for assets and liabilities.

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle.
- (b) The Company holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which

are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures equal to or less than three months from the date of acquisition).

(7) Financial instruments

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

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A) Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of below:

- (a) The Company's business model for managing the financial assets and
- (b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor

contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(B) Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information that is available without undue cost or

effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(C) Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of

the asset have been transferred.

- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

- (D) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting

or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or

joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit

or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|------------------|----------------|
| Buildings | 10 to 20 years |
| Machinery | 3 to 10 years |
| Transportation | 5 years |
| Office equipment | 3 to 5 years |
| Other equipment | 2 to 20 years |

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount uses the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost

of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

| | Cost of Computer Software |
|---|---|
| Useful economic life | 1 year |
| Amortization method | Amortized on a straight-line basis over the estimated useful life |
| Internally generated or acquired externally | Acquired externally |

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (company of units), then to the other assets of the unit (company of units) pro rata on the basis of the carrying amount of each asset in the unit (company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(15) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Company's types of revenue are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is Passive Component and revenue is recognized based on the consideration stated in the contract. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract.

(16) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Post-employment benefits

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent-company-only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and

- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the

transaction, affects neither the accounting profit nor taxable profit or loss; and at the of the transaction, does not give rise to equal taxable and deductible temporary differences.

- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the

manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(A) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model)

or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(B) Accounts receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(C) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(D) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such

differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

| | As at December 31, | |
|---------------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Cash and petty cash | \$592 | \$585 |
| Checking accounts and demand deposits | 64,612 | 67,453 |
| Time deposit | 261,566 | 436,722 |
| Total | <u>\$326,770</u> | <u>\$504,760</u> |

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

| | As at December 31, | |
|---|--------------------|---------------|
| | 2023 | 2022 |
| a. Mandatorily measured at fair value through profit or loss - current: | | |
| Non-derivative financial assets | | |
| Listed companies stocks | \$9,522 | \$9,522 |
| Fund | <u>41,020</u> | <u>41,020</u> |

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese

King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|--|-----------------|-----------------|
| Subtotal | 50,542 | 50,542 |
| Valuation adjustments of financial assets as measured by fair value through profit or loss | 8,493 | (3,775) |
| Total | <u>\$59,035</u> | <u>\$46,767</u> |
| b. Mandatorily measured at fair value through profit or loss - non-current: | | |
| Non-derivative financial assets | | |
| Listed companies stocks | \$5,949 | \$5,949 |
| Valuation adjustments of financial assets as measured by fair value through profit or loss | 11,020 | 7,932 |
| Total | <u>\$16,969</u> | <u>\$13,881</u> |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

| | As at December 31, | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| Equity instruments investments measured at fair value through other comprehensive income -current: | | |
| Listed companies stocks | \$15,520 | \$15,520 |
| Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss | 40,051 | 40,699 |
| Total | <u>\$55,571</u> | <u>\$56,219</u> |
| Equity instruments investments measured at fair value through other comprehensive income -non-current: | | |
| Listed companies stocks | \$91,954 | \$91,954 |
| Unlisted companies stocks | <u>51,886</u> | <u>51,886</u> |

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese

King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|---|------------------|------------------|
| Subtotal | 143,840 | 143,840 |
| Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss | (15,048) | (38,035) |
| Total | <u>\$128,792</u> | <u>\$105,805</u> |

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 were NT\$6,284 thousand and NT\$7,140 thousand, respectively.

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

| | As at December 31, | |
|---------------------|--------------------|------------------|
| | 2023 | 2022 |
| Restricted deposits | \$377,057 | \$469,098 |
| Time deposits | 69,728 | 5,862 |
| Total | <u>\$446,785</u> | <u>\$474,960</u> |
| Current | \$446,785 | \$474,960 |
| Non-current | - | - |
| Total | <u>\$446,785</u> | <u>\$474,960</u> |

The Company classified certain of its financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5) Notes receivable

| As at December 31, | |
|--------------------|------|
| 2023 | 2022 |

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King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|--|----------------|----------------|
| Notes receivable – arising from operating activities | \$2,291 | \$2,507 |
| Less: loss allowance | - | - |
| Net | <u>\$2,291</u> | <u>\$2,507</u> |

Notes receivable were not pledged.

The Company follows the requirement of IFRS 9 to assess impairment. Please refer to Note 6 (19) for more details on loss allowance and Note 12 for more details on credit risk.

(6)Accounts receivable and accounts receivable - related parties, net

| | As at December 31, | |
|--|--------------------|------------------|
| | 2023 | 2022 |
| Accounts receivable, gross | \$86,148 | \$134,868 |
| Less: loss allowance | (13,289) | (14,219) |
| Net of allowances | 72,859 | 120,649 |
| Accounts receivable - related parties, gross | 14,807 | 5,696 |
| Less: loss allowance | - | - |
| Net of allowances | 14,807 | 5,696 |
| Total | <u>\$87,666</u> | <u>\$126,345</u> |

Account receivables were not pledged.

Accounts receivable are generally on 30-150 days terms. The total carrying amounts were NT\$100,955 thousand and NT\$140,564 thousand, as at December 31, 2023 and 2022, respectively. Please refer to Note 6 (19) for more details on loss allowance of accounts receivable for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

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King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

(7)Inventories

A.Details of inventory:

| | As at December 31, | |
|-----------------|--------------------|------------------|
| | 2023 | 2022 |
| Raw material | \$46,494 | \$46,538 |
| Work in process | 44,130 | 48,807 |
| Finished goods | 63,209 | 61,992 |
| Merchandises | 4,902 | 9,108 |
| Total | <u>\$158,735</u> | <u>\$166,445</u> |

B.For the years ended December 31, 2023 and 2022, the Company recognized NT\$361,228 thousand and NT\$476,362 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

| | For the year ended December 31, | |
|--|---------------------------------|-----------------|
| | 2023 | 2022 |
| Loss from physical count | \$5,296 | \$7,856 |
| Loss from inventory write-off obsolescence | 1,000 | - |
| Unallocated fixed manufacturing overheads | 5,987 | 10,049 |
| Total | <u>\$12,283</u> | <u>\$17,905</u> |

C.The inventories were not pledged.

(8)Investments accounted for under the equity method

| | As at December 31, | | | |
|--------------------|--------------------|-----------------------------|-----------------|-------------------------|
| | 2023 | | 2022 | |
| Investee companies | Carrying amount | Percentage of ownership (%) | Carrying amount | Percentage of ownership |

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King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

| | | | | (%) |
|--|------------------|---------|------------------|---------|
| Investments in subsidiaries: | | | | |
| King Core (B.V.I.) Electronics Co., Ltd. | \$218,671 | 100.00% | \$225,041 | 100.00% |
| Investments in associates: | | | | |
| Allied Biotech Corp. | 254,569 | 18.77% | 258,283 | 18.85% |
| CSX Material Co., Ltd. | 20,318 | 28.39% | 33,545 | 28.39% |
| Total | <u>\$493,558</u> | | <u>\$516,869</u> | |

A. Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

B. Investments in associates

Information about affiliated companies that are material to the Company is as follows:

a. Business name : Allied Biotech Corp.

b. Business location (Registered country) : Taiwan

c. Fair value of open market quotation measurement :

Allied Biotech Corp. is a listed entity on the emerging market of Taipei Exchange. The fair value of the investment in Allied Biotech Corp. was NT\$297,155 thousand and NT\$252,213 thousand, as at December 31 2023, and 2022, respectively.

d. For the year ended December 31, 2022, Allied Biotech Corp. due to unrecipient dividend increase additional paid-in capital NT\$315 thousand, according to the ownership ratio recognized additional paid-in capital NT\$59 thousand.

In August, 2022, Allied Biotech Corp. transacted employees' compensation. The Company shareholding percentage was still 18.85%, according to the ownership ratio

recognized additional paid-in capital NT\$23 thousand.

For the year ended December 31, 2023, Allied Biotech Corp. due to unrecipient dividend increase additional paid-in capital NT\$303 thousand, according to the ownership ratio recognized additional paid-in capital NT\$57 thousand.

In August, 2023, Allied Biotech Corp. transacted employees' compensation. The Company shareholding percentage decreased from 18.85% to 18.77%, according to the ownership ratio recognized additional paid-in capital NT\$169 thousand.

The Company accounts for its investment in Allied Biotech Corp. as an associate given the fact that the Company obtained the ability to exercise significant influence over Allied Biotech Corp. through representation on its Board of Directors.

e.Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company interest in the associate:

| | As at December 31, | |
|-------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Current assets | \$1,428,282 | \$1,510,057 |
| Non-current assets | 641,442 | 654,757 |
| Current liabilities | (820,460) | (876,863) |
| Non-current liabilities | (80,476) | (104,339) |
| Equity | 1,168,788 | 1,183,612 |
| Percentage of ownership | 18.77% | 18.85% |
| Subtotal | 219,356 | 223,070 |
| Premium on acquisition | 35,213 | 35,213 |
| Carrying amount of investment | \$254,569 | \$258,283 |

| | For the year ended December 31, | |
|---|---------------------------------|-----------|
| | 2023 | 2022 |
| Operating income | \$594,088 | \$669,229 |
| Profit or loss from continuing operations | 97,412 | 146,741 |

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese

King Core Electronics Inc.

Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|----------------------------|---------|---------|
| Other comprehensive income | (3,840) | 2,216 |
| Total comprehensive income | 93,572 | 148,957 |

For the year ended December 31, 2023, due to surplus earnings distribution proposal, according to the ownership ratio reduced investments accounted for under the equity method NT\$21,572 thousand.

Information about affiliated companies that are not material to the Company is as follows:

The Company involved CSX Material Co., Ltd. in cash capital increased, and the Company increased investment capital NT\$24,350, acquisition 2,029 thousand shares. Therefore, shareholding increased capital from 26.47% to 28.39%. Due to subscription of not in proportion with the shareholding percentage, the Company recognized the reduction of the capital reserve in the amount of NT\$700 thousand and the retained earnings in the amount of NT\$2,234 thousand.

The aggregate carrying amounts of the Company's interests in CSX Material Co., Ltd. were NT\$20,318 thousand and NT\$33,545 thousand as at December 31, 2023 and 2022, respectively. The aggregate financial information of the Company's investments in associates is as follows:

| | For the year ended December 31, | |
|---|---------------------------------|------------------|
| | 2023 | 2022 |
| Profit or loss from continuing operations | \$(13,965) | \$(8,977) |
| Other comprehensive income (after-tax) | 738 | (899) |
| Total comprehensive income | <u>\$(13,227)</u> | <u>\$(9,876)</u> |

C.The associates had no contingent liabilities or capital commitments and were not pledged as collateral as at December 31, 2023 and 2022, respectively.

(9)Property, plant and equipment

| Land | Buildings | Machinery | Transportation | Office Equipment | Other Equipment | Construction in progress | Total |
|------|-----------|-----------|----------------|---------------------|--------------------|--------------------------------------|-------|
| | | | | | | and equipment awaiting inspection | |

Cost:

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | | | | | Office | Other | Construction in progress and equipment awaiting | |
|-------------------------------------|-----------|-----------|-----------|----------------|-----------|-----------|--|-----------|
| | Land | Buildings | Machinery | Transportation | Equipment | Equipment | inspection | Total |
| As at 1 Jan. 2023 | \$144,000 | \$66,873 | \$133,346 | \$9,898 | \$1,200 | \$64,608 | \$6,818 | \$426,743 |
| Additions | - | 990 | 3,708 | - | 196 | 2,092 | 42,158 | 49,144 |
| Disposals | - | (95) | (29,999) | (566) | (287) | (2,768) | - | (33,715) |
| Transfers | - | - | 5,221 | - | - | 252 | (5,473) | - |
| As at 31 Dec. 2023 | \$144,000 | \$67,768 | \$112,276 | \$9,332 | \$1,109 | \$64,184 | \$43,503 | \$442,172 |
| As at 1 Jan. 2022 | \$144,000 | \$68,425 | \$176,049 | \$4,060 | \$917 | \$69,710 | \$16,757 | \$479,918 |
| Additions | - | 1,830 | 10,736 | 7,900 | 315 | 3,261 | 9,201 | 33,243 |
| Disposals | - | (3,382) | (72,579) | (2,062) | (32) | (8,363) | - | (86,418) |
| Transfers | - | - | 19,140 | - | - | - | (19,140) | - |
| As at 31 Dec. 2022 | \$144,000 | \$66,873 | \$133,346 | \$9,898 | \$1,200 | \$64,608 | \$6,818 | \$426,743 |
| <u>Depreciation and impairment:</u> | | | | | | | | |
| As at 1 Jan. 2023 | \$- | \$43,486 | \$64,807 | \$1,738 | \$560 | \$37,254 | \$- | \$147,845 |
| Depreciation | - | 3,411 | 15,104 | 1,913 | 301 | 5,918 | - | 26,647 |
| Disposals | - | (95) | (29,999) | (566) | (287) | (2,768) | - | (33,715) |
| Transfers | - | - | - | - | - | - | - | - |
| As at 31 Dec. 2023 | \$- | \$46,802 | \$49,912 | \$3,085 | \$574 | \$40,404 | \$- | \$140,777 |
| As at 1 Jan. 2022 | \$- | \$43,308 | \$115,491 | \$2,342 | \$303 | \$39,465 | \$- | \$200,909 |
| Depreciation | - | 3,560 | 21,895 | 1,267 | 289 | 6,152 | - | 33,163 |
| Disposals | - | (3,382) | (72,579) | (1,871) | (32) | (8,363) | - | (86,227) |
| Transfers | - | - | - | - | - | - | - | - |
| As at 31 Dec. 2022 | \$- | \$43,486 | \$64,807 | \$1,738 | \$560 | \$37,254 | \$- | \$147,845 |

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Net carrying amount:

| | | | | | | | | |
|--------------|------------------|-----------------|-----------------|----------------|--------------|-----------------|-----------------|------------------|
| Dec. 31 2023 | <u>\$144,000</u> | <u>\$20,966</u> | <u>\$62,364</u> | <u>\$6,247</u> | <u>\$535</u> | <u>\$23,780</u> | <u>\$43,503</u> | <u>\$301,395</u> |
| Dec. 31 2022 | <u>\$144,000</u> | <u>\$23,387</u> | <u>\$68,539</u> | <u>\$8,160</u> | <u>\$640</u> | <u>\$27,354</u> | <u>\$6,818</u> | <u>\$278,898</u> |

Significant components of buildings that have different useful lives are main building structure and the facilities which are depreciated 20 years and 10 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) Intangible assets

| | <u>Computer software</u> |
|-------------------------------------|--------------------------|
| <u>Cost:</u> | |
| As at January 1, 2023 | \$404 |
| Additions – acquired separately | 162 |
| Write-off | (454) |
| As at December 31, 2023 | <u>\$112</u> |
| As at January 1, 2022 | \$47 |
| Additions – acquired separately | 454 |
| Write-off | (97) |
| As at December 31, 2022 | <u>\$404</u> |
| <u>Amortization and Impairment:</u> | |
| As at January 1, 2023 | \$199 |
| Amortization | 260 |
| Write-off | (454) |
| As at December 31, 2023 | <u>\$5</u> |
| As at January 1, 2022 | \$4 |
| Amortization | 292 |
| Write-off | (97) |
| As at December 31, 2022 | <u>\$199</u> |

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| | <u>Computer software</u> |
|------------------------------|--------------------------|
| <u>Carrying amount, net:</u> | |
| As at December 31, 2023 | <u>\$107</u> |
| As at December 31, 2022 | <u>\$205</u> |

Amortization expense of intangible assets were as follows:

| | <u>For the year ended December 31,</u> | |
|------------------------|--|--------------|
| | <u>2023</u> | <u>2022</u> |
| Manufacturing expense | \$55 | \$48 |
| Administrative expense | 205 | 244 |
| Total | <u>\$260</u> | <u>\$292</u> |

(11) Other non-current assets

| | <u>As at December 31,</u> | |
|--------------------------|---------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| Prepayment for equipment | \$13,119 | \$10,640 |
| Refundable deposits | 150 | - |
| Total | <u>\$13,269</u> | <u>\$10,640</u> |

(12) Short-term loans

| | | <u>As at December 31,</u> | |
|----------------------|-----------------------------|---------------------------|------------------|
| | <u>Interest interval(%)</u> | <u>2023</u> | <u>2022</u> |
| Secured bank loans | 1.315%~1.53% | \$395,000 | \$582,000 |
| Unsecured bank loans | 1.53% | 99,000 | - |
| Total | | <u>\$494,000</u> | <u>\$582,000</u> |

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The Company's unused short-term lines of credits amount to NT\$756,500 thousand and NT\$188,000 thousand as at 31 December 2023, and 2022, respectively.

Please refer to Note 8 for more details on property, plant and equipment and financial assets measured at amortized cost pledged as secured bank loans.

(13) Financial liabilities at fair value through profit or loss

| | As at December 31, | |
|--|--------------------|---------|
| | 2023 | 2022 |
| Held for trading-current : | | |
| Foreign currency option | \$830 | \$1,051 |
| Adjustments for change in value of financial liabilities | (802) | (618) |
| Total | \$28 | \$433 |

(14) Other payables

| | As at December 31, | |
|------------------|--------------------|----------|
| | 2023 | 2022 |
| Accrued expense | \$33,136 | \$52,709 |
| Accrued interest | 210 | 138 |
| Total | \$33,346 | \$52,847 |

(15) Other non-current liabilities

| | As at December 31, | |
|---------------------------|--------------------|----------|
| | 2023 | 2022 |
| Defined benefit liability | \$4,425 | \$10,613 |
| Deposits received | 12 | 12 |
| Total | \$4,437 | \$10,625 |

(16) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$5,265 thousand and NT\$5,640 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The

Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$0 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As at December 31, 2023 and 2022, the maturities of the Company's defined benefit plan are in 2031 and 2029, respectively.

Pension costs recognized in profit or loss are as follows:

| | For the year ended December 31, | |
|---|---------------------------------|-------|
| | 2023 | 2022 |
| Current period service costs | \$304 | \$294 |
| Net interest of defined benefit liability (asset) | 130 | 109 |
| Total | \$434 | \$403 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | As at | | |
|---|---------------|---------------|--------------|
| | Dec. 31, 2023 | Dec. 31, 2022 | Jan. 1, 2022 |
| Defined benefit obligation | \$45,800 | \$52,096 | \$52,213 |
| Plan assets at fair value | (41,375) | (41,483) | (36,495) |
| Other non-current liabilities – net defined benefit liability | \$4,425 | \$10,613 | \$15,718 |

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Reconciliation of liability (asset) of the defined benefit liability is as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability(asset) |
|--|--|------------------------------|--|
| As at January 1, 2022 | \$52,213 | \$(36,495) | \$15,718 |
| Current service cost | 294 | - | 294 |
| Interest expense (income) | 361 | (252) | 109 |
| Past service cost and settlement | - | - | - |
| Total | 655 | (252) | 403 |
| Remeasurement on defined benefit liability/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 290 | - | 290 |
| Actuarial gain/loss arising from change in financial assumptions | (202) | - | (202) |
| Experience adjustments | (481) | - | (481) |
| Remeasurement on defined benefit assets | - | (2,669) | (2,669) |
| Subtotal | (393) | (2,669) | (3,062) |
| Payments from the plan | (379) | 379 | - |
| Contributions by employer | - | (2,446) | (2,446) |
| Effect of changes in foreign exchange rate | - | - | - |
| As at December 31, 2022 | 52,096 | (41,483) | 10,613 |
| Current service costs | 304 | - | 304 |
| Interest expense (income) | 640 | (510) | 130 |
| Pasts service cost and settlement | - | - | - |
| Subtotal | 944 | (510) | 434 |
| Remeasurement of the net defined benefit liability/asset: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 3,706 | - | 3,706 |

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| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability(asset) |
|--|--|------------------------------|--|
| Experience adjustments | (2,332) | - | (2,332) |
| Remeasurement on defined benefit assets | - | (184) | (184) |
| Subtotal | 1,374 | (184) | 1,190 |
| Payments from the plan | (8,614) | 8,614 | - |
| Contributions by employer | - | (7,812) | (7,812) |
| Effect of changes in foreign exchange rate | - | - | - |
| As at December 31, 2023 | \$45,800 | \$(41,375) | \$4,425 |

The following assumptions are used to determine the present value of the defined benefit plan:

| | As at December 31, | |
|-----------------------------------|--------------------|-------|
| | 2023 | 2022 |
| Discount rate | 1.20% | 1.23% |
| Expected rate of salary increases | 3.00% | 2.00% |

Sensitivity analysis

| | For the years ended December 31, | | | |
|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 2023 | | 2022 | |
| | Increase in defined benefit | Decrease in defined benefit | Increase in defined benefit | Decrease in defined benefit |
| Discount rate increased by 0.5% | \$- | \$(1,873) | \$- | \$(1,692) |
| Discount rate decreased by 0.5% | 1,999 | - | 2,095 | - |

| | | | | |
|---|-------|---------|-------|---------|
| Expected salary level increased by 0.5% | 1,953 | - | 2,068 | - |
| Expected salary level decreased by 0.5% | - | (1,850) | - | (1,690) |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equity

A. Common stock

As at December 31, 2023 and 2022, the Company's authorized capital were both NT\$1,000,000 thousand, each share at par of NT\$10. The Company's paid-in capital were NT\$876,390 thousand and NT\$871,477 thousand, respectively, divided into 87,639 thousand shares and 87,148 thousand shares, respectively.

On February 21, 2022 the Company was resolved by the board of directors issued NT\$5,388 thousand (277,330 shares) by stock to the employee remuneration in 2021, and the capital increase was based on June 29 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand, and the issued share capital is NT\$ 871,477 thousand, with a par value of NT\$10 per share, divided into 87,148 thousand shares.

On February 20, 2023, the Company was resolved by the board of directors issued

NT\$12,455 thousand (491,334 shares) by stocks to the employee remuneration in 2022, and the capital increase was based on August 15 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand and the issued share capital is NT\$876,390 thousand, with a par value of NT\$10 per share, divided into 87,639 thousand share.

B. Capital surplus

| | As at December 31, | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Additional paid-in capital | \$80,155 | \$72,613 |
| Conversion premium of convertible corporate bonds | 128,041 | 128,041 |
| Changes in equity of investment accounted for using the equity method | 226 | - |
| Total | <u>\$208,422</u> | <u>\$200,654</u> |

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;

- c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The adjustment amount of prior period's undistributed earnings and current period's undistributed earnings, shall be proposed by the Board of Directors to allocate 10% to 100%;
- f. Recommended by the Board of Directors and resolved in the shareholders' meeting, then distribute the dividends to shareholders.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent

reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As at December 31, 2023 and 2022, the Company increase NT\$6,584 thousand special reserve upon the first-time adoption of T-IFRS.

- (e) The appropriations of earnings for the years ended December 31, 2023 and 2022 were approved through the Board of Directors' meetings and shareholders' meeting held on February 19, 2024 and May 31, 2023, respectively. The details of the distribution are as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|-----------------|---------------------------|------------------|---------------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | \$7,294 | \$19,205 | | |
| Special reserve | (9,252) | 9,252 | | |
| Cash dividend | 74,493 | 130,722 | \$0.85 | \$1.5 |
| Total | <u>\$72,535</u> | <u>\$159,179</u> | | |

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors.

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(18) Operating revenue

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|------------------|
| | 2023 | 2022 |
| Revenue from customer contracts | | |
| Sales of goods | <u>\$451,552</u> | <u>\$656,496</u> |

Analysis of revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

| | For the years ended December 31, | |
|----------------|----------------------------------|------------------|
| | 2023 | 2022 |
| | Passive | Passive |
| | Component | Component |
| Sales of goods | <u>\$451,552</u> | <u>\$656,496</u> |

The timing for revenue recognition:

| | | |
|--------------------|------------------|------------------|
| At a point in time | <u>\$451,552</u> | <u>\$656,496</u> |
|--------------------|------------------|------------------|

B. Contract balances

(a) Contract liabilities – current

| | As at, | |
|----------------|---------------|---------------|
| | Dec. 31, 2023 | Dec. 31, 2022 |
| Sales of goods | \$179 | \$185 |

The changes in the Company's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------|
| | 2023 | 2022 |
| The opening balance transferred to revenue | \$(185) | \$(245) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 179 | 185 |

(19) Expected credit losses (gains)

| | For the years ended December 31, | |
|---|----------------------------------|------|
| | 2023 | 2022 |
| Operating expenses – Expected credit losses | | |
| Accounts receivable | \$(930) | \$- |

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2023 and 2022 are as follows:

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A. The historical credit loss experience for accounts receivable shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance of accounts receivable is measured at amount equal to lifetime expected credit losses and with no distinction between groups. Details are as follow:

| As at 12/31/2023 | Not past due | Overdue | | | | | Total |
|--|--------------|-----------|------------|------------|-------------|-----------|-----------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121days | |
| Gross carrying amount | \$86,664 | \$3,194 | \$168 | \$27 | \$2 | \$13,191 | \$103,246 |
| Loss ratio | -% | -% | 41% | 100% | 100% | 100% | |
| Lifetime expected credit losses | - | - | (69) | (27) | (2) | (13,191) | (13,289) |
| Carrying amount of accounts receivable | \$86,664 | \$3,194 | \$99 | \$- | \$- | \$- | \$89,957 |

| As at 12/31/2022 | Not past due | Overdue | | | | | Total |
|--|--------------|-----------|------------|------------|-------------|-----------|-----------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121days | |
| Gross carrying amount | \$125,442 | \$3,056 | \$1,348 | \$36 | \$- | \$13,189 | \$143,071 |
| Loss ratio | -% | -% | 74% | 100% | -% | 100% | |
| Lifetime expected credit losses | - | - | (994) | (36) | - | (13,189) | (14,219) |
| Carrying amount of accounts receivable | \$125,442 | \$3,056 | \$354 | \$- | \$- | \$- | \$128,852 |

Note: The Company's notes receivables are not overdue.

B. The movement in the provision for impairment of notes receivable, and accounts receivable during the years ended December 31, 2023 and 2022 are as follows:

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| | Notes receivable | Accounts receivable |
|--|------------------|---------------------|
| Beginning balance as at January 1, 2023 | \$- | \$14,219 |
| Addition/(reversal) for the current period | - | (930) |
| Ending balance as at December 31, 2023 | \$- | \$13,289 |
| Beginning balance As at January 1, 2022 | \$- | \$14,219 |
| Addition/(reversal) for the current period | - | - |
| Ending balance As at December 31, 2022 | \$- | \$14,219 |

(20) Leases

A. Company as a lessee

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Income and costs relating to leasing activities

| | For the years ended December 31, | |
|---|----------------------------------|-------|
| | 2023 | 2022 |
| The expense relating to short-term leases | \$469 | \$503 |
| The expense relating to leases of low-value assets (Not including the | 2 | 2 |

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expense relating to short-term
leases of low-value assets)

(b) Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases amounting to NT\$471 thousand and NT\$505 thousand, respectively.

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows:

| Function Nature | 2023 | | | 2022 | | |
|----------------------------|-----------------------|----------------------|-----------|-----------------------|----------------------|-----------|
| | Cost of goods sold | Operating expense | Total | Cost of goods sold | Operating expense | Total |
| Employee benefit | | | | | | |
| Salaries & wages | \$72,230 | \$32,224 | \$104,454 | \$93,079 | \$44,185 | \$137,264 |
| Labor and health insurance | 9,806 | 3,254 | 13,060 | 10,644 | 3,212 | 13,856 |
| Pension | 4,148 | 1,551 | 5,699 | 4,595 | 1,448 | 6,043 |
| Directors' remuneration | - | 1,640 | 1,640 | - | 3,989 | 3,989 |
| Other employee benefit | 3,701 | 756 | 4,457 | 4,338 | 753 | 5,091 |
| Depreciation | 16,881 | 9,766 | 26,647 | 23,778 | 9,385 | 33,163 |

| | | | | | | |
|--------------|----|-----|-----|----|-----|-----|
| Amortization | 55 | 205 | 260 | 48 | 244 | 292 |
|--------------|----|-----|-----|----|-----|-----|

Note 1 :The headcounts of the Company amounted to 227 and 249, respectively, as at December 31, 2023 and 2022. Among the Company's directors, there were both 9 who were not the employees.

Note 2 : Companies who have been listed on Taiwan Stock Exchange or Taipei Exchange should disclose the following information:

- (1) Average employee benefits of 2023 and 2022 are NT\$586 thousand and NT\$676 thousand, respectively.
- (2) Average salaries of 2023 and 2022 are NT\$479 thousand and NT\$572 thousand, respectively.
- (3) Change in average salaries are (16)%
- (4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.

- (5) The salary and remuneration policy of the Company:

Employee remuneration is based on individual position, company operating performance and same market salary level, also depend on operating results and individual contribution. According to internal operating regulations, the assessment is carried out twice a year, In addition to the basic salaries, employees' annual salaries are also adjusted based on the Company's performance to motivate and retain outstanding employees. In accordance with the regulations, the compensation committee will make recommendations on directors' remuneration and the salaries of managers, then submit to the Board of Directors for approval.

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 5-10% as employees' compensation and no more than 2%

as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 amounted to NT\$4,686 thousand and NT\$1,406 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$12,455 thousand and NT\$3,737 thousand, respectively, recognized as employee benefits expense.

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT\$4,686 thousand, in a meeting held on February 19, 2024. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT\$1,406 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2023.

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT\$12,455 thousand, in a meeting held on February 20, 2023. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors'

remuneration cash the amount of NT\$3,737 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2022.

(22) Non-operating incomes and expenses

A. Interest incomes

| | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| Financial assets measured at amortized cost | \$33,614 | \$13,726 |

B. Other incomes

| | For the years ended December 31, | |
|-----------------------|----------------------------------|----------|
| | 2023 | 2022 |
| Dividend income | \$7,957 | \$8,780 |
| Other income – others | 7,767 | 9,872 |
| Total | \$15,724 | \$18,652 |

C. Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|---------|
| | 2023 | 2022 |
| Gains (losses) on disposal of investments | \$- | \$(688) |
| Foreign exchange gain (loss), net | 20,810 | 131,503 |
| Gains (losses) on financial assets at fair value through profit or loss | 15,356 | (9,120) |
| Gains (losses) on financial liabilities at fair value through profit or loss | 184 | 390 |
| Gains (losses) from disposal of | - | 543 |

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| | | |
|-------------------------------|----------|-----------|
| property, plant and equipment | | |
| Total | \$36,350 | \$122,628 |

D. Finance costs

| | | |
|-------------------------|----------------------------------|---------|
| | For the years ended December 31, | |
| | 2023 | 2022 |
| Interests on bank loans | \$7,458 | \$7,684 |

(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2023

| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|--|---------------------------------|--|-----------|------------------------------------|--------------------|
| <u>Not reclassified to profit or loss:</u> | | | | | |
| Remeasurements of defined benefit plans | \$(1,190) | \$- | \$(1,190) | \$- | \$(1,190) |
| Unrealized gains (losses) from investments in equity instruments | 22,339 | - | 22,339 | - | 22,339 |

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| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|---|---------------------------------|--|-----------------|------------------------------------|--------------------|
| measured at fair value through other comprehensive income | | | | | |
| Remeasurements of defined benefits plan of subsidiaries, associates and joint ventures | (667) | - | (667) | - | (667) |
| Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries, associates and joint ventures | (128) | - | (128) | - | (128) |
| <u>Items that may subsequently be reclassified to profit or loss in subsequent period:</u> | | | | | |
| Exchange differences on translation of foreign operations for subsidiaries, associates, and joint ventures | (3,627) | - | (3,627) | - | (3,627) |
| Total OCI | <u>\$16,727</u> | <u>\$-</u> | <u>\$16,727</u> | <u>\$-</u> | <u>\$16,727</u> |

For the year ended December 31, 2022

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| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|--|---------------------------------|--|----------|------------------------------------|--------------------|
| <u>To be reclassified to profit or loss:</u> | | | | | |
| Remeasurements of defined benefit plans | \$3,062 | \$- | \$3,062 | \$- | \$3,062 |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (17,457) | - | (17,457) | - | (17,457) |
| Remeasurements of the defined benefit plan for subsidiaries, associates and joint ventures | 607 | - | 607 | - | 607 |
| Unrealized gain (losses) from equity investments in instruments measured at fair value through other comprehensive income for subsidiaries, associates, and joint ventures | (352) | - | (352) | - | (352) |
| <u>Items that may subsequently be reclassified to profit or loss in subsequent period:</u> | | | | | |
| Exchange differences on translation of foreign | 6,869 | - | 6,869 | - | 6,869 |

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|---|---------------------------------|--|------------------|------------------------------------|--------------------|
| operations for subsidiaries, associates, and joint ventures | | | | | |
| Total OCI | <u>\$(7,271)</u> | <u>\$-</u> | <u>\$(7,271)</u> | <u>\$-</u> | <u>\$(7,271)</u> |

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

| | <u>For the years ended December 31,</u> | |
|--|---|-------------|
| | <u>2023</u> | <u>2022</u> |
| Current income tax expense (benefit): | | |
| Current income tax expense | \$15,873 | \$43,391 |
| Adjustments in respect of current income tax of prior periods | (905) | 3,114 |
| Deferred tax expense (benefit): | | |
| Deferred tax expense relating to origination and | (2,131) | (339) |

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| | | |
|---|-----------------|-----------------|
| reversal of temporary differences | | |
| Tax expense (income) recognized in the period | - | (3,868) |
| for previously unrecognized tax loss, tax credit or temporary difference of prior periods | | |
| Total income tax expense(benefit) | <u>\$12,837</u> | <u>\$42,298</u> |

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2023 | 2022 |
| Accounting profit before tax from continuing operations | <u>\$87,633</u> | <u>\$232,914</u> |
| Tax payable at the enacted tax rates | \$17,527 | \$46,583 |
| Tax effect of revenue tax-exempted | (5,540) | (3,531) |
| Income tax for undistributed earnings | 1,755 | - |
| Adjustments in respect of current income tax of prior periods | (905) | 3,114 |
| Adjustments in respect of deferred tax of prior | - | (3,868) |

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|---|-----------------|-----------------|
| periods | | |
| Total income tax recognized in profit or loss | <u>\$12,837</u> | <u>\$42,298</u> |

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

| | Beginning balance as at January 1, 2023 | Deferred tax income (expense) recognized in profit or loss | Ending balance as at December 31, 2023 |
|--|---|---|--|
| Temporary differences | | | |
| Unrealized loss on inventory valuation | \$4,328 | \$200 | \$4,528 |
| Bad debt expenses | 2,558 | (106) | 2,452 |
| Unrealized profits and losses | 142 | 71 | 213 |
| Outward processing | 494 | 55 | 549 |
| Past due payables transfer revenue | 1 | - | 1 |

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | | | |
|---|------------------|----------------|------------------|
| Pay in unused vacation payroll | 935 | (681) | 254 |
| Investment income | (8,436) | 314 | (8,122) |
| Unrealized exchange loss (gain) | (340) | 2,314 | 1,974 |
| Unrealized gain or loss on financial assets | (124) | (36) | (160) |
| Deferred tax (expense)/income | | <u>\$2,131</u> | |
| Net deferred tax assets/(liabilities) | <u>\$(442)</u> | | <u>\$1,689</u> |
| Reflected in balance sheet as follows: | | | |
| Deferred tax assets | <u>\$8,458</u> | | <u>\$9,971</u> |
| Deferred tax liabilities | <u>\$(8,900)</u> | | <u>\$(8,282)</u> |

For the year ended December 31, 2022

| | Beginning balance as at January 1, 2022 | Deferred tax income (expense) recognized in profit or loss | Ending balance as at December 31, 2022 |
|--|---|---|--|
| Temporary differences | | | |
| Unrealized loss on inventory valuation | \$4,328 | \$- | \$4,328 |
| Bad debt expenses | 2,514 | 44 | 2,558 |
| Unrealized profits and losses | 44 | 98 | 142 |
| Outward processing | 180 | 314 | 494 |
| Past due payables transfer revenue | 1 | - | 1 |
| Pay in unused vacation payroll | 935 | - | 935 |
| Investment income | (21,611) | 13,175 | (8,436) |

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | | | |
|---|-------------------|---------|------------------|
| Unrealized exchange loss (gain) | 9,005 | (9,345) | (340) |
| Unrealized gain or loss on financial assets | (45) | (79) | (124) |
| Deferred tax (expense)/income | | \$4,207 | |
| Net deferred tax assets/(liabilities) | <u>\$(4,649)</u> | | <u>\$(442)</u> |
| Reflected in balance sheet as follows: | | | |
| Deferred tax assets | <u>\$17,007</u> | | <u>\$8,458</u> |
| Deferred tax liabilities | <u>\$(21,656)</u> | | <u>\$(8,900)</u> |

D. Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized were both of NT\$0.

E. The approval of income tax returns

As at December 31, 2023, the Company's income tax return is approved until 2021.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | For the years ended December 31, | |
|---|----------------------------------|-----------|
| | 2023 | 2022 |
| Net income available to common shareholders of the parent company(in thousand NT\$) | \$74,796 | \$190,616 |
| Weighted average number of common shares outstanding (in thousand shares) | 87,572 | 87,116 |
| Basic earnings per share (in NT\$) | \$0.85 | \$2.19 |

B. Diluted earnings per share

| | For the years ended December 31, | |
|--|----------------------------------|-----------|
| | 2023 | 2022 |
| Net income available to common shareholders of the parent company(in thousand NT\$) | \$74,796 | \$190,616 |
| Net income available to common shareholders of the parent after dilution(in thousand NT\$) | \$74,796 | \$190,616 |
| Weighted average number of common shares outstanding (in thousand shares) | 87,572 | 87,116 |
| Effect of dilution: | | |
| Employee compensation – stock (in thousand shares) | 243 | 543 |

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Notes to the Parent-Company-Only Financial Statements (Continued)

| | | |
|---|---------------|---------------|
| Weighted average number of common shares outstanding after dilution (in thousand shares) | <u>87,815</u> | <u>87,659</u> |
| Diluted earnings per share (in NT\$) | <u>\$0.85</u> | <u>\$2.17</u> |

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as at the end of the reporting period

Related parties and Relationship

| <u>Related parties</u> | <u>Relationship</u> |
|---|---------------------|
| King Core Electronics (Suzhou) Co., Ltd | Subsidiary |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | Subsidiary |

(2) Significant transactions with related parties

A. Sales

| | <u>For the years ended December 31,</u> | |
|---|---|------------------|
| | <u>2023</u> | <u>2022</u> |
| King Core Electronics (Suzhou) Co., Ltd | \$53,577 | \$42,291 |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | <u>54,988</u> | <u>70,211</u> |
| Total | <u>\$108,565</u> | <u>\$112,502</u> |

Selling prices to subsidiaries are similar to those to other customers for the years ended December 31, 2023 and 2022; the selling prices of work in process to subsidiary cannot be compared because they are not sold to other customers with same products.

The collection terms for subsidiaries were offset the credit-debt and 90 days after monthly closing while 30 to 150 days after monthly closing for other customers.

B.Accounts receivable - related parties

| | As at December 31, | |
|--|--------------------|----------------|
| | 2023 | 2022 |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | \$14,807 | \$5,696 |
| Less: loss allowance | - | - |
| Net | <u>\$14,807</u> | <u>\$5,696</u> |

C.Accounts payable - related parties

| | As at December 31, | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| King Core Electronics (Suzhou) Co., Ltd | <u>\$28,127</u> | <u>\$22,627</u> |

D.The Company recognized conversion expenses amounting to NT\$21,576 thousand and NT\$39,811 thousand, respectively, for the years ended December 31, 2023 and 2022, due to delegating its third-tier subsidiary for conversion.The payment was based on the amount agreed by both parties.

E.The Company charged its sub-subsidiaries for providing service support in the amount of NT\$2,798 thousand and NT\$2,663 thousand, respectively, recorded under the management service incomes, for the years ended December 31, 2023 and 2022.

F.The Company charged its sub-subsidiaries for producing the catalogs in the amount of NT\$2 thousand for the year ended December 31, 2023.

G.Salaries and rewards to key management of the Company

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| | For the years ended December 31, | |
|------------------------------|----------------------------------|-----------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$15,576 | \$13,961 |
| Post-employee benefits | 497 | 548 |
| Total | <u>\$16,073</u> | <u>\$14,509</u> |

8. PLEDGED ASSETS

| Items | Carrying amount as at December 31, | | Secured liabilities |
|--|---------------------------------------|------------------|--------------------------|
| | 2023 | 2022 | |
| Property, plant and equipment - land (cost) | \$144,000 | \$144,000 | Short-term secured loans |
| Property, plant and equipment - buildings (carrying amount) | 20,966 | 23,387 | Short-term secured loans |
| Financial assets measured at amortized cost | 377,057 | 469,098 | Short-term secured loans |
| Total | <u>\$542,023</u> | <u>\$636,485</u> | |

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As at December 31, 2023, the Company issued NT\$500 thousand guaranteed bill for the duty and commodity tax bookkeeping guarantee, which is not included in the financial statements due to the nature of contingent liabilities.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

| | As at December 31, | |
|---|--------------------|-------------|
| | 2023 | 2022 |
| Financial assets at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | \$76,004 | \$60,648 |
| Financial assets at fair value through other comprehensive income | 184,363 | 162,024 |
| Financial assets measured at amortized cost | | |
| Cash and cash equivalents | 326,178 | 504,175 |
| Financial assets measured at amortized cost | 446,785 | 474,960 |
| Notes receivable | 2,291 | 2,507 |
| Accounts receivable(including related parties) | 87,666 | 126,345 |
| Other receivables | 3,427 | 2,594 |
| Refundable deposits | 150 | - |
| Subtotal | 866,497 | 1,110,581 |
| Total | \$1,126,864 | \$1,333,253 |

Financial liabilities

| | As at December 31, | |
|---|--------------------|-----------|
| | 2023 | 2022 |
| Financial liabilities measured at amortized cost: | | |
| Short-term loans | \$494,000 | \$582,000 |
| Accounts payable | 98,479 | 145,456 |
| Financial liabilities at fair value through profit or loss: | | |
| Financial liability held for trading | 28 | 433 |
| Total | \$592,507 | \$727,889 |

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Therefore, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items

denominated in foreign currencies as at the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2023 and 2022 would decrease/increase by NT\$5,732 thousand and NT\$7,469 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2023 and 2022 would increase/decrease by NT\$306 thousand and NT\$424 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity stocks classified as equity instruments investments measured at fair value mandatorily through profit and loss could have an impact of NT\$493 thousand and NT\$334 thousand on the equity attributable to the Company for the years ended December 31, 2023 and 2022, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,782 thousand and NT\$1,558 thousand on the equity attributable to the Company for the years ended December 31, 2023 and 2022, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As at December 31, 2023 and 2022, receivables from the top ten customers were both accounted for 66% of the Company's total accounts receivable. The concentration of credit risk is relatively not significant for the other remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as at the end of the reporting period.

Non-derivative financial instruments

| | Less than 1 year |
|--------------------------------|---------------------|
| <u>As at December 31, 2023</u> | |
| Loans | \$494,526 |
| Payables | 98,479 |
| <u>As at December 31, 2022</u> | |

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| | |
|----------|-----------|
| Loans | \$582,355 |
| Payables | 145,456 |

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2023:

| | Short-term borrowings | Deposits received | Employees' compensation payable | Total liabilities from financing activities |
|-------------------------|-----------------------|-------------------|---------------------------------|---|
| As at January 1, 2023 | \$582,000 | \$12 | \$232 | \$582,244 |
| Cash flows | (88,000) | - | - | (88,000) |
| As at December 31, 2023 | <u>\$494,000</u> | <u>\$12</u> | <u>\$232</u> | <u>\$494,244</u> |

Movement schedule of liabilities for the year ended December 31, 2022:

| | Short-term borrowings | Deposits received | Employees' compensation payable | Total liabilities from financing activities |
|-------------------------|-----------------------|-------------------|---------------------------------|---|
| As at January 1, 2022 | \$1,319,000 | \$12 | \$242 | \$1,319,254 |
| Cash flows | (737,000) | - | (10) | (737,010) |
| As at December 31, 2022 | <u>\$582,000</u> | <u>\$12</u> | <u>\$232</u> | <u>\$582,244</u> |

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell a financial asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Company to measure or disclose the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for Fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

As at December 31, 2023 and 2022, the relevant information of the Company's holdings of derivatives including Foreign Exchange Swaps and foreign currency options that did not meet the requirements of hedging accounting and have not yet expired are as follows:

Foreign Exchange Swaps

Foreign Exchange Swaps, not designated as a hedging tool:

| Item | Contract Amount | Term |
|-------------------------|-----------------|-----------------------|
| As at December 31, 2023 | | |
| None. | | |
| As at December 31, 2022 | | |
| Foreign Exchange Swaps | Sold USD1,590 | 2022.12.09-2023.06.27 |

Foreign currency options

As at December 31, 2023 Unwrite off Foreign Exchange Options:

| Bank | Foreign currency | Vlue date | Settle condition |
|-----------------------|------------------|----------------|---|
| First Commercial Bank | USD/TWD | FX \geq 32.3 | Performance obliganting sale USD 990 thousands |
| First Commercial Bank | USD/TWD | FX \geq 32.5 | Performance obliganting sale USD 990 thousands |

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

| | | | |
|-----------------------|---------|----------------|---|
| First Commercial Bank | USD/TWD | $FX \geq 32.7$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.0$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.2$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.4$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.6$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.2$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.4$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.6$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 34.0$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 34.2$ | Performance obligating sale USD 990 thousands |

As at December 31, 2022 Unwrite off Foreign Exchange Options:

| Bank | Foreign currency | Value date | Settle condition |
|-----------------------|------------------|----------------|---|
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 31.5$ | Performance obligating sale USD 990 thousands |

| | | | |
|-----------------------|---------|----------------|---|
| First Commercial Bank | USD/TWD | $FX \geq 31.7$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 32.5$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.0$ | Performance obligating sale USD 990 thousands |
| First Commercial Bank | USD/TWD | $FX \geq 33.5$ | Performance obligating sale USD 990 thousands |

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows.

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

As at December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | \$26,742 | \$- | \$- | \$26,742 |
| Stocks | 49,262 | - | - | 49,262 |
| Measured at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | 178,155 | - | 6,208 | 184,363 |
| <u>Financial liabilities:</u> | | | | |
| Measured at fair value through profit or loss | | | | |
| Foreign currency option | - | 28 | - | 28 |

As at December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | \$27,270 | \$- | \$- | \$27,270 |
| Stocks | 33,378 | - | - | 33,378 |
| Measured at fair value through other | | | | |

comprehensive income

| | | | | |
|---|---------|---|-------|---------|
| Equity instrument measured at fair value through other comprehensive income | 155,816 | - | 6,208 | 162,024 |
|---|---------|---|-------|---------|

Financial liabilities:

Measured at fair value through profit or loss

| | | | | |
|-------------------------|---|-----|---|-----|
| Foreign Exchange Swaps | - | 229 | - | 229 |
| Foreign currency option | - | 204 | - | 204 |

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| |
|---|
| Assets |
| Financial assets at fair value through other comprehensive income |
| Stock |

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

| | |
|--|--|
| As at January 1, 2023 | \$6,208 |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - |
| Disposals | - |
| As at December 31, 2023 | \$6,208 |
| | Assets |
| | Financial assets at fair value through other comprehensive income |
| | Stock |
| As at January 1, 2022 | \$8,024 |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (1,789) |
| Disposals | (27) |
| As at December 31, 2022 | \$6,208 |

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2023

| Valuation techniques | Significant unobservable | Quantitative | Relationship between inputs | Sensitivity of the input to fair value |
|----------------------|--------------------------|--------------|-----------------------------|--|
|----------------------|--------------------------|--------------|-----------------------------|--|

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

| | | inputs | inform | and fair value | |
|----------------|----------|---------------|--------|--------------------|-------------------------------|
| | | | ation | | |
| Financial | | | | | |
| assets at fair | | | | | |
| value through | | | | | |
| other | | | | | |
| comprehensive | | | | | |
| income | | | | | |
| Stocks | Market | Discount for | 20% | The higher the | 5% increase (decrease) in |
| | approach | lack of | | discount for lack | the discount for lack of |
| | | marketability | | of marketability, | marketability would result |
| | | | | the lower the fair | in decrease/(increase) in the |
| | | | | value of the | Company's equity by |
| | | | | stocks | NT\$248 thousand |

As at December 31, 2022

| | | Significant | Quantitative | Relationship | |
|----------------|------------|--------------|--------------|----------------|--------------------------|
| | Valuation | unobservable | inform | between inputs | Sensitivity of the input |
| | techniques | inputs | ation | and fair value | to fair value |
| Financial | | | | | |
| assets at fair | | | | | |
| value through | | | | | |

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

other

comprehensive

income

| | | | | | |
|--------|-----------------|------------------------------------|-----|---|--|
| Stocks | Market approach | Discount for lack of marketability | 20% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 5% increase (decrease) in the discount for lack of marketability would result in decrease/(increase) in the Company's equity by NT\$248 thousand |
|--------|-----------------|------------------------------------|-----|---|--|

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

| | As at | | | | | |
|-------------------------|--------------------|---------------|-----------|--------------------|---------------|-----------|
| | Dec. 31, 2023 | | | Dec. 31, 2022 | | |
| | Foreign Currencies | Exchange Rate | NTD | Foreign Currencies | Exchange Rate | NTD |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$19,092 | 30.65 | \$585,265 | \$25,539 | 30.66 | \$783,009 |
| EUR | \$6,229 | 33.78 | \$210,408 | 6,539 | 32.52 | \$212,662 |
| Non-monetary item: | | | | | | |
| USD | \$386 | 31.31 | \$12,077 | \$7,351 | 30.61 | \$225,041 |

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

| Foreign currency resulting in exchange gain or loss | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| USD | \$12,292 | \$94,721 |
| Others | 8,518 | 36,782 |

(11)Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held As at December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as at December 31, 2023: None.

I. Derivative instrument transactions: Please refer to Note 12(8).

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held As at December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None

(e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital As at December 31, 2023: None.

(i) Derivative instrument transactions: None.

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

| (In Thousands of New Taiwan Dollars) | | | | | | | | | | | | |
|---|---|-----------------|--|---|------------------|--------|---|-------------------------|--|----------------------|---|---|
| Name of Investee in China | Main Business | Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as at January 1, 2023 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as at December 31, 2023 | Profit/Loss of Investee | Percentage of Ownership (Direct or Indirect Investment | Share of Profit/Loss | Carrying Amount as at December 31, 2023 | Accumulated Inward Remittance of Earnings as at December 31, 2023 |
| | | | | | Outflow | Inflow | | | | | | |
| King Core Electronics Factory Dab Lane, Guanlan district, Bao' an district. | Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | \$- (Note 2) | Reinvest through a third-region company. | \$- | \$- | \$- | \$- | \$- | -% | \$- (Note 2) | \$- (Note 2) | \$- |

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

| Name of Investee | Main Business | Paid-in | Method of Investment | Accumulated | Investment Flows | Accumulated | Profit/Loss of Investment | Percentage of Ownership | Share of Dividend | Carrying Amount | Accumulated |
|--|---|--------------------------------|----------------------|-----------------------|------------------|-----------------------|-----------------------------|-------------------------|-----------------------------|-----------------------------|-------------|
| King Core Electronics (Suzhou) Co., Ltd | Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | \$170,413 (Note 4) | (Note 3) | \$170,413 (Note 4) | \$- | \$170,413 (Note 4) | \$(1,593) (Note 4 and 6) | 100% | \$(1,593) (Note 4 and 6) | \$217,410 (Note 4 and 6) | \$119,575 |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | Sales business of operating soft iron core and yoke iron expect for rare earth group magnets. | \$2,165 (Note 4 and Note 5) | (Note 3) | \$- | \$- | \$- | \$5,146 (Note 4 and 6) | 100% | \$5,146 (Note 4 and 6) | \$22,913 (Note 4 and 6) | \$- |

| | | |
|--|--|---|
| Accumulated investment in Mainland China as at December 31, 2023 | Investment amounts authorized by Investment Commission, MOEA | Upper Limit on Investment in China by Investment Commission, MOEA |
| \$171,948 | \$171,948 | \$904,571 |

Note 1 : King Core (B.V.I.) Electronics Co., Ltd. 100% Shares of subsidiary owned by King Core Electronics Factory , Dab Lane, Guanlan

district, Bao'an district, established as a processing plant in mainland, therefore, not applicable.

Note 2 : Paid-in capital was written off during 2013.

Note 3 : Reinvest in mainland China through a third-region company.

Note 4 : Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5 : 100% Shares of Shenzhen Zhen King Electronics Components Co.,Ltd. owned and directly invested by King Core Electronics (Suzhou) Co., Ltd.

Note 6 : Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

King Core Electronics Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

B. Significant transactions with investees in China.

(a) Purchase and balances of related accounts payable as at December 31, 2023: None.

(b) Sale and balance of related accounts receivable as at December 31, 2023:

| | Sales | | Accounts Receivable | |
|---|----------|----------|---------------------|--------------|
| | | % to Net | | % to Account |
| | Amount | Sales | Amount | Balance |
| Sales of Company to King Core Electronics (Suzhou) Co., Ltd | \$53,577 | 11.87% | \$- | -% |
| Sales of Company to Shenzhen Zhen King Electronics Components Co.,Ltd. | \$54,988 | 12.18% | \$14,807 | 16.46% |

The product price is similar to other customers. Payment term for King Core Electronics (Suzhou) Co., Ltd and Shenzhen Zhen King Electronics Components Co.,Ltd. are 90 days and offset the credit-debt. The payment terms for other customers are 30 to 150 days from the end of delivery month.

(c) Property transaction amounts and resulting gain or loss: None.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

a. The Company recognized conversion expenses King Core Electronics (Suzhou) Co., Ltd conversion expenses amounting to NT\$21,576 thousand, for the year ended December 31, 2023.

As at December 31, 2023, recognized accounts payables King Core Electronics (Suzhou) Co., Ltd amounting to NT\$28,127 thousand.

b. The Company charged King Core Electronics (Suzhou) Co., Ltd providing service support in amount of NT\$2,798 thousand for the year ended December 31, 2023.

c. The Company charged King Core Electronics (Suzhou) Co., Ltd for producing the catalogs in the amount of NT\$2 thousand for the year ended December 31, 2023.

(4) Information on major shareholders:

| Name | Ownership of shares | Number of shares held (shares) | Ownership ratio |
|----------------------------|---------------------|--------------------------------|-----------------|
| | | | |
| Sheng Bao Investment Corp. | | 10,565,530 | 12.05% |
| Jin Bao Investment Corp. | | 8,230,406 | 9.39% |

14. SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

| Name of Held Company | Type and Name of Marketable Securities (Note) | Relationship with the Issuer | Financial Statement Account | As of December 31, 2023 | | | |
|----------------------------|--|--|---|---|-----------------|--------------------|------------|
| | | | | Shares / Units | Carrying Amount | Shareholdin g % | Fair Value |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through profit or loss - current | | | | | | |
| | Equity Funds—Shin Kong China Growth Fund USD | NA | Financial assets at fair value through profit or loss - current | 1,495,005 | \$21,020 | | \$7,640 |
| | Asset Securitization Funds—FSITC Global REITs | NA | Financial assets at fair value through profit or loss - current | 2,000,320 | 20,000 | | 19,102 |
| | Listed stock—Planet Technology Corporation | NA | Financial assets at fair value through profit or loss - current | 204,277 | 7,200 | 0.32% | 30,539 |
| KING CORE ELECTRONICS INC. | Listed stock—Darwin Precisions Corporation | NA | Financial assets at fair value through profit or loss - current | 130,900 | 2,322 | 0.02% | 1,754 |
| | Subtotal | | | | \$0,542 | | \$59,035 |
| | Add: Valuation adjustments of financial assets at fair value through profit or loss- current | | | | 8,493 | | |
| | Total | | | | \$59,035 | | |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through other comprehensive income- current | | | | | | |
| | Listed stock—Johnson Health Tech. Co., Ltd. | NA | Financial assets at fair value through other comprehensive income - current | 808,904 | \$15,520 | 0.27% | \$55,571 |
| | Add: Valuation adjustments of financial assets at fair value through other comprehensive income- current | | | | 40,051 | | |
| | Total | | | | \$55,571 | | |
| KING CORE ELECTRONICS INC. | Financial assets at fair value through profit or loss - non-current | | | | | | |
| | Shin Kong Financial Holding Co., Ltd. | NA | Financial assets at fair value through profit or loss - non-current | 556,163 | \$5,173 | -% | \$5,099 |
| | Thinking Electronic Industrial Co., Ltd. | NA | Financial assets at fair value through profit or loss - non-current | 70,653 | 776 | 0.06% | 11,870 |
| | Subtotal | | | | 5,949 | | \$16,969 |
| KING CORE ELECTRONICS INC. | Add: Valuation adjustments of financial assets at fair value through profit or loss | | | | 11,020 | | |
| | Total | | | | \$16,969 | | |
| | Financial assets at fair value through other comprehensive income - non-current | | | | | | |
| | Everlight Electronics Co., Ltd. | NA | Financial assets at fair value through other comprehensive income - non-current | 1,924,354 | \$72,466 | 0.43% | \$96,218 |
| KING CORE ELECTRONICS INC. | Muto Optronics Corporation | NA | Financial assets at fair value through other comprehensive income - non-current | 115,000 | 2,185 | 0.25% | 766 |
| | ATECH OEM INC. | The chairman of their Company is a director of the company | Financial assets at fair value through other comprehensive income - non-current | 1,723,903 | 17,303 | 2.60% | 25,600 |
| | SV TECHNOLOGIES, TAIWAN LTD. | | Financial assets at fair value through other comprehensive income - non-current | 471 | 16,201 | 0.03% | 27 |
| | SUNENGINE CORPORATION LTD. | | Financial assets at fair value through other comprehensive income - non-current | 149,033 | 27,715 | 2.22% | - |
| TYFONE INC. | Financial assets at fair value through other comprehensive income - non-current | | 186,598 | 6,181 | 0.38% | 6,181 | |
| KING CORE ELECTRONICS INC. | ICASHE INC. | | NA | Financial assets at fair value through other comprehensive income - non-current | 18,438 | 611 | 1.32% |
| | AUSPINEN LLC. | NA | Financial assets at fair value through other comprehensive income - non-current | 35,580 | 1,178 | 0.23% | - |
| | Subtotal | | | | 143,840 | | \$128,792 |
| | Add: Valuation adjustments of financial assets at fair value through other comprehensive income- non-current | | | | (15,048) | | |
| | Total | | | | \$128,792 | | |

King Core Electronics Inc.

The Company exercise significant influence or control (excluding investees in mainland china) as at December 31, 2023

Attachment 2
(In Thousands of New Taiwan Dollars)

| Investor | Investee | Business Location | Main Business and Product | Original Investment Amount | | Balance as of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Income (Loss) of the Investee |
|---------------------------------|--|------------------------|---|----------------------------|-------------------------|---------------------------------|---------|----------------|-----------------------------------|--|
| | | | | As of December 31, 2023 | As of December 31, 2022 | Shares | % | Carrying Value | | |
| King Core Electronics Co., Ltd. | King Core (B.V.I.) Electronics Co., Ltd. | British Virgin Islands | Operating soft core and yoke iron except for rare earth group magnets | USD 5,600 | USD 5,600 | 5,600,000 | 100.00% | \$218,671 | \$(1,572) | \$(1,572) |
| King Core Electronics Co., Ltd. | Allied Biotech Corporation | Da-an District, Taipei | Research, manufacturing and development of carotenoid products and others | \$235,617 | \$235,617 | 17,976,721 | 18.77% | \$254,569 | \$97,412 | \$18,352 |
| King Core Electronics Co., Ltd. | CSX Material Co., Ltd. | Da-an District, Taipei | Operating electronic parts and components manufacturing | \$73,251 | \$73,251 | 6,529,200 | 28.39% | \$20,318 | \$(49,195) | \$(13,965) |

VI. Financial difficulties encountered by the Company and affiliates in the last year and as of the date of this annual report: None.

Seven. Review and Analysis of Overview of Finance Status and Performance, and Risk Management

I. Financial status

Comparative Analysis of Financial Conditions

Unit: NTD thousand

| Item \ Year | 2023 | 2022 | Difference | |
|---|-----------|-----------|------------|--------------------|
| | | | Amount | Variance ratio (%) |
| Current Assets | 1,346,184 | 1,591,427 | (245,243) | (15.41) |
| Property, plant and equipment | 326,559 | 305,702 | 20,857 | 6.82 |
| Intangible assets | 107 | 205 | (98) | (47.80) |
| Other assets | 450,005 | 436,623 | 13,382 | 3.06 |
| Total assets | 2,122,855 | 2,333,957 | (211,102) | (9.04) |
| Current liabilities | 601,849 | 779,621 | (177,772) | (22.80) |
| Non-current liabilities | 13,387 | 20,200 | (6,813) | (33.73) |
| Total liabilities | 615,236 | 799,821 | (184,585) | (23.08) |
| Capital stock | 876,390 | 871,477 | 4,913 | 0.56 |
| Capital surplus | 208,422 | 200,654 | 7,768 | 3.87 |
| Retained earnings | 420,059 | 477,841 | (57,782) | (12.09) |
| Other equities | 2,748 | (15,836) | 18,584 | (117.35) |
| Total shareholders' equity | 1,507,619 | 1,534,136 | (26,517) | (1.73) |
| Description: | | | | |
| 1. Decrease in Intangible assets: Mainly due to the derecognition of computer software at maturity. | | | | |
| 2. Decrease in current liabilities: mainly due to the decrease in short-term borrowings. | | | | |
| 3. Decrease in non-current liabilities: Mainly due to the decrease in net defined benefit liabilities. | | | | |
| 4. Decrease in total liabilities: Mainly due to the decrease in net defined benefit liabilities. | | | | |
| 5. Increase in other equity: Mainly due to an increase in unrealized gains on financial assets measured at fair value through other comprehensive income. | | | | |

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

II. Financial performance

(I) Comparative analysis of financial performance

Unit: NTD thousand

| Item \ Year | 2023 | 2022 | Amount Variance | Ratio Variance (%) |
|-----------------------------------|---------|---------|--------------------|-----------------------|
| Net operating revenue | 544,602 | 770,147 | (225,545) | (29.29) |
| Net operating gross profit | 116,956 | 205,014 | (88,058) | (42.95) |
| Operating profit | 7,061 | 70,117 | (63,056) | (89.93) |
| Non-operating revenue and expense | 80,932 | 163,334 | (82,402) | (50.45) |
| Net income before tax | 87,993 | 233,451 | (145,458) | (62.31) |
| Net income for current period | 74,796 | 190,616 | (115,820) | (60.76) |

Analysis and explanation of major variations in ratios (by 20%) in the recent two years:

1. Decrease in operating revenue: Due to the impact of the overall economic environment, customers were slow to purchase goods.
2. Decrease in operating gross profit: Mainly due to a decrease in sales revenue for the current period.
3. Decrease in operating income: Mainly due to the decrease in gross profit due to the decrease in sales revenue for the current period.
4. Decrease in non-operating income and expenses: Mainly due to a decrease in gains from foreign currency exchange for the current period.
5. Decrease in net income before tax: Mainly due to a decrease in operating profit and a decrease in gains from foreign currency exchange for the current period.
6. Decrease in net income for current period: Mainly due to the decrease in net income before tax for the current period.

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

(II) Data on expected sales quantity and basis

Please refer to To Shareholders on Pages 1~5.

(III) Effect upon financial operations as well as measures to be taken in response

The capital expenditure and working capital necessary for finance of the Company increased with the growth of aforementioned businesses. The Company will strictly control its cash flow, keep informative of capital use and measure whether to borrow money from the outside in response.

III. Cash flow

(I) Analysis of the recent year's change in cash flow and plan for improving liquidity

Unit: NT\$ thousand

| Opening cash balance | Net cash flow from operating activities for the whole year | Estimated net cash inflow and outflow of investment and financing activities throughout the year | Effect of exchange rate fluctuation on cash and cash equivalents | Amount of surplus (shortage) of cash. | Remedies for cash deficit | |
|----------------------|--|--|--|---------------------------------------|---------------------------|----------------|
| | | | | | Investment plan | Financial plan |
| 568,347 | 70,008 | (265,009) | (4,801) | 368,545 | — | — |

1. Analysis of changes in cash flows in current period:

- (1) Operating activities: The net cash inflow from operating activities was NT\$70,008 thousand in FY2023 and NT\$292,759 thousand in FY2022, mainly due to the decrease in net income before tax.
- (2) Investing activities: The net cash outflow from investing activities was NT\$45,804 thousand in FY2023 and the net cash inflow from investing activities was NT\$373,218 thousand in FY2022, Mainly due to the net cash outflow for the purchase of property, plant and equipment for the current period.
- (3) Financing activities: The net cash outflow from financing activities was NT\$219,205 thousand in FY2023 and the net cash outflow from financing activities of NT\$810,929 thousand in FY2022, Mainly due to cash outflows for cash dividends for the current period.

2. Remedy for cash shortage and liquidity analysis: Not applicable.

(II) Analysis of the liquidity of cash for the future year:

Unit: NT\$ thousand

| Opening cash balance | Expected net cash flow from operating activities for the whole year | Expected cash outflow for the whole year | Estimated amount of surplus (shortage) of cash | Expected remedies for cash deficit | |
|----------------------|---|--|--|------------------------------------|----------------|
| | | | | Investment plans | Financial plan |
| 368,545 | 86,577 | (208,781) | 246,341 | — | — |

1. Analysis of changes in cash flows in current period:

- (1) Operating activities: Mainly refer to cash inflow from expected operations.
- (2) Investing activities: Cash outflows from the expected acquisition of property, plant and equipment.
- (3) Fund-raising activities: Cash outflows from expected cash dividends.

2. Remedy for projected cash shortage and liquidity analysis: Not applicable.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. The Company's Policy for the Most Recent Fiscal Year on Investments in Other Companies, the Main Reasons for Profits/Losses Resulting therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year.

(I) The main reasons and improvements plans for the reinvestment policies, gains or losses of the most recent fiscal year:

Unit: NT\$ thousand

| Reinvested companies \ Item | Amount | Policies | Main causes of profit or loss | Improvement plan | Other upcoming investment plans |
|--|---------|--|---|--|---------------------------------|
| KING CORE ELECTRONICS (SUZHOU) CO., LTD | (1,593) | Sales of ferrite cores, coils and chip inductors | Mainly affected by the overall economic environment, slow customer demand, and lower-than-expected revenue. | Actively develop new customers, increase customer satisfaction, and timely grasp of market information and insights. | None |
| Shenzhen Zhen king Electronics Components Co.,Ltd. | 5,146 | Sell ferrite cores, coils and chip inductors | Mainly affected by the overall economic environment. Although revenue decreased compared to last year, profitability was still be maintained, albeit slightly lower than last year. | Not applicable. | None |

(II) Investment plan for the following year: currently no major investment plan.

VI. Risk Analysis and Assessment

(I) Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future responding measures:

1. Impact of interest rate fluctuations upon profit and loss of the Company and future responding measures: The Company's interest income and interest expenses amounted to NT\$ 35,144 thousand and NT\$ 7,483 thousand respectively in 2023. They accounted for 7.82% of the consolidated net operating profit. The Company collects information on interest rate fluctuations from time to time, maintains close connections with banks, fully keeps informative about markets, and implements appropriate responding measures at the right time.
2. Impact of exchange rate fluctuation upon profit and loss of the Company and future responding measures: In 2023, the Company's net external exchange profit amounted to NT\$ 20,054 thousand, which approximately accounted for 3.68% of the consolidated net operating revenue. The Company will pay close attention to fluctuation trend of exchange rate, adjust assets in US dollars at the right time, and perform appropriate operations for avoiding risks, in order to mitigate impact of exchange rate fluctuation.
3. Impact of inflation upon the Company's profit and loss and future responding measures: In the past years, economic growth was achieved in emerging markets and the demand for raw materials increased. As a result, international inflation was caused. To prevent prices of international raw materials from rising in the future and causing higher pressure from cost increase, the Company will mitigate the pressure from inflation by actively improving the manufacturing process and increasing selling prices of products

to project the cost increase.

- (II) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future responding measures.

Maintaining stable growth, the Company has been concentrating on its own businesses. It is financially sound, without making any high-risk and high-leverage investments. As of the issue date of annual report, the Company hadn't lent money to others or endorsed or guaranteed for others. If the Company lends money to others or offers any endorsement or guarantee, it will definitely act according to the policies and related measures specified in the Lending, Endorsement and Guarantee Measures. All of its business operations on derivative products are for avoiding exchange risks caused by its business operations. In the future, the Company will strictly comply with its Procedures for Acquisition or Disposal of Assets, the Operating Procedures for Trading Derivative Commodities, and other measures, in order to maximize rights and interests of the Company.

- (III) Future R&D plan and expected investment in R&D

Industries of automotive electronics, 5G applications and IoT have prospered. In the automotive fields, customers tend to have demand for components which can work under harsher conditions, including higher power, resistance to high current, resistance to peak current and high temperature. 5G products have been utilized more and more frequently. Thus, how advanced material and manufacturing technologies are directly reflects stability of product quality. With advanced material and manufacturing technologies, a company can gain recognition and trust from its customers. Increasing Cpk of product manufacturing to satisfy the requirements for automotive fields is also a major development orientation. In addition to improving product design, the Company also actively assists the Manufacturing Department in increasing manufacturing precision. It aims to make all products satisfy customers' quality requirements as specified in IATF16949 and AEC-Q200.

As applications of automotive electronics were expanded, the industry of 5G communications was rapidly commercialized, Taiwan's position in the global science/technology industry was improved and the demand was expanded, more active efforts will be made to enhance the capacity for providing customers with diverse services. The R&D team specializes in material engineering, actively collects information about product application, design and manufacturing, and expands product development. It is dedicated to developing materials for magnetic cores of inductors, designing and developing manufacturing technologies. In addition to power inductors, it is also continuously developing common mode filters for communications over different frequency bands in line with the demand for Internet of vehicles. In addition, in response to the demand for new protocols for various USB/HDMI high-speed communication interfaces, we utilize our existing expertise in ferrite cores, chips and coils, and actively recruit ICT technical talents and new equipment and technologies, and integrate new materials and wire-wound technologies from our existing developments to design to meet the ever-evolving needs of our customers.

It is forecast that in 2024, a total amount of NT\$ 14,050 thousand would be further reinvested in R&D, which approximately accounts for 2.3% of consolidated revenue. The major factors impacting success of R&D or mass production mainly include understanding of actual market demand and procedure for cooperating with customers in terms of their design.

- (IV) Impact on the Company's finance and business due to changes in domestic or foreign policies and laws, and corresponding responding measures

In response to amendments to important policies and pertinent laws promulgated by competent authorities such as corporate governance act, company act and securities exchange act, the Company has cooperatively implemented corresponding measures. The management of the

Company pays close attention to domestic and foreign policies and legal changes. It also appropriately puts forward responding measures. Hence, no significant impact is imposed upon the Company's financial businesses.

(V) The impact of technological changes (including information security risks) and industrial changes on the Company's financial business and corresponding responding measures:

Products of the Company are mainly used for suppressing electromagnetic interference. With changes of sciences and technologies in the past years, the requirements for suppressing electromagnetic interference with electronic products have become increasingly more stringent. Owing to such trend, more business opportunities have been created, and more challenges are faced. To face up to these challenges, the Company has built a stronger operations management team, in an attempt to improve its performances in R&D, manufacturing, sales, management, finance and all other aspects. It also strengthens its information security to reduce risks. Believe that the Company will seize more opportunities for business growth.

The Company consistently invests in information security, allocating an annual budget for the continuous upgrade and enhancement of both software and hardware, including firewalls, antivirus programs, anti-hacking measures, and intrusion detection systems. Moreover, the Company has joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to implement essential safeguards against emerging domestic cybersecurity threats. Thanks to our committed efforts in this area, there have been no material financial or operational impacts on the Company or its subsidiaries arising from information security incidents.

(VI) Impacts of corporate image change upon corporate crisis management and responding measures

The Company has consistently maintaining a good image. Since its listing, its visibility, image, internal control, management and sustainable operations have been positively impacted. In the future, the Company will be dedicated to consolidating its domestic market and actively developing international businesses, to maximize its profits with optimal operating efficiency and share its business outcomes with all of its shareholders and employees.

(VII) Expected benefits and possible risks associated with M&A and responding measures: At present, the Company has no plan for M&A with any other company.

(VIII) Expected benefits and possible risks of factory expansion and responding measures:

Taking into account the changes in the global market and the need for stable supply and increased production capacity of magnetic materials, the Company commenced construction on a new powder production line and facility for magnetic core materials in Pingzhen, Taoyuan, in 2023. The designed capacity of the powder production is 300 tons per month. The expansion project is estimated to require a capital expenditure of approximately NT\$250 million, which has been duly approved by the Board of Directors. The expansion of the plant will enable the Company to reduce external interruptions in the supply of materials and production. This ensures the stability and reliability of supply and production at our Pingzhen plant in Taiwan, enabling us to compete for more orders. This, in turn, can contribute to revenue and profit growth, and ultimately, help us achieve a more advantageous market position in the industry.

(IX) Risks of centralized purchase or sales and responding measures

Main raw materials of the Company include nickel oxide, iron oxide, cupric oxide, zinc oxide, external and internal electrodes. In terms of procurement strategy, the Company comprehensively considers factors such as supplier quality, price, lead time and degree of cooperation to choose appropriate suppliers. Whereas suppliers of these raw materials are exclusively irreplaceable, it may make quotations to more than two suppliers of the same raw

materials. Its supply sources are sufficient, so the Company is not exposed to risks of over centralized procurement.

The Company mainly sells its products to global well-known brands of magnetic materials and famous OEMs of electronics. Its orders and revenues are relatively stable. In addition, the Company has developed and maintained relatively deep cooperation. It actively develops new products and constantly develops new customers. It can also retain its existing domestic and foreign customers. Therefore, it is exposed to lower risk of centralized product sales.

- (X) Impact, possible risks and countermeasures of the substantial transfer or replacement of shares by directors, supervisors or major shareholders holding more than 10% of the shares of the Company

SHENG BAO INVESTMENT CORP. is a substantial shareholder of the Company holding more than 10% shares in the Company. Declarations are always made to competent authorities as specified, so no adverse impact is imposed upon businesses or finance of the Company.

- (XI) Impact and risks of the change of management right of the Company and responding measures.

In the recent year and as of publication date of its annual report, the Company's management right hadn't changed. Besides, the Company has established a system for professional managerial personnel to take charge of the Company's business operations. Hence, the Company is not expected to be subject to significant adverse impacts of such change.

- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any of its director and supervisor, the general manager, responsible person in fact, any major shareholder holding a stake of greater than 10% of the Company, and/or any company or companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report: None.

- (XIII) Other Material Risks and Responsive Measures: None.

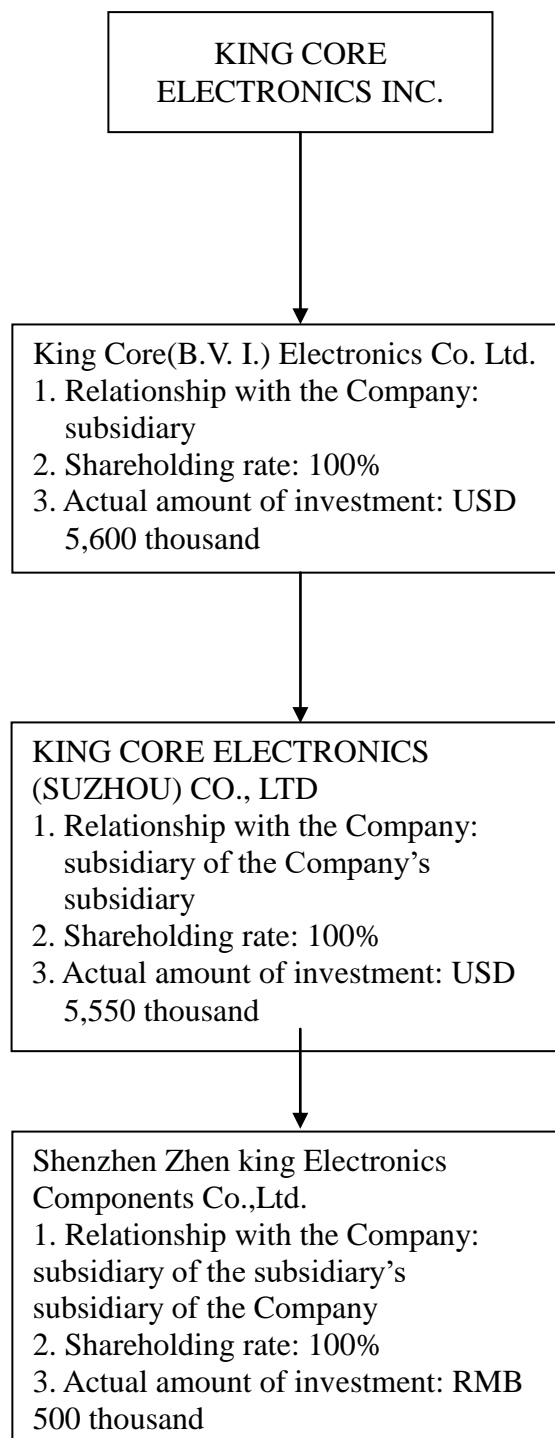
VII. Other important disclosures: N/A.

Eight. Special Records

I. Affiliated companies

(I) Consolidated business report of affiliates

(1) Organization chart of affiliates



(2) Basic information of affiliates

Unit: NT\$ thousand

| Company name | Date of Establishment: (Republic of China) | Address | Paid-in capital | Principal business or production lines |
|--|---|---|-----------------|---|
| King Core (B.V.I.) Electronics Co., Ltd. | 1998.12.1 | P.O.Box3340,RoadTown,Tortola,BritishVirginIslands | \$171,948 | Investment holding company |
| KING CORE ELECTRONICS (SUZHOU) CO., LTD | 1999.5.21 | 988 Jiangling East Road, Yundong Subdistrict, Economic & Technological Development Zone, Wujiang District, Suzhou, Jiangsu Province | \$170,413 | Manufacture and sales of electronic parts |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | 2014.12.31 | Rm. 602, 6F., Deliang Building, 66 Xindong Street, Cuilan Community, Guanlan Street, Longhua New District, Shenzhen | \$2,165 | Marketing of electronic elements, domestic trade, import and export of goods and technologies |

(3) Entities presumed in parent-subsidiary relations according to Article 369-3 of the Company Act: None.

(4) Industries covered by affiliates' businesses: For details, refer to the aforementioned Basic Information on Affiliates.

Division of business operations among affiliated companies: To expand our business in mainland China, the Company has established subsidiaries in Suzhou and Shenzhen, focusing on the production and sales of passive components.

(5) Information on Directors, Supervisors and General Managers of the Company's affiliates:

| Company name | Position | Name | Representative | Number of shares in possession | Shareholding rate (%) |
|--|--|--|---|--------------------------------|-----------------------|
| King Core (B.V.I.) Electronics Co., Ltd. | Director | KING CORE ELECTRONICS INC. | Yang Cheng-Li | 5,600,000 | 100.00 |
| KING CORE ELECTRONICS (SUZHOU) CO., LTD | Chairman Director/General Manager Director Supervisor | King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd. | Yang Cheng-Li Tsai Yuh-Chiang Chen Cheng-Han Kuo Kun-Chang | - | 100.00 |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | Chairman Supervisor General Manager | KING CORE ELECTRONICS (SUZHOU) CO., LTD KING CORE ELECTRONICS (SUZHOU) CO., LTD KING CORE ELECTRONICS (SUZHOU) CO., LTD | Kuo Kun-Chang Liao Chen-Pang Tsai Chiu-Yun | - | 100.00 |

(6) Overview of affiliates' business operations:

Unit: NT\$ thousand, December 31, 2023

| Company name | Capital | Total assets | Total liabilities | Net worth | Operating revenue | Operating profit | Current net income (after tax) | EPS (after-tax) |
|-----------------------|---------|--------------|-------------------|-----------|-------------------|------------------|--------------------------------|-----------------|
| KING CORE ELECTRONICS | 876,390 | 2,117,193 | 609,574 | 1,507,619 | 451,552 | 6,588 | 74,796 | 0.85 |

| INC. | | | | | | | | |
|--|---------|---------|--------|---------|---------|---------|---------|-------|
| King Core (B.V.I.) Electronics Co., Ltd. | 171,948 | 219,734 | 0 | 219,734 | 0 | 0 | (1,572) | -0.28 |
| KING CORE ELECTRONICS (SUZHOU) CO., LTD | 170,413 | 234,913 | 17,503 | 217,410 | 149,722 | (7,912) | (1,593) | None |
| Shenzhen Zhen King Electronics Components Co.,Ltd. | 2,165 | 56,040 | 33,126 | 22,913 | 85,214 | 5,624 | 5,146 | None |

Note: Above financial information shall be indicated based on parent only information specified by International Financial Reporting Standards.

(II) Consolidated financial statements of affiliates: For details, refer to Page 127~237.

(III) Affiliation Reports: Not applicable.

II. Private placement of securities, fund application in such private placement and plan execution progress during the latest year up till the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: None.

IV. Other necessary supplementary explanations: None.

V. Any significant events materially affecting Shareholders' equity or the price of securities as defined in Paragraph 2, Subparagraph 2 of Article 36 of the Securities Exchange Act in the most recent year and up to the publication date of the Annual Report: None.

KING CORE ELECTRONICS INC.

Chairman Yang Cheng-Li