Stock code: 6269

# Flexium Interconnect. Inc.

## 2023 Annual Report

### Notice to readers

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

Taiwan Stock Exchange Market Observation Post System：http://newmops.twse.com.tw
Flexium Annual Report is available at：https://www.flexium.com.tw
Printed on March 31, 2024

**I. Spokesperson & deputy spokesperson name, title, Tel. No. and email:**

| | Spokesperson | Deputy spokesperson |
|---|---|---|
| Name | Arthur Shiung | Blue Lan |
| Job title | CFO | Director of Administration Division |
| Tel. No. | (07) 787-1008, Ext. 110 | (07) 787-1008, Ext. 107 |
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**II. Headquarters, branches, plants and telephone numbers:**

Headquarters and Plant: No.1, Shangfa 5th Rd., Hofa Industrial Park, Daliao Dist., Kaohsiung City
Tel. No.: +886-7-787-1008

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Tel. No.: +886-3-493-8990

Kunshan Plant: No. 1399, Hanpu Road, High-Tech Industrial Park, Kunshag City, Jiangsu Province
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**III. Name, address, website and telephone number of stock transfer agency:**

Name: Yuanta Securities
Address: B1, No. 210, Chengteh Road, Sec. 3, Taipei City
Website: http://www.yuanta.com.tw
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**IV. Name of CPA attesting the latest annual financial statement and name, address, website and telephone number of the accounting firm:**

CPA name: Name of CPA: Wu Chien-Chih , CPA; Liao, A-Shen, CPA.
Firm Name: PwC Taiwan
Address: 22F, No. 95, Mintzu 2nd Road, Kaohsiung City
Website: http://www.pwc.tw
Tel. No.: +886-7-237-3116

**V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities:**

Singapore Exchange
http://www.sgx.com

**VI. Company website:**

https://www.flexium.com.tw

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## One. A message to shareholders

Flexium Interconnect's vision is to become a global leader in flexible board module solutions. R&D and innovation are the growth engines for maintaining competitiveness.The technology is being developed in the original FPC and FPCA fields, Flexium has applied polyimide (PI) as the foundation of the materials and manufacturing process to build the market in the past two decades.targets new breakthroughs in technology such as wireless, high frequency, optical communication applications and so on.

In 2023, Flexium Interconnect has successfully completed the acquisition of Rafael Micro. This acquisition has allowed Flexium to expand its production base in FPC and vertically integrate the transmission upgrade between light and electricity. As a result, Flexium Interconnect has become a pioneer in Taiwan's next-generation transmission technology platform, enabling the establishment of diverse business models and services.

**Business operation outcome**

Flexium Interconnect recorded a consolidated revenue of NT$32.7 billion in 2023, representing an 18.3% decrease from the previous year's NT$40 billion. The net profit after tax was NT$2.06 billion, reflecting a 41.6% decline compared to the previous year's NT$3.52 billion. Earnings per share stood at NT$6.45, down by NT$4.38 from the previous year's NT$10.83.

Flexium's gross profit margin for 2023 was 14.8%, compared to 17.0% in the previous year, while the operating profit margin was 5.0%, compared to 8.8% in the previous year. The net income was 6.3%, which is lower than the 8.8% recorded in the previous year.

Note: The financial forecast for 2023 was not disclosed, therefore there is no information available regarding budget achievement.

**Market trend**

The rise of AI will revolutionize the next decade, profoundly impacting lifestyles and rapidly transforming the electronic products and industry ecosystem. From an application perspective, a wide range of innovative products are constantly emerging, such as smart personal wearable devices, smart cars, and data transmission devices required in the Web era. These products will create a higher demand for flexible printed circuit (FPC) products, which play a vital role in enabling innovative applications and becoming essential components for future generations.

In 2024, the electronics industry will encounter several trends. Over the past few years, blockchain, cognitive technology, and virtual reality have emerged as significant forces. Intelligent visualization will become the mainstream and a key driver of innovation, transforming human behavioral activities. Furthermore, the extensive utilization of online communities, cloud computing, and the Internet of Things (IoT) has interconnected numerous devices and services, enhancing efficiency and convenience. As a result, industries in all sectors have embraced digital technology for transformation. The need for high-frequency and high-speed applications has become increasingly prominent. Basic solutions that were once adequate no longer meet the demands, as new technologies now require transmission rates that are 2-3 times higher than before. The demand for optical communication technology is driven by the need for electronic products that have enhanced computing capabilities, smaller size, greater portability, and improved user experience. Compared to other rigid printed circuit board products, FPC is more aligned with the advantages of being lightweight and flexible. The required optical communication technology for FPC has also become more challenging.

Flexium Interconnect has always had the vision of solving various transmission challenges for customers and becoming a provider of transmission solutions. In recent years, we have made significant efforts to promote research and development and enhance our technical capabilities. We have collaborated withworld-class strategic partners to develop and launch new products in the fields of high frequency, high-performance conduction, and millimeter wave technology. Additionally, we offer simulation platforms, design concepts, testing methods, and more to modularize comprehensive solution modules. By combining our group's optical waveguide technology and IC design, we assist customers in realizing their design products, accelerating development schedules, and shortening the time from concept to product launch to meet market demands.

Providing customers with comprehensive and complete service solutions has always been one of the Company's main competitive advantages. Flexium adheres to the concept of sustainable business and adopts a prudent attitude towards strategic development and the choice of business models. For good measure, Flexium committed efforts towards the research and development of patents for optical communication over and above existing high-speed communication solution for electrical signals, obtaining patents for the development of high-speed optical circuit boards (NeuroCircuit FPC). By combining the advantages of light and electrical signals and integrating IC design, Flexium improves the transmission of optical signals and overcomes the inherent limitations of electrical signal transmission. This reduces the overall thickness of high-speed circuit boards, mitigates overheating issues during high-speed transmission, and overcomes interference problems in electrical signal transmission. Flexium Interconnect is set to become a leading manufacturer in the field of optical communication circuit boards.

**Technical development**

Since 2017, Flexium has continuously developed and improved the infrastructure, and selected LCP as the material base to develop Meta, the FPC 2.0 process. This technology can provide high speed and a high layer count (20L), while maintaining its flexibility. However, in order to offer a more comprehensive technical solution, Flexium developed a process called MetaLink for FPC 2.1 in 2021. This process technology will increase process efficiency by 30% and space utilization by 20%. Most importantly, it will improve high-frequency capability by at least 65%. Compared to FPC 1.0, the final version is capable of achieving a 50% reduction in energy consumption and carbon emissions. Metalink has completed testing and verification phases with numerous end customers and currently demonstrates outstanding performance in terms of functionality, receiving high praise from customers. It is believed that in the future, there will be more opportunities to explore and achieve new milestones in the field of millimeter-wave transceiver modules.

As the computing power of ICs increases, AI applications are born, but transmission problems and bottlenecks also arise.To enhance our foundation technology and deliver higher performance, Flexium has developed the next-generation FPC 3.0, known as NeuroCircuit (Optoelectronic Hybrid Board). This technology is to improve production efficiency and enhance the speed of transmission applications. AI applications have emerged with the advancement of IC computing power. However, this has also led to transmission issues and bottlenecks, for which the technologies of Flexium's Meta, Metalink, and NeuroCircuit can offer optimal solutions. These technologies are capable of both within devices and between devices transmission. By combining Metalink with millimeter-wave high-frequency applications, it provides an optimal solution for high-frequency high-speed transmission between devices. These technological and process optimizations will continue to drive the company's revenue and profitability growth in the next phase.

**Environment, Social, and Corporate Governance (ESG)**

In 2022, Flexium Interconnect officially joined the Global Renewable Energy Initiative RE100, led by The Climate Group and the Carbon Disclosure Project (CDP), in order to comply with the global trend of zero emissions. The company endeavors to achieve the goal of using 100% renewable energy by 2040, thereby driving the company towards carbon neutrality. Since the introduction of the Greenhouse Gas Inventory Information Platform and ISO 50001 Energy Management in 2023, we have been actively promoting energy conservation and carbon reduction through data analysis of emission hotspots, mitigating the impact of climate change effectively.

In light of the rapid growth of global technology and the transformation of the economy into a digital economy, Flexium hasactively engaged in innovative research and development to improve process efficiency and product yield while leveraging machinery and equipment to accelerate the progress of smart plants, hence laying a strong foundation to boost operational performance.We also actively build a robust corporate governance system and remain dedicated to corporate sustainability governance. Our focus is on creating a strong and resilient supply chain and fostering a mutually beneficial business model as we strive towards sustainable goals.

**Future outlook**

With the advancement of technology and the increasing demand for consumer products, FPC products have become a crucial component in AI application,consumer electronics, automotive electronics, and medical instruments among other industries. In the upcoming years, the FPC industry is projected to maintain its strong momentum and venture into new application areas. Finally, on behalf of the Flexium Interconnect management team, I would like to express my gratitude to all the shareholders for their support and wish you all good health! Best wishes!

Chairman and President: Cheng Ming-Chi

# Two. Company profile

## I. Date of establishment

December 19, 1997

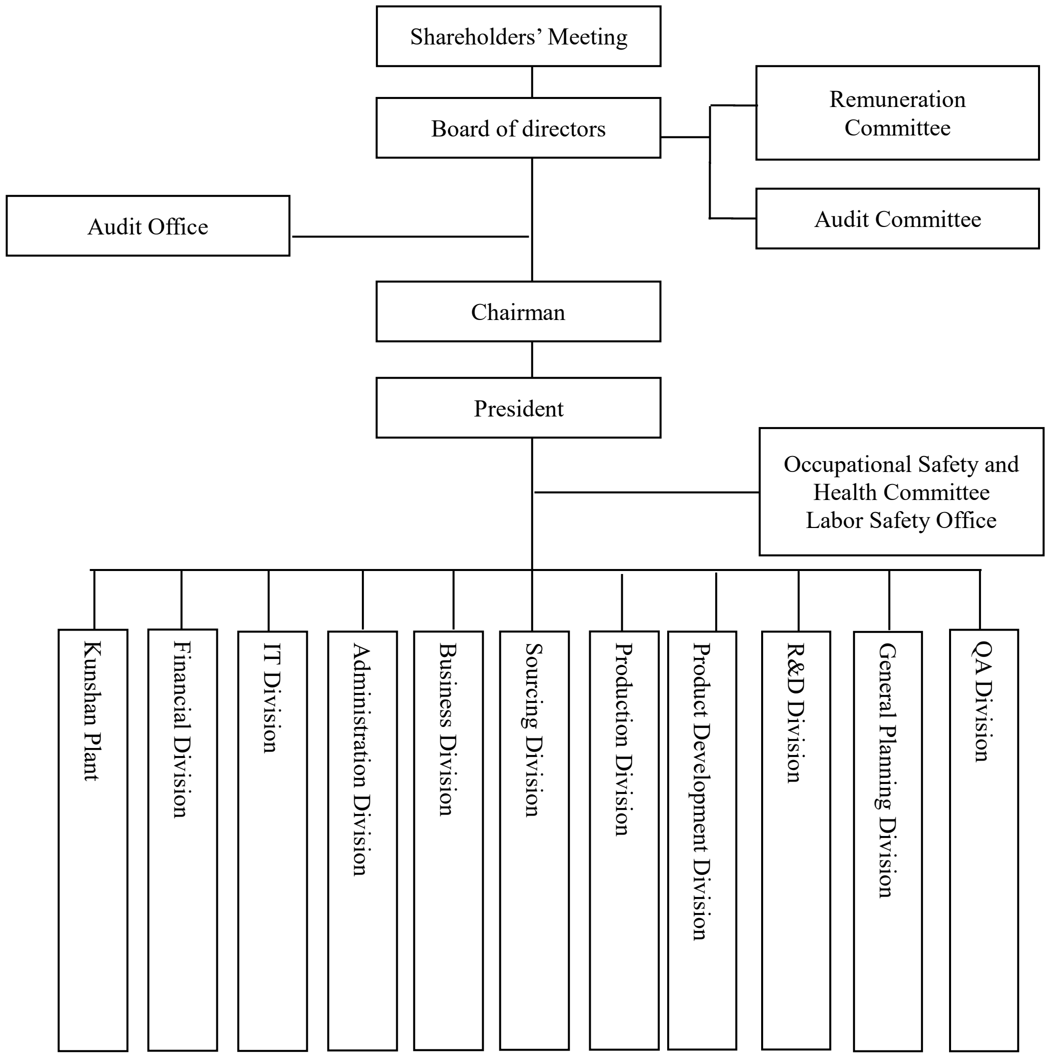
## II. Company history

| Year | Important events of the recent years and till the publication date of the annual report |
|---|---|
| February 2022 | As approved by the Ministry of Economic Affairs on February 22, 2022, restricted employee shares were cancelled. After the capital decrease, paid-in capital amounted to NT$3,504,018,790. |
| May 2022 | As approved by the Ministry of Economic Affairs on May 19, 2022, restricted employee shares were issued and treasury Stocks. After the capital decrease, paid-in capital amounted to NT$3,203,410,990. |
| September 2022 | As approved by the Ministry of Economic Affairs on September 23, 2022, new restricted employee shares were issued and restricted employee shares were cancelled. After the capital increase, paid-in capital amounted to NT$3,228,103,790. |
| December 2022 | As approved by the Ministry of Economic Affairs on December 9, 2022, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT$3,227,909,190. |
| February 2023 | As approved by the Ministry of Economic Affairs on February 21, 2023, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT$3,227,629,190. |
| June 2023 | As approved by the Ministry of Economic Affairs on June 16, 2023, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT$3,227,191,190. |
| December 2023 | As approved by the Ministry of Economic Affairs on December 7, 2023, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT$3,225,009,810. |

# Three. Corporate governance report

## I. Organization system

(I) The Company's Organizational Structure (March 31, 2024)



(II) Business lines conducted by various departments

| Unit | Organizational function |
|---|---|
| Chairman of Board | Control promotion of the Company's business objectives and policies |
| President | Set the Company's mid-term and long-term business strategies, and execute the resolutions made by shareholders' meetings and directors' meetings |
| Audit Office | Internal audit and operating procedure compliance management audit, etc. |
| Occupational Safety and Health Committee | Occupational disaster and pollution prevention and planning, and implementation of labor safety & health education management training |
| Kungshan Plant | Produce the Company's products, arrangement of production capacity, and upgrade production efficiency |
| Financial Division | Arrangement of the Group's fund management operating system, foreign exchange management, preparation and control of budget, accounting and financial allocation |
| IT Division | Establishment, design, maintenance and control of the Company's information system strategies |
| Administration Division | Responsible for managing the Company's HR strategies, HR training, performance appraisal and recruitment. |
| Business Division | Analyze the application of new products and development of market, enhance relations with customers and serve customers, etc. |
| Sourcing Division | The Company's procurement, warehousing management, import/export, and planning and management, etc. |
| Production Division | Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company. |
| Product Development Division | Coordinate high-frequency project R&D resources; formulate R&D direction; handle process technology research and development |
| R&D Division | Consolidate R&D resources, set R&D orientation, and research and develop production technology |
| General Planning Division | Coordinate group capacity assessment and distribution; handle layout planning of each plant |
| QA Division | Responsible for quality assurance and upgrading of the Company's products |

## II. Profiles of directors, president, vice presidents, assistant VPs, and heads of the branches/departments

### (I) Information on directors

#### 1. Information on directors (I)

March 31, 2024 Unit: Thousand shares; %

| Job Title | Nationality or place of registration | Name | Gender/ Age | Election (appointment) date | Term of office | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | | | Job title | Name | Relationship | |
| Chairman of Board | the R.O.C. | Cheng Ming-Chi | Male 61~70 years old | May 31, 2022 | 3 years | December 9, 1997 | 4,380 | 1.36 | 4,702 | 1.46 | 427 | 0.13 | - | - | Chairman of Board of Tai Peng Development Co., Ltd.<br>National Sun Yat-sen University | Chairman and President of the Company<br>Chairman of Board of Tai Peng Development Co., Ltd.<br>Chairman of Board of QuantumZ Inc.<br>Concurrently acting as the Director of the following companies invested by the Company:<br>FLEXIUM INTERCONNECT INC.<br>UFLEX TECHNOLOGY CO., LTD.<br>GRANDPLUS ENTERPRISES LIMITED<br>SUCCESS GLORY INVESTMENTS LIMITED<br>CHAMPION BEYOND LIMITED<br>CHOSEN GLORY LIMITED<br>FOREVER MASTER LIMITED<br>BOOM BUSINESS LIMITED<br>CLEAR SUCCESS GLOBAL LIMITED<br>Rafael Microelectronics, Inc.<br>Concurrently acting as the Chairman of the following companies invested by the Company:<br>Jun-Fong Investment Inc.<br>Chun-Hwa Technology (Kunshan) Co., Ltd.<br>Jun Kun Technology (Suzhou) Co., Ltd.<br>Universe Energy Co., Ltd. | - | - | - | Note 2 |
| Name of corporate shareholder | the R.O.C. | Chi Lien Investment Co., Ltd. | - | May 31, 2022 | 3 years | June 9, 2010 | 2,825 | 0.85 | 2,825 | 0.88 | - | - | - | - | None | None | - | - | - | |
| Corporate director | the R.O.C. | Chi Lien Investment Co., Ltd. Representative: Chen Yong-Chang | Male 61~70 years old | May 31, 2022 | 3 years | June 9, 2010 | - | - | - | - | - | - | - | - | Administrative Section of Public Officials 1975<br>Passed Special Examination and completed courses of Academy for the Judiciary of 19th term<br>Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court<br>Served as presiding judge of Keelung District Court<br>Judge of Taiwan High Court<br>Supervisor of the Chinese Society of Law<br>Department of Law, National Taiwan University | Principal attorney of All-Pro Law Firm<br>Independent director and member of remuneration committee of LandMark Optoelectronics Corporation<br>Member of remuneration committee of Sintronic Technology, Inc.<br>Member of remuneration committee of Rodex Fasteners Corp.<br>Independent director and member of remuneration committee of RUN LONG CONSTRUCTION CO., LTD. | - | - | - | |
| Corporate director | the R.O.C. | Chi Lien Investment Co., Ltd. Representative: Hung, Ji-Shan | Male 61~70 years old | May 31, 2022 | 3 years | May 31, 2022 | - | - | - | - | - | - | - | - | Master of Law, National Cheng Kung University<br>Department of Finance and Taxation, National Chung Hsing University<br>Director-General, National Taxation Bureau of Kaohsiung, Ministry of Finance<br>Director-General, National Taxation Bureau of the Southern Area, Ministry of Finance<br>Deputy Director-General, Director-General<br>Adjunct Lecturer, Department of Accountancy and Graduate Institute of Finance, NCKU | Independent Director of HUA YU LIEN Development CO., LTD.<br>Independent Director of Ping Ho Environmental Technology Co.,Ltd. | - | - | - | |

| Job Title | Nationality or place of registration | Name | Gender/ Age | Election (appointment) date | Term of office | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | | | Job title | Name | Relationship | |
| Name of corporate shareholder | the R.O.C. | Tai-Peng Development Inc. | - | May 31, 2022 | 3 years | December 9, 1997 | 15,460 | 4.67 | 15,460 | 4.79 | - | - | - | - | None | None | - | - | - | |
| Corporate director | the R.O.C. | Tai-Peng Development Inc. Representative: Jeng Xi Shih | Male 71~80 years old | May 31, 2022 | 3 years | May 30, 2007 | 295 | 0.09 | 295 | 0.09 | - | - | - | - | Assistant Vice-President of Taiwan Hitachi Electronic Corp.<br>Vice President of Tong-Bao Technology Corp.<br>Executive Vice President of Flexium Interconnect.Inc<br>Department Of Mechanical Engineering, National Cheng Kung University | None | - | - | - | |
| Corporate director | the R.O.C. | Tai-Peng Development Inc. Representative: JJ Chen | Male 41~50 years old | Feb. 1, 2024 | 3 years | Feb. 1, 2024 | 9 | - | - | - | - | - | - | - | Deputy Research Fellow, Taiwan Instrument Research Institute, National Applied Research Laboratories<br>Ph.D. in Mechanical and Mechatronics Engineering, Tamkang University | Vice President, QuantumZ Inc.<br>President, OrangeTek Co., Ltd.<br>Concurrently holding positions in the following companies invested by the Company:<br>Co-President, Rafael Micro Co., Ltd. | - | - | - | |
| Director | the R.O.C. | Lin Pei-Ru | Female 51~60 years old | May 31, 2022 | 3 years | June 9, 2010 | 1,459 | 0.44 | 1,459 | 0.45 | 341 | 0.11 | - | - | Department of Foreign Languages and Literatures, NCHU | Chairperson of the Board, Tai-Cheng Investment Corporation<br>Chairman, Hesheng Investment Co., Ltd.<br>Person in Charge, Sheng-Se Ltd.<br>Concurrently holding positions in the following companies invested by the Company:<br>Director, Rafael Micro Co., Ltd. | - | - | - | |
| Director | the U.S.A. | David Cheng | Male 31~40 years old | May 31, 2022 | 3 years | June 18, 2019 | 331 | 0.10 | 360 | 0.11 | 136 | 0.04 | - | - | Chief-Director, R&D Division, Flexium Interconnect Inc.<br>University of California, Irvine Electrical Engineering. | CSO of QuantumZ Inc.<br>Director of the Company's Product Development Division<br>Currently at the Company's invested affiliates:<br>Responsible person of FLEXIUM INTERCONNECT AMERICA LLC.<br>Chairperson of the Board, Rafael Micro Co., Ltd. | - | - | - | |
| Independent director | the R.O.C. | Xin-Bin Fu | Male 61~70 years old | May 31, 2022 | 3 years | May 18, 2001 (Note 3) | - | - | - | - | - | - | - | - | Supervisor, Flexium Interconnect<br>Supervisor and Director, MACHVISION Inc. Co., LTD<br>Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology<br>Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs<br>Ph.D., Institute of Engineering, National Chiao Tung University<br>Master of Engineering, University of Missouri Columbia, USA | Distinguished Professor, Department of Marketing and Circulation Management, National Kaohsiung University of Science and Technology<br>Independent Director, Member of the Audit and Remuneration Committee, Champion Microelectronic Corp.<br>Member of the Remuneration Committee, MACHVISION,INC | - | - | - | |
| Independent director | the R.O.C. | Huang Shui-Tong | Male 61~70 years old | May 31, 2022 | 3 years | June 18, 2019 | - | - | - | - | - | - | - | - | Passed Judicial Officer / Lawyer Higher Examination, 1972<br>Concluded Judicial Training Institute Phase 12<br>Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance<br>Director, Criminal Affairs Division<br>President of District Court in Kinmen, Penghu, Yilan, and Panchiao<br>Taiwan High Court President, Taiwan High Court Taichung Branch<br>Committee member, Civil Service Disciplinary Committee<br>Master of Law, Chinese Cultural University<br>Chairman, Chinese Law Society | Independent Director, Member of the Audit and Remuneration Committee, Rafael Micro Co., Ltd. | - | - | - | |

| Job Title | Nationality or place of registration | Name | Gender/ Age | Election (appointment) date | Term of office | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | | | Job title | Name | Relationship | |
| Independent director | the R.O.C. | Wu Pei-Jun | Female 61~70 years old | May 31, 2022 | 3 years | June 18, 2019 | - | - | - | - | - | - | 167 | 0.05 | Associate Professor / Dean of Department of Finance and Law, Ming Chuan University<br>Chairman, Masterlink Futures Co., Ltd.<br>Chairman, Masterlink Insurance Company<br>Director, LandMark Optoelectronics Corp.<br>Supervisor, Gaolin Industrial Co., Ltd.<br>Supervisor, Taihong Technology Co., Ltd.<br>Supervisor, Juyao Trading Co., Ltd.<br>Supervisor, Shanghui United Investment Co., Ltd.<br>PhD candidate of Laws degree at Keio University, Japan<br>Master of Law, Keio University, Japan<br>Graduated from the Law Department of National Taiwan University | Associate Professor, Department of Finance and Law, Ming Chuan University<br>Dean of Department of Finance and Law, Ming Chuan University<br>Chairman of Song Yang Investment Co., Ltd.<br>Chairman, Chiyang Investment Co., Ltd. | - | - | - | |
| Independent director | the R.O.C. | Anson Tseng | Male 41~50 years old | May 31, 2022 | 3 years | May 31, 2022 | - | - | - | - | 14 | - | - | - | Vice President, BNP Paribas Securities<br>Chief, Gemtek Technology Co., Ltd.<br>MBA, Chicago University<br>Master's Degree in Telecommunications, National Taiwan University<br>Bachelor of Telecommunications, National Chiao Tung University | Investment Director of Hua Wei International Technology Consulting Co., Ltd., Supervisor as the Juristic Person's Representative, Hyena Inc., Supervisor, Castec International Corporation, Director of Marketing and New Business Development, LandMark Optoelectronics Corporation, Supervisor, Ren Chia Co., Ltd.<br>Concurrently holding positions in the following companies invested by the Company:<br>Independent Director, Audit Committee Member, and Compensation Committee Member, Rafael Micro Co., Ltd. | | | | |

Note 1: The current shareholdings are calculated after the total outstanding shares 322,500,981 shares on March 31, 2024 .

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

Note 3: 5/18/2001-6/8/2010 served as the company's independent supervisor; 6/9/2010-3/20/2013 and 6/11/2013-5/31/2017 served as the company's supervisor; 6/18/2019 - serving as an independent director of the company.

## 2. Major shareholders of corporate shareholders

March 31, 2024

| Name of corporate shareholder | Major shareholders of corporate shareholders | |
|---|---|---|
| | Shareholder | Shareholding ratio (%) |
| Tai Peng Development Co., Ltd. | Chu Yang Investment Co., Ltd. | 22.50% |
| | Youben investment Co., Ltd. | 24.70% |
| | Yao Hsiang International Investment Co., Ltd. | 21.70% |
| | Tai-Cheng Investment Corporation | 20.00% |
| Chilien Investment Co., Ltd. | Zhixing Investment Co., Ltd. | 100.00% |

## 3. Major shareholders of major corporate shareholders

March 31, 2024

| Name of corporate shareholders | Major shareholders of corporate | |
|---|---|---|
| | Shareholder | Shareholding ratio (%) |
| Chu Yang Investment Co., Ltd. | Cheng Ming-Chi | 46.00% |
| | Hsiun-Chen Yang | 42.00% |
| Youben investment Co., Ltd. | Da-Wen Sun | 92.40% |
| Hsiang Yao International Investment Corporation | Yu-Huei Lin | 12.50% |
| | Yu-Mei Lin | 0.00005% |
| | Mei-Dai Chang | 0.00005% |
| Tai-Cheng Investment Corporation | Chi-Cheng Chang | 6.90% |
| | Lin Pei-Ru | 6.90% |

## 4. Information on directors (II)

### (1) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

March 31, 2024

| Qualifications / Name | Professional Qualification and Experience | Independence | Number of public companies where the person holds the title as an independent director |
|---|---|---|---|
| Cheng Ming-Chi | Education background: National Sun Yat-sen University<br>Experience: Chairman of Board of Tai Peng Development Co., Ltd.<br>Chairman of Board of QuantumZ Inc. | Not under any of the categories stated in Article 30 of the Company Law | 0 |
| Chen Yong-Chang (Representative of Chi Lien) | Education background: Department of Law, National Taiwan University<br>Experience: Principal attorney of All-Pro Law Firm<br>Independent director and member of remuneration committee of LandMark Optoelectronics Corporation<br>Member of remuneration committee of Sintronic Technology, Inc.<br>Member of remuneration committee of Rodex Fasteners Corp.<br>Independent director and member of remuneration committee of RUN LONG CONSTRUCTION CO., LTD. | Not under any of the categories stated in Article 30 of the Company Law | 2 |
| Hung, Ji-Shan (Representative of Chi Lien) | Education background: Master of Law, National Cheng Kung University<br>Department of Finance and Taxation, National Chung Hsing University<br>Experience: Director-General, National Taxation Bureau of Kaohsiung, Ministry of Finance<br>Director-General, National Taxation Bureau of the Southern Area, Ministry of Finance<br>Deputy Director-General, Director-General<br>Adjunct Lecturer, Department of Accountancy and Graduate Institute of Finance, NCKU | Not under any of the categories stated in Article 30 of the Company Law | 2 |
| Jeng Xi Shih (Representative of Tai Peng) | Education background: Department Of Mechanical Engineering, National Cheng Kung University<br>Experience: Assistant Vice-President of Taiwan Hitachi Electronic Corp.<br>Vice President of Tong-Bao Technology Corp.<br>Executive Vice President of Flexium Interconnect.Inc | Not under any of the categories stated in Article 30 of the Company Law | 0 |
| JJ Chen (Representative of Tai Peng) | Education background: Deputy Research Fellow, Taiwan Instrument Research Institute, National Applied Research Laboratories<br>Ph.D. in Mechanical and Mechatronics Engineering, Tamkang University<br>Experience: Vice President, QuantumZ Inc.<br>President, OrangeTek Co., Ltd.<br>Concurrently holding positions in the following companies invested by the Company:<br>Co-President, Rafael Micro Co., Ltd. | Not under any of the categories stated in Article 30 of the Company Law | 0 |
| Lin Pei-Ru | Education background: Department of Foreign Languages and Literatures, NCHU<br>Experience: Chairperson of the Board, Tai-Cheng Investment Corporation<br>Chairman, Hesheng Investment Co., Ltd.<br>Person in Charge, Sheng-Se Ltd. | Not under any of the categories stated in Article 30 of the Company Law | 0 |
| David Cheng | Education background: University of California, Irvine Electrical Engineering<br>Experience: Chief-Director, R&D Division, Flexium Interconnect Inc. | Not under any of the categories stated in Article 30 of the Company Law | 0 |
| Xin-Bin Fu (Independent director) | Education background: Ph.D., Institute of Engineering, National Chiao Tung University<br>Master of Engineering, University of Missouri Columbia, USA<br>Experience: Supervisor, Flexium Interconnect<br>Supervisor and Director, MACHVISION Inc. Co., LTD<br>Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology<br>Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs | During the two year prior to the election and the term of office, the following independence requirements have been met<br>(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company or its affiliates<br>(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.<br>(4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).<br>(5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.<br>(6) If a majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company.<br>(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person not in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.<br>(8) A director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.<br>(10) Not a spouse to or kin at the second pillar under the Civil Code to any other director<br>(11) Not under any circumstances as stipulated in Article 30 of Company Act.<br>(12) Not elected as a government or corporate representative according to Article 27 of The Company Act. | 0 |
| Wu Pei-Jun (Independent director) | Education background: PhD candidate of Laws degree at Keio University, Japan<br>Master of Law, Keio University, Japan<br>Graduated from the Law Department of National Taiwan University<br>Experience: Associate Professor / Dean of Department of Finance and Law, Ming Chuan University<br>Chairman, Masterlink Futures Co., Ltd.<br>Chairman, Masterlink Insurance Company | | 1 |
| Huang Shui-Tong (Independent director) | Education background: Master of Law, Chinese Cultural University<br>Experience: Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance<br>Director, Criminal Affairs Division<br>President of District Court in Kinmen, Penghu, Yilan, and Panchiao<br>Taiwan High Court President, Taiwan High Court Taichung Branch<br>Committee member, Civil Service Disciplinary Committee | | 0 |
| Anson Tseng (Independent director) | Education background: MBA, Chicago University<br>Master's Degree in Telecommunications, National Taiwan University<br>Bachelor of Telecommunications, National Chiao Tung University<br>Experience: Investment Director of Hua Wei International Technology Consulting Co., Ltd., Supervisor as the Juristic Person's Representative, Hyena Inc., Supervisor, Castec International Corporation, Director of Marketing and New Business Development, LandMark Optoelectronics Corporation, Supervisor, Ren Chia Co., Ltd.<br>Concurrently holding positions in the following companies invested by the Company:<br>Independent Director, Audit Committee Member, and Compensation Committee Member, Rafael Micro Co., Ltd. | | 1 |

(2) Diversification and Independence of the Board:

A. Diversification of the Board:

The board of directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

i. Basic requirements and values: Gender, age, nationality, and culture.

ii. Professional knowledge and skills:A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

The Company’s board of directors is diversified, with industry knowledge, legal and financial background, as well as work experiences, to implement the diverse policy and improve the composition of the board of directors. Currently, there are eleven members of the board of directors, including two female directors and one foreign director. The Company emphasizes the gender equality in the composition of the board of directors, and aims to increase the number of female directors to more than one-third (i.e. 33%). Currently, 82% (nine) of the board members are male, and 18% (two) are female. The implementation status is as following:

| Qualifications / Name | Main academic qualification | Basic composition | | | | Industry experience | | | | | Professional capabilities | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Nationality | Gender | Age | Independent director’s term of office and seniority | Finance and taxation | Business Administration | Law | Industry knowledge | Insurance and finance | Law | Finance and accounting | Business Administration |
| Cheng Ming-Chi | National Sun Yat-sen University | the R.O.C. | Male | 61~70 | - | ✓ | ✓ | - | ✓ | - | - | ✓ | ✓ |
| Chen Yong-Chang (Representative of Chi Lien) | Department of Law, National Taiwan University | the R.O.C. | Male | 61~70 | - | - | - | ✓ | ✓ | - | ✓ | - | - |
| Hung, Ji-Shan (Representative of Chi Lien) | Department Of Mechanical Engineering, Institute of Law | the R.O.C. | Male | 61~70 | - | ✓ | - | ✓ | - | - | ✓ | ✓ | - |
| Jeng Xi Shih (Representative of Tai Peng) | Department Of Mechanical Engineering, National Cheng Kung University | the R.O.C. | Male | 71~80 | - | - | ✓ | - | ✓ | - | - | - | ✓ |
| JJ Chen (Representative of Tai Peng) | Ph.D. in Mechanical and Mechatronics Engineering, Tamkang University | the R.O.C. | Male | 41~50 | - | - | ✓ | - | ✓ | - | - | - | ✓ |
| Lin Pei-Ru | Department of Foreign Languages and Literatures, NCHU | the R.O.C. | Female | 51~60 | - | - | ✓ | - | ✓ | - | - | - | ✓ |
| David Cheng | University of Calfornia, Irvine Electrical Engінerring | the U.S.A. | Male | 31~40 | - | - | ✓ | - | ✓ | - | - | - | ✓ |
| Xin-Bin Fu (Independent director) | National Chiao Tung University Ph.D of Engineering | the R.O.C. | Male | 61~70 | Three years or more | ✓ | ✓ | - | ✓ | - | - | ✓ | ✓ |
| Wu Pei-Jun (Independent director) | PhD of Laws degree at Keio University, Japan | the R.O.C. | Female | 61~70 | Three years or more | ✓ | - | - | - | ✓ | - | ✓ | - |
| Huang Shui-Tong (Independent director) | Master of Law, Chinese Cultural University | the R.O.C. | Male | 71~80 | Three years or more | - | - | ✓ | - | - | ✓ | - | - |
| Anson Tseng (Independent director) | University of Chicago MBA | the R.O.C. | Male | 41~50 | Under three years | - | ✓ | - | - | - | - | - | ✓ |

B. Independence of the Board:

The current board consists of eleven directors, including seven directors and four independent directors, as 36% of them are independent directors. All independent directors comply with the restrictions regarding positions concurrently held specified in the“Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” and none of them concurrently serves as an independent director of more than three other public companies. In conclusion, the independence of the Company’s Board is not affected.

## (II) Profiles of president, vice presidents, assistant VPs, and heads of the branches/departments

March 31, 2024 Unit: Thousand shares; %

| Job title | Nationality | Name | Gender | (Election) On-board date | Shares held (Note 1) | | Current shares held by the spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in any other companies | Managerial officers are spouse or within second-degree relative of consanguinity to each other | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | | | Job title | Name | Relationship | |
| President | the R.O.C. | Cheng Ming-Chi | Male | June 23, 1995 | 4,702 | 1.46 | 427 | 0.13 | - | - | Chairman of Board of Tai Peng Development Co., Ltd.<br>National Sun Yat-sen University | Chairman and President of the Company<br>Chairman of Board of Tai Peng Development Co., Ltd.<br>Chairman of Board of QuantumZ Inc.<br>Concurrently acting as the Director of the following companies invested by the Company:<br>FLEXIUM INTERCONNECT INC.<br>UFLEX TECHNOLOGY CO., LTD.<br>GRANDPLUS ENTERPRISES LIMITED<br>SUCCESS GLORY INVESTMENTS LIMITED<br>CHAMPION BEYOND LIMITED<br>CHOSEN GLORY LIMITED<br>FOREVER MASTER LIMITED<br>BOOM BUSINESS LIMITED<br>CLEAR SUCCESS GLOBAL LIMITED<br>Rafael Microelectronics, Inc.<br>Concurrently acting as the Chairman of the following companies invested by the Company:<br>Jun-Fong Investment Inc.<br>Chun-Hwa Technology (Kunshan) Co., Ltd.<br>Jun Kun Technology (Suzhou) Co., Ltd.<br>Universe Energy Co., Ltd. | - | - | - | Note 2 |
| VP for Procurement | the U.S.A. | Tang Chia-Hsien | Male | June 19, 2014 | 194 | 0.06 | 323 | 0.10 | - | - | Apple, Global Supply & Procurement Manager<br>Volex, project manager<br>Golden Gate University, Master of Computer Information System | None | - | - | - | |
| VP of Quality | the R.O.C. | Yi-Wen Shan | Male | October 29, 2014 | 0.01 | 1 | - | - | - | - | Tom Tom, Asia-Pacific Zone, QA Director<br>National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA | None | - | - | - | |
| Manufacturing Plant Manager | the R.O.C. | Austin Li | Male | January 4, 2014 | 1 | - | 2 | - | - | - | TSMC Project Manager<br>VIS Manufacturing Manager<br>MBA, National Cheng Kung University | None | - | - | - | |
| Director of Sourcing Division | the R.O.C. | Chao-Rong Gong | Male | 2004/8/1 | 421 | 0.13 | - | - | - | - | Business engineer of MEKTEC<br>National Taipei University of Technology, Textile Engineering | None | - | - | - | |
| Administration Division Director | the R.O.C. | Lan Zhi Tang | Male | February 4, 2015 | 218 | 0.07 | - | - | - | - | Special assistant of Chairman of Flexium<br>PhD in Business Management of National Sun Yat-sen University | Currently at the Company's invested affiliates:<br>Director of Jun-Fong Investment Inc. | - | - | - | |
| CFO | the R.O.C. | Arthur Shiung | Male | August 9, 2012 | 406 | 0.13 | - | - | - | - | Director of Accounting Division of ASE Group<br>East Michigan University, MBA | None | - | - | - | |

Note 1: The current shareholdings are calculated after the total outstanding shares 322,500,981 shares on March 31, 2024.

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

## III. Remuneration to director, president and vice presidents in recent years

(I) Remuneration of supervisors (names thereof to be disclosed by space)

December 31, 2023 Unit: NT$ thousand; thousand shares; %

| Job title | | Name | Remuneration to directors | | | | | | | | The sum of A, B, C and D in proportion to Earnings After Tax | | Remuneration in the capacity as employees | | | | | | | | The sum of A, B, C, D, E, F and G to earnings after tax | | Remuneration from the investees other than subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Remuneration (A) | | Pension (B) | | Remuneration of directors (C) | | Professional practice fees (D) | | | | Salary, bonus and special allowance, etc. (E) | | Retirement pension (F) | | Employee remuneration (G) | | | | | | |
| | | | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | | All companies included into the financial statement | | The Company | All companies included into the financial statement | |
| | | | | | | | | | | | | | | | | | Cash amount | Share amount | Cash amount | Share amount | | | |
| Director | Chairman and President | Cheng Ming-Chi | - | - | - | - | 14,375 | 14,375 | 460 | 460 | 14,835 0.72% | 14,835 0.72% | 46,308 | 50,594 | - | - | 4,518 | - | 4,518 | - | 65,661 3.19% | 69,947 3.40% | None |
| | Director | Chi-Lian Investment Corporation Representative: Chen Yong-Chang | | | | | | | | | | | | | | | | | | | | | |
| | Director | Representative of Chi-Lian Investment Corporation: Hung, Ji-Shan | | | | | | | | | | | | | | | | | | | | | |
| | Director | Tai-Peng Development Corporation Representative: Jeng Xi Shih | | | | | | | | | | | | | | | | | | | | | |
| | Director | Tai-Peng Development Corporation Representative: Blue Lan | | | | | | | | | | | | | | | | | | | | | |
| | Director | David Cheng | | | | | | | | | | | | | | | | | | | | | |
| | Director | Lin Pei-Ru | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Independent director | Xin-Bin Fu | - | - | - | - | 5,625 | 5,625 | 570 | 570 | 6,195 0.30% | 6,195 0.30% | - | - | - | - | - | - | - | - | 6,195 0.30% | 6,195 0.30% | None |
| | Independent director | Wu Pei-Jun | | | | | | | | | | | | | | | | | | | | | |
| | Independent director | Huang Shui-Tong | | | | | | | | | | | | | | | | | | | | | |
| | Independent director | Anson Tseng | | | | | | | | | | | | | | | | | | | | | |
| In addition to the disclosure of the above table, the remuneration collected by the directors for providing al services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT$0 thousand | | | | | | | | | | | | | | | | | | | | | | | |

## Breakdown of remuneration

| Breakdown ofremuneration paid to individual director | Name of director | | | |
|---|---|---|---|---|
| | A+B+C+D | | A+B+C+D+E+F+G | |
| | The Company | All companies included in the financial statement H | The Company | All companies included in the financial statement I |
| Below NT$1,000,000 | | | | |
| NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive) | Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong / Anson Tseng | Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong / Anson Tseng | Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong / Anson Tseng | Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong/ Anson Tseng |
| NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive) | Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan | Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan | - | - |
| NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive) | Cheng Ming-Chi | Cheng Ming-Chi | - | - |
| NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive) | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan |
| NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive) | - | - | - | - |
| NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive) | - | - | CHENG DAVID | CHENG DAVID |
| NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive) | - | - | Cheng Ming-Chi | Cheng Ming-Chi |
| NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive) | - | - | - | - |
| NT$100,000,000 and above | - | - | - | - |
| Total | 9 | 9 | 9 | 9 |

(II) Remuneration to president and vice presidents (aggregate information, with the name(s) indicated for each remuneration range)

December 31, 2023 Unit: NT$ thousand; thousand shares; %

| Job title | Name | Salary (A) | | Pension (B) | | Bonus and special allowance, *et al.* (C) | | Employee remuneration amount (D) | | | | The sum of A, B, C and D in proportion to Earnings After Tax (%) | | Remuneration from the investees other than subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | | All companies included into the financial statement | | The Company | All companies included into the financial statement | |
| | | | | | | | | Cash amount | Share amount | Cash amount | Share amount | | | |
| President | Cheng Ming-Chi | 11,317 | 14,295 | - | - | 31,052 | 31,052 | 5,033 | - | 5,033 | - | 47,402<br>2.31% | 50,380<br>2.45% | None |
| VP for Procurement | Tang Chia-Hsien | | | | | | | | | | | | | |
| Vice President of QA | Shan Yi-Wen | | | | | | | | | | | | | |

Breakdown of remuneration

| Breakdown of remuneration to each President and Vice Presidents of the Company | Names of President and Vice Presidents | |
|---|---|---|
| | The Company | All companies included into the financial statement E |
| Below NT$1,000,000 | - | - |
| NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive) | - | - |
| NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive) | - | - |
| NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive) | - | - |
| NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive) | Tang Chia-Hsien | Tang Chia-Hsien |
| NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive) | Shan Yi-Wen | Shan Yi-Wen |
| NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive) | - | - |
| NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive) | Cheng Ming-Chi | Cheng Ming-Chi |
| NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive) | - | - |
| NT$100,000,000 and above | - | - |
| Total | 3 | 3 |

(III) Name of managerial officers for the distribution of employee remuneration and distribution status

2023 Unit: NT$ thousand

<table>
<tr><th></th><th>Job title<br>(Note)</th><th>Name<br>(Note)</th><th>Share amount</th><th>Cash amount</th><th>Total</th><th>Proportion to Earnings After Tax (%)</th></tr>
<tr><td rowspan="8">Manager</td><td>President</td><td>Cheng Ming-Chi</td><td rowspan="8">-</td><td rowspan="8">7,685</td><td rowspan="8">7,685</td><td rowspan="8">0.37%</td></tr>
<tr><td>VP for Procurement</td><td>Tang Chia-Hsien</td></tr>
<tr><td>Director of Kaohsiung Plant</td><td>Shan Yi-Wen</td></tr>
<tr><td>Manufacturing Plant Manager</td><td>Austin Li</td></tr>
<tr><td>Director of Sourcing Division</td><td>Gong Chao-Rong</td></tr>
<tr><td>Director of Administration Division</td><td>Blue Lan</td></tr>
<tr><td>CFO</td><td>Arthur Shiung</td></tr>
<tr><td>Corporate Governance Director</td><td>Eva Liao</td></tr>
</table>

Note: The managerial officers identified in the name list are the existing managerial officers on the date of publication of the annual report.

(IV) Specify and compare the remuneration to directors, supervisors, presidents, and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

1. Remuneration analysis for the past 2 years:

Unit: NT$ thousand

| Year | The Company | | Al companies in consolidated statements | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Remuneration to directors | 26,100 | 21,030 | 26,100 | 21,030 |
| Remuneration to directors as a percentage of net income (%) | 0.74 | 1.02 | 0.74 | 1.02 |
| Remuneration to the President and Vice President | 33,113 | 47,402 | 36,027 | 50,380 |
| Remuneration to the President and Vice President as a Proportion to Earnings After Tax (%) | 0.94 | 2.31 | 1.02 | 2.45 |

2. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Pursuant to Article 29-1 of the Article of Incorporation of the Company, the remuneration to directors of the Company shall not be higher than 2%, and the Company operation outcome shall be considered along with the review on individual's contribution to the performance of the Company in order to provide reasonable remunerations. The remunerations of the president, vice presidents and managerial officers shall be determined according to the salary payment standard of the Company and their background as well as business operation performance. For the procedure of determining remuneration, other than the overall operating performance of the Company, future business risks and development trends of the industry, it also takes into account the moral risk incidents of directors and managerial officers, or other risk incidents that have negative impacts on the Company's image and goodwill, improper internal management, or personnel corruptions, while taking comprehensive consideration of the goal achievement rate, profitability, operating efficiency, contributions of directors and managerial officers, to calculate their remuneration proportion, and give reasonable remuneration. The relevant performance appraisals and reasonableness of remunerations have been reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system will be reviewed timely according to the actual operating conditions and relevant laws and regulations, to achieve a balance between the Company's sustainable management and risk control.

The performance goals of the company's general managers and senior managers have sustainability performance indicators, with a weight of 15%. The implementation methods include improving internal climate awareness (5%), carbon manufacturing transformation (5%) and net zero commitment ( 5%) and linked to variable rewards.

## IV. Corporate governance operating status

(I) Board of Director operation status

In 2023, the Company has held 8 Board of Directors Meeting (A), and the attendance of the directors and supervisors are as follows:

| Job title | Name | Actual number of (listing) attending seats (B) | Attendance by proxy | Actual attendance (listing) of seats percentage (%) [B/A] | Remark |
|---|---|---|---|---|---|
| Chairman of Board | Cheng Ming-Chi | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Director | Tai-Peng Development Corporation representative: Jeng Xi Shih | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Director | Tai-Peng Development Corporation representative: Blue Lan | 6 | 0 | 86% | Re-elected on May 31, 2022 |
| Director | Chi-Lian Investment Corporation representative: Chen Yong-Chang | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Director | Chi-Lian Investment Corporation representative: Hung Chi-Shan | 7 | 0 | 100% | Joined on May 31, 2022 |
| Director | David Cheng | 6 | 0 | 86% | Re-elected on May 31, 2022 |
| Director | Lin Pei-Ru | 6 | 0 | 86% | Re-elected on May 31, 2022 |
| Independent director | Xin-Bin Fu | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Independent director | Wu Pei-Jun | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Independent director | Huang Shui-Tong | 7 | 0 | 100% | Re-elected on May 31, 2022 |
| Independent director | Anson Tseng | 7 | 0 | 100% | Joined on May 31, 2022 |

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2022 ◎: Attended in person; ☆: Attended by a proxy; * : Absent

| 2023 | 1/5 | 2/9 | 5/4 | 7/9 | 10/18 | 11/10 |
|---|---|---|---|---|---|---|
| Xin-Bin Fu | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Wu Pei-Jun | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Huang Shui-Tong | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Anson Tseng | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |

Other notes:

1. Where the operations of the board of directors are subject to any one of the following conditions, the date, session number of board of directors' meeting, proposal content, comments of all independent directors and the resolution of the Company for the comments of the independent directors shall be described:
   (I) Matters referred to in the Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, matters referred to in the Article 14-3 of the Securities and Exchange Act are therefore not applicable. For related information, please refer to Audit Committee Operations in this year's annual report.
   (II) Except for the aforementioned matters, other resolutions of the board of directors' meeting rejected by the independent directors or reserved comments and are accompanied with records or written declarations: None.

2. For the execution status of the recusal of conflict of interests of directors, the name of the director, proposal content, reasons of recusal and voting participation status shall be described.
   (I) The Company's 5th session of the 10th Board held on January 5, 2023
      1. Discussion on the 2022 independent directors' remuneration distribution case of the Company. Since directors Xin-Bin Fu, Peng-Chun Wu, Huang Shui-tung and Anson Tseng are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.
      2. Discussion on the 2022 directors' remuneration distribution motion of the Company. Since directors Cheng Ming-Chi, Chen Yung-Chang, Jeng Xi Shih, Blue Lan, Hung Chi-Shan, Pei-Ru Lin, and CHENG DAVID are the interested parties of this case, they have recused themselves from the discussion and resolution thereof.
      3. Discussion on the distribution of remuneration to managerial officers motion of the Company. Since directors Cheng Ming-Chi, Blue Lan, and CHENG DAVID are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

3. Evaluation of the implementation of the board of directors:

| Assessment period | Assessment method | Assessment scope | Assessment content | Assessment results |
|---|---|---|---|---|
| 2023 | Internal self-assessment by the Board of Directors | Overall Board of Directors | A. Degree of participation in company operations.<br>B. Board decision-making quality improvement.<br>C. Board composition and structure.<br>D. Election and continuing education of the directors; and<br>E. Internal Controls. | The total score is five points, and the average score is 4.93 points; the assessment result is excellent, demonstrating that the overall operation of the Board of Directors is complete, and consistent to the spirit of corporate governance. |
| | Self-assessment by the directors | Individual board member | A. Mastering the company's goals and tasks.<br>B. Director's responsibilities.<br>C. Degree of participation in company operations.<br>D. Internal relationship management and communication.<br>E. Director's professional and continuous education.<br>F. Internal Controls. | The total score is five points, and the average score is 4.91 points; the assessment result is excellent, demonstrating that the directors have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators. |
| | Self-assessment by the directors | Each functional committee | A. Degree of participation in company operations.<br>B. Recognition of the duties of the functional committee<br>C. Improvement in the quality of decision making by the functional committee<br>D. The composition of the functional committee, and election and appointment of committee members<br>E. Internal Controls. | The total score is five points, and the average score is 4.97 points; the assessment result is excellent, demonstrating that the members of functional committees have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators. |

4. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:
   (I) The Company has enacted the meeting rules for directors' meetings pursuant to the laws. The functions and operations of the board all comply with the rules and related laws. The internal chief auditor will also attend the directors' meeting to report on the status of the internal audit.
   (II) Directors may communicate with the chief auditor and CPAs via phone, fax or email.
   (III) The Company elected 7 ordinary directors and 4 independent directors on May 31, 2022. The Audit

| |
|---|
| Committee is made up of all the independent directors. As of December 31, 2023, none of the three independent directors has had a continuous term of more than 9 years. |

(II) Audit Committee Operations

The Company met 6 times in the Audit Committee in 2023 (A); independent directors' attendance was as follows:

| Job title | Name | Actual number of attending seats (B) | Attendance by proxy | Actual attendance rate (%) 【B / A】 | Remark |
|---|---|---|---|---|---|
| Convener | Xin-Bin Fu | 6 | 0 | 100% | Re-elected on May 31, 2022 |
| Member | Wu Pei-Jun | 6 | 0 | 100% | Re-elected on May 31, 2022 |
| Member | Huang Shui-Tong | 6 | 0 | 100% | Re-elected on May 31, 2022 |
| Member | Anson Tseng | 5 | 0 | 83% | Joined on May 31, 2022 |

I. The main function of the Audit Committee is to supervise the following matters:
  (I) Fair presentation of the financial reports of the Company
  (II) The hiring (and dismissal), independence, and performance of CPAs.
  (III) The effective implementation of the internal control system of the Company
  (IV) Compliance with relevant laws and regulations by the Company
  (V) Management of the existing or potential risks of the Company.

II. The powers of the Audit Committee are as follows:
  (I) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
  (II) Assessment of the effectiveness of the internal control system.
  (III) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
  (IV) Matters in which a director is an interested party.
  (V) Asset transactions or derivatives trading of a material nature.
  (VI) Loans of funds, endorsements, or provision of guarantees of a material nature.
  (VII) The offering, issuance, or private placement of equity-type securities.
  (VIII) The hiring or dismissal of a certified public accountant, or their compensation.
  (IX) The appointment or discharge of a financial, accounting, or internal audit officer.
  (X) Annual financial reports signed or sealed by the Chairman, managerial officers, and accounting officer, and the Q2 financial reports audited and certified by the CPAs.
  (XI) Other material matters as may be required by this Corporation or by the competent authority.

  The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.

  Any matter in the paragraph 1, with the exception of subparagraph 10, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire board of directors.

III. Other notes:
  (I) If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, the results of the Audit Committee's resolutions and the Company 's handling of the Audit Committee's comments:
    1. Matters listed in Article 14-5 of the Securities and Exchange Act
    2. Except for pre-opening matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors

| Board meeting | Proposal content and follow up action | Items listed in the Securities and Exchange Act Article 14-5. | Resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors. |
|---|---|---|---|
| 2023.1.5<br>The 10th Term<br>5th meeting | 1. Review of the 2023 capital expenditure budget proposal. | V | NIL. |
| | Audit Committee Resolution Results (January 5, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The company's handling of the opinions of the audit committee: All attending directors unanimously agreed to approve. | | |
| 2023.2.9<br>The 10th Term<br>6th meeting | 1. The Company's 2022 annual financial report and business report. | V | NIL. |
| | 2. The Company's 2022 dividend distribution proposal. | V | NIL. |
| | 3. The company intends to distribute cash from its capital surplus. | V | NIL. |
| | 4. Proposal regarding the determination of the cash dividend record date for the company. | V | NIL. |
| | 5. Proposal for the 2023 issuance of new restricted employee shares. | V | NIL. |
| | 6. Proposal to terminate the public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds that was adopted at the 2022 General Shareholders' Meeting. | V | NIL. |
| | 7. Proposal to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. | V | NIL. |
| | Audit Committee Resolution Results (February 9, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The company's handling of the opinions of the audit committee: All attending directors unanimously agreed to approve. | | |
| 2023.5.4<br>The 10th Term<br>7th meeting | 1. Proposal for the loan of funds to subsidiaries. | V | NIL. |
| | Audit Committee Resolution Results (May 4, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The company's handling of the opinions of the audit committee: All attending directors unanimously agreed to approve. | | |
| 2023.7.6<br>The 10th Term<br>8th meeting | 1. Proposal for the loan of funds to subsidiaries. | V | NIL. |
| | Audit Committee Resolution Results (July 6, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The company's handling of the opinions of the audit committee: All attending directors unanimously agreed to approve. | | |
| 2023.10.18<br>The 10th Term<br>10th meeting | 1. The Company's intention to publicly acquire ordinary shares of Rafael Micro Co., Ltd. | V | NIL. |
| | 2. Proposal for the application for financial institution performance guarantee. | V | NIL. |
| | Audit Committee Resolution Results (October 18, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The Company's handling of the opinions of the Audit Committee: All attending directors unanimously agreed to approve. | | |
| 2023.11.10<br>The 10th Term<br>11th meeting | 1. Draft audit plan for 2024. | V | NIL. |
| | 2. Assessment of the independence and qualifications of the company's Certified Public Accountants. | V | NIL. |
| | Audit Committee Resolution Results (November 10, 2023): The members of the Audit Committee unanimously agreed to approve. | | |
| | The company's handling of the opinions of the audit committee: All attending directors unanimously agreed to approve. | | |

IV. Implementation status for the recusal of interest of independent directors, including the name of the independent director, the content of the proposal, the reasons for recusal and voting status: None

V. Communication between the independent directors and internal chief auditor and CPAs:

(I) Communication between the internal audit supervisor and the Audit Committee:

1. The internal audit supervisor summarizes the internal audit business report to the Audit Committee on a regular basis every quarter.
2. From time to time communicate, guide and respond by phone, email or in person.
3. If there are special circumstances of importance, they may also be immediately reported to the members of the Audit Committee.

(II) Communication between accountants and the Audit Committee:

1. The Company's CPAs communicate with the Audit Committee from time to time, reporting to the members of the Audit Committee on the latest laws or financial statements review or audit results and internal control audits.

(III) The communication channels between independent directors of the company, internal audit supervisors and CPAs are smooth and diversified. The specific communication matters between independent directors and internal audit supervisors.

(III) Status of corporate governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Whether the Company has enacted and disclosed its corporate governance best-practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"? | ✓ | | The Company has established the corporate governance best-practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" which has been disclosed on the Company's website. | No deviation |
| II. Equity structure and shareholders' equity | | | | |
| (I) Whether the Company has defined its internal operating procedure for processing shareholders' suggestions, questions, disputes and legal actions, and implemented the procedure strictly? | ✓ | | (I) The Company entrusted the shareholder service agent to handle the same on behalf of the Company, and also delegated the spokesman, deputy spokesman, and staff dedicated to investor relation and shareholder service to handle the suggestions, questions, disputes and litigation actions of shareholders. | No deviation |
| (II) Whether the Company has control over the list of major shareholders and the controlling parties of such shareholders? | ✓ | | (II) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors. | No deviation |
| (III) Whether the Company establishes the risk control mechanism and firewall between the Company and its affiliates? | ✓ | | (III) The Company and its affiliated companies operate independently, and each of them has defined its internal control system and regulations. The Company also defined the regulations governing supervision of subsidiaries and implemented the same. | No deviation |
| (IV) Whether the Company has defined its internal regulations to prohibit the insiders from trading securities by means of the information undisclosed in the market? | ✓ | | (IV) The Company has established the "Insider Trading Prevention Management Operating Procedures" and "Ethical Management Rules" which clearly specify the prohibitions on insider trading and non-disclosure agreement. | No deviation |
| III. Organization and responsibility of board of directors | | | | |
| (I) Has the board of directors formulated the policy on | ✓ | | (I) The Company conducted an election for the 10th Board in May | No deviation |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| diversity and concrete management goals and fully implemented such accordingly? | | | 2022 based on the diverse directives in order to have 11 seats of directors (including 4 seats of independent directors), where 2 members of the Board are female. The professional knowledge and technical skill backgrounds of directors span across various aspects and industries of financial/accounting, technology, management and law... and are equipped with the knowledge, skills and qualities necessary for executing the duties. Please refer to Page 13 of the Annual Report. | |
| (II) Whether the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee? | ✓ | | (II) The Company has established the Remuneration Committee and Audit Committee in accordance with the law; other functional members may be established according to the actual needs of the Company. | No deviation |
| (III) Has the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms? | ✓ | | (III) The Company has formulated the “Regulations Governing the Board Performance Evaluation” and uses methods such as self-evaluation for Board members and overall Board self-evaluation which may be carried out by others. The performance of the Board must be evaluated at least once per year and the performance evaluation result must be submitted to the next Board meeting after the end of each year. The Company’s Board performance result shall be used as a reference base for election or nomination for directors; each Board member’s performance result shall be used as a reference base for the determination of their individual remuneration. Please refer to Page 19 of the Annual Report for the related assessments. | No deviation |
| (IV) Whether the Company periodically evaluates the impartiality and independence of the independent CPA? | ✓ | | (IV) The Company performs the evaluation on the impartiality and independence of the independent CPA at least once annually, and the last evaluation result has been submitted to the board of directors on November 10, 2023 for approval. For the appraisal | No deviation |

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>on independence of the independent auditor, please see Page 31 of the annual report.</td><td></td></tr>
<tr><td>IV. Is the company a TWSE/TPEx listed company, and has the company designated an appropriate number of personnel that specialize (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc)?</td><td>✓</td><td></td><td>1. The Company appointed the head of finance, Eva Liao as the corporate governance officer, upon the resolution of the Board meeting on May 5, 2021, in order to protect shareholders’ interests and reinforce the Board’s functions. The major duties include handling matters relating to board meetings and shareholders meetings according to laws, furnishing information required for business execution by directors, collecting the most updated regulatory developments related to corporate management, assisting directors with legal compliance, and assisting in onboarding and continuous development of directors. The head of financial has worked in financial affairs, stock affairs, or corporate governance affairs with more than ten years; the Financial Division also joint ly takes charge of corporate governance related affairs, namely:<br>(1)Providing documents necessary for the board of directors to perform their duties, preparation related to handling of board of directors’ meeting and shareholders’ meeting according to the law as well as preparation of meeting agenda and records.<br>(2)Assist in facilitating and strengthening corporate governance.<br>(3)Handling company registration and change registration.<br>2. The 2023 development of the corporate governance officer, total 12 hours of continuing education were attended.
<table>
<tr><th colspan="2">Date of continued education</th><th rowspan="2">Organizer</th><th rowspan="2">Name of course</th><th rowspan="2">Hours</th></tr>
<tr><th>From</th><th>To</th></tr>
<tr><td>2023/06/09</td><td>2023/06/09</td><td>Securities and Futures Institute</td><td>2023 Insider Trading Prevention Advocacy Conference</td><td>3</td></tr>
</table></td><td>No deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td>2023/11/15</td><td>2023/11/15</td><td>Securities and Futures Institute</td><td>2023 Internal Employee Stock Ownership Plan Legal Compliance Seminar</td><td>3</td></tr><tr><td>2024/01/11</td><td>2024/01/11</td><td>Accounting Research and Development Foundation</td><td>Analysis of Common Internal Control Management Deficiencies in Enterprises and Practical Case Studies</td><td>6</td></tr></table></td><td></td></tr>
<tr><td>V. Whether the Company establishes the communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers etc.) and sets up the section exclusively for interested parties on the Company's website as well as responds to the important CSR issues concerned by the interested parties properly?</td><td>✓</td><td></td><td>1. The website of the Company is set up with the exclusive section for interested parties and maintains fair communication with shareholders, employees and suppliers via IR, shareholders' service, legal affairs, financial and other dedicated units by phone, fax and E-mail from time to time.<br>2. The Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.<br>3. The ESG Committee conducts regular discussions regarding material issues on aspects of economy, society and environment each year as well as the achievement status of all units and plans for future directions. Related results and discussions alongside suggestions of ESG are compiled and reviewed by the Chair of the Committee then submitted to the Board for report. The latest report on status of communication with each stakeholder was submitted to the board of directors on November 10, 2023.</td><td>No deviation</td></tr>
<tr><td>VI. Whether the Company appoints a professional shareholder service agent to handle the affairs related to shareholders' meetings?</td><td>✓</td><td></td><td>The Shareholder Service Agent of Yuanta Securities appointed by the Company meets the qualifications defined under the Regulations Governing the Administration of Shareholder Services of Public</td><td>No deviation</td></tr>
</table>

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Companies. | |
| VII.Disclosure of information<br>(I) Whether the Company has established a website for disclosure of its financial position and status of corporate governance?<br>(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?<br>(III) Whether the company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit? | ✓<br>✓<br>✓ | | (I) The Company has established a website (https:www.flexium.com.tw) in Chinese and English, disclosing the financial and company governance information, and dedicated personnel are responsible for the maintaining the update of the information. In addition, relevant information can be searched through the public information observation station.<br>(II) The Company has designated dedicated personnel (Financial Department personnel) to collect and disclose the information in order to control the Company's external information, and also appoints spokesman and deputy spokesman in order to disclose the latest and correct information of the Company via newspaper or important information irregularly. In addition, the information related to the overview of finance and business disclosed at the Company investors' meeting has been input into the MOPS per the requirements by TWSE.<br>(III) The Company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit, as required by the regulations. For the disclosure of the aforesaid information please see MOPS (https://mops.twse.com.tw/mops/web/index). | No deviation<br>No deviation<br>No deviation |
| VIII.Whether the Company has other important information helpful in understanding the Company governance operation status?<br>(I) Employees' rights and benefits and Employees' care: The Company has handled the matter according to the Labor Standards Act and the human resource regulations in order to ensure that the employee welfare, pension system and various welfares are properly protected. | | | | |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

(II) Investor relations: The Company delegates dedicated personnel to disclose the important messages about finance, business and changes of insiders' shareholdings on the "MOPS" per the relevant requirements in a timely manner, in order to make the information public and transparent. There are also a spokesperson and an acting spokesperson and a company website has been set up to disclose related information required by regulations.

(III) Supplier relations: The Company has defined the supplier management procedure to assess the environmental protection, safety and health, and green product of the suppliers, and to integrate the procurement procedure in order to be used as reference for the selection of suppliers. In addition, the Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.

(IV) Rights of stakeholders: The Company maintains fair communication channels with employees, customers and suppliers to maintain both parties' legal interest and right. The Company's website also provides the "Investor Relations" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.

(V) Continuing education of directors:

| Name of Director | Date of continued education | Organizer | Course name organizer | Number of education hours |
|---|---|---|---|---|
| Blue Lan | 2023/4/12 | Taiwan Academy of Banking and Finance | Corporate Governance Lecture | 3.0 |
| Lin Pei-Ru | 2023/4/13 | Taiwan Academy of Banking and Finance | Corporate Governance Lecture | 3.0 |
| | 2023/9/28 | Taiwan Corporate Governance Association | Case Studies of Securities Violations and Responsibilities of Directors and Supervisors | 3.0 |
| Hung Chi-Shan | 2023/5/5 | Taiwan Corporate Governance Association | Future of Control: Controlling the Future with Tomorrow's Intelligence | 3.0 |
| | 2023/11/13 | Securities and Futures Institute | Corporate Governance and Securities Regulations | 3.0 |
| | 2023/11/13 | Securities and Futures Institute | Legal Liability and Risk Management for False Financial Reports by Directors and Supervisors: A Case Study on Tangible Assets | 3.0 |
| Chen Yong-Chang | 2023/4/27 | Taiwan Stock Exchange | Promotion of Sustainable Development Action Plan for Listed Companies | 3.0 |
| Fu Xin-Bin (Independent Director) | 2023/4/27 | Corporate Operating and Sustainable Development Association | Introduction to the Newly Released Taiwan Corporate Governance Blueprint 3.0 | 3.0 |
| | 2023/10/31 | Corporate Operating and Sustainable Development | Latest Trends and Potential Risks of Corporate Social Responsibility | 3.0 |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| | | | | |
|---|---|---|---|---|
| | | Association | | |
| Anson Tseng (Independent Director) | 2023/12/8 | Securities and Futures Institute | 2023 Internal Employee Stock Ownership Plan Legal Compliance Seminar | 3.0 |
| Huang Shui-Tong (Independent Director) | 2023/4/27 | Taiwan Stock Exchange | Promotion of Sustainable Development Action Plan for Listed Companies | 3.0 |
| | 2023/4/13 | Taiwan Academy of Banking and Finance | Corporate Governance Lecture | 3.0 |
| Wu Pei-Jun (Independent Director) | 2023/4/13 | Taiwan Academy of Banking and Finance | Corporate Governance Lecture | 3.0 |

(VI) Status of implementation of risk management policy and risk measurement standards: Please refer to “VI. Risk analysis and Evaluation” on page 89 of this annual report.

(VII) Implementation of customer service policy: The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensure that the products meet the reliability and quality as expected. Meanwhile, the Company will take part in the customers’ social responsibility boosting plans actively and integrate any new views and approaches into the Company’s management system.

(VIII) Status of liability insurance purchased by the Company for directors/supervisors:

| Insured Object | Insurance Company | Amount Insured (NT$) | Insurance Period |
|---|---|---|---|
| All directors and supervisors | Chubb Limited | 239,504,000 | August 1, 2022 to August 1, 2023 |
| All directors and supervisors | Chubb Limited | 251,440,000 | August 1, 2023 to August 1, 2024 |

(IX) Succession planning and implementation for the Company's board members and important members of management:

1. Succession planning for important members of management:

In order to meet the needs of the group's business operation and human resources development, the Human Resources Department of the company plans every year for the promotion of the management level above the class level. In addition to considering whether they have excellent professional and management skills, their values must be consistent with the company's philosophy, and they must have personality traits such as integrity, steadfastness, innovation and entrepreneurial spirit.

For the training content of management successors, the Human Resources Department of the company regularly arranges courses such as "Project Management" and "Leadership Development" to comprehensively cultivate the decision-making ability of senior executives.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">2. Succession planning for board members<br>As said above, the Company possess sufficient talents to succeed the future vacant seats of directors. As for independent directors, the law requires they must have work experience in business, legal affairs, finance, accounting or the company’s industry. The supply of such professionals in this country is not lacking. In the company's planning, therefore, the succession of independent directors may be drawn from industry.<br>The Company also specifies the “Procedures of Board Performance Assessment;” via the measurement items in the performance assessment, including the grasp of the company's goals and missions, the recognition of director's duties, the degree of participation in the company's operations, the management of internal relationships and communication, the professionalism and continuing professional education, the internal controls and concrete expressions of the opinions, to verify the effectiveness of the Board’s operation and assess the directors’ performances, as the reference for the future director selection.<br><br>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:<br>The items in the Corporate Governance Evaluation that the Company failed to get scores are explained as following:<br>1. Established the functional committees other than the statutory ones, and the majority of the members of such committees are independent directors, with their composition, functions, and operation.<br>2. The interim financial reports are disclosed in English on the company’s website or MOPS.<br>3. The Company will continue evaluating the possible improvement programs for these items failed to score.</td></tr>
</table>

## CPA independence assessment table

<table>
<tr><th>Evaluation index</th><th>Specific index</th><th>Assessment item</th><th>Yes</th><th>No</th><th>Remark</th></tr>
<tr><td rowspan="7">Independence</td><td rowspan="7">CPA independence</td><td>Whether the independent auditor does not act as director of the Company or its affiliated company?</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the independent auditor is not a shareholder of the Company or its affiliated company?</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the independent auditor does not receive salary from the Company or its affiliated company?</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence.</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether any CPA co-working with the independent auditor in the CPA firm does not act as director or manager of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position?</td><td>V</td><td></td><td></td></tr>
<tr><td>The independent auditor has not provided the Company with audit service for seven years consecutively.</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics.</td><td>V</td><td></td><td></td></tr>
<tr><td rowspan="4">Appropriateness</td><td rowspan="2">Financial report quality</td><td>Whether the annual financial statement is completed two months after the end of fiscal year.</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the financial statements of the first, second, and third quarter are completed within one month from the end of each quarter.</td><td>V</td><td></td><td></td></tr>
<tr><td rowspan="2">Communication and interaction status with the management level</td><td>Whether excellent communication channels are maintained with the Company management level and directors.</td><td>V</td><td></td><td></td></tr>
<tr><td>Whether the Company can be informed of the status of the change of laws immediately.</td><td>V</td><td></td><td></td></tr>
<tr><td rowspan="4">Professionalism</td><td>Audit experience</td><td>Whether the senior auditors have sufficient audit experience to implement the audit tasks</td><td>V</td><td></td><td></td></tr>
<tr><td>Training hours</td><td>Whether the CPAs and senior auditors receive sufficient education and trainings every year to continuously acquire professional knowledge and skills.</td><td>V</td><td></td><td></td></tr>
<tr><td>Turnover</td><td>Whether the accounting firm maintains enough senior human resources.</td><td>V</td><td></td><td></td></tr>
<tr><td>Professional support</td><td>Whether the accounting firm has enough professionals (such as appraisers) to support the audit team.</td><td>V</td><td></td><td></td></tr>
<tr><td rowspan="4">Quality control</td><td>Workload of the CPAs</td><td>Is the workload of the CPAs too heavy</td><td></td><td>V</td><td></td></tr>
<tr><td>Audit inputs</td><td>Whether the audit team members have had appropriate inputs during in each stage of audit.</td><td>V</td><td></td><td></td></tr>
<tr><td>EQCR review</td><td>Whether the EQCR CPAs input enough time to the review of audit cases.</td><td>V</td><td></td><td></td></tr>
<tr><td>Capability to support QC</td><td>Whether the accounting firm has sufficient quality control manpower to support the audit team.</td><td>V</td><td></td><td></td></tr>
<tr><td rowspan="2">Supervision</td><td>Deficiencies and disposition from the external inspection</td><td>The quality control of the accounting firm, and if the implementations complied with the related laws and standards.</td><td>V</td><td></td><td></td></tr>
<tr><td>Improvement requested by the competent authority in the form of correspondence</td><td>The quality control of the accounting firm, and if the implementations complied with the related laws and standards.</td><td>V</td><td></td><td></td></tr>
<tr><td>Innovation capability</td><td>Innovative planning or initiatives</td><td>The accounting firm's commitment to improving audit quality, including the accounting firm's innovation capability and planning.</td><td>V</td><td></td><td></td></tr>
</table>

## (IV) Status of establishment, functions and operations of Remuneration Committee

### 1. Information about Remuneration Committee members

| Capacity (Note) | Qualifications / Name | Professional Qualification and Experience | Independence | Number of public companies where the person holds the title as Remuneration Committee member |
|---|---|---|---|---|
| Independent director (Convener) | Xin-Bin Fu | Educational background: Ph.D., Institute of Engineering, National Chiao Tung University<br>Master of Engineering, University of Missouri Columbia, USA<br>Career background: Supervisor, Flexium Interconnect<br>Supervisor and Director, MACHVISION Inc. Co., LTD<br>Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology<br>Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs | The directorshave been metthe followingindependencecriteria during the two years prior to being elected or during the term of the office.<br>(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).<br>(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.<br>(4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).<br>(5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).<br>(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)<br>(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)<br>(8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.<br>(10) Not a spouse to or kin at the second pillar under the Civil Code to any other director<br>(11) Not under any circumstances as stipulated in Article 30 of Company Act.<br>(12) Not elected as a government or corporate representative according to Article 27 of The Company Act. | 1 |
| Independent director | Wu Pei-Jun | Educational background: PhD of Laws degree at Keio University, Japan<br>Master of Law, Keio University, Japan<br>Graduated from the Law Department of National Taiwan University<br>Career background: Associate Professor / Dean of Department of Finance and Law, Ming Chuan University<br>Chairman, Masterlink Futures Co., Ltd.<br>Chairman, Masterlink Insurance Company<br>Professional qualification: | | 1 |
| Independent director | Huang Shui-Tong | Educational background: Master of Law, Chinese Cultural University<br>Career background: Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance<br>Director, Criminal Affairs Division<br>President of District Court in Kinmen, Penghu, Yilan, and Panchiao<br>Taiwan High Court President, Taiwan High Court Taichung Branch<br>Committee member, Civil Service Disciplinary Committee<br>Professional qualification: Passed Judicial Officer / Lawyer Higher Examination, 1972 | | 0 |

2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The company met 2 times in the Remuneration Committee in 2023 (A); members' attendance was as follows:

| Job title | Name | Actual number of attending seats (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remark |
|---|---|---|---|---|---|
| Convener | Xin-Bin Fu | 2 | 0 | 100 | Re-elected on May 31, 2022 |
| Member | Wu Pei-Jun | 2 | 0 | 100 | Re-elected on May 31, 2022 |
| Member | Huang Shui-Tong | 2 | 0 | 100 | Re-elected on May 31, 2022 |

I. Scope of Duties

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

(I)Periodically reviewing this Charter and making recommendations for amendments.

(II)Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of the Company.

(III)Periodically reviewing the remuneration of the directors and managerial officers of the Company.

II. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(I)Ensuring that the remuneration arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.

(II)Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, and the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.

(III)There shall be no incentive for the directors or managerial officers to pursue remuneration by engaging in activities that exceed the tolerable risk level of the Company.

(IV)For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company.'s business.

(V)No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

III. Other notes:

(I)If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.

(II) As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(III)Discussions and resolution results of the Remuneration Committee:

| Remuneration Committee | Proposal content and follow up action | Resolution Result | The Company's handling of the Remuneration Committee's opinions |
|---|---|---|---|
| 2023.1.5<br>The 5th Term 2nd meeting | 1. Proposal for 2022 distribution of directors' remunerations.<br>2. Proposal for 2022 distribution of employees' remunerations to managerial officers.<br>3. Proposal for 2022 operating bonus distribution for Company managerial officers. | All members unanimously agreed to approve. | All attending directors unanimously agreed to approve. |
| 2023.11.10<br>The 5th Term 3rd meeting | Proposal to revise the Remuneration Committee Charter. | All members unanimously agreed to approve. | All attending directors unanimously agreed to approve. |

(V) The status of the Company's implementation of sustainable development promotion, any deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

| Item | Status | | | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Did the company have established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors' oversight? | ✓ | | The Company has an ESG decision-making committee, with the Chairman of the Board of Directors as the chairperson, and the executives of each first-level unit as members of the decision-making committee. There are management representatives under the leadership of the Director of the Administration Division, who leads the execution of related affairs in five aspects, namely, labor rights, health and safety, environmental protection, business ethics, and management systems. The members cover departments related to various issues. In addition to regular performance indicator monitoring, budget effectiveness review, and quarterly review of the implementation status of the sustainable strategy blueprint, ESG management review meetings are held annually in accordance with the Management Review Procedure to review and review policy applicability, internal and external audit results, goals and management plans, budget usage, compliance with ESG-related laws and regulations and customer requirements, ESG-related risk assessment and improvement, feedback from stakeholders from all walks of life, investigation and improvement of complaint cases, etc. Regarding the effectiveness of ESG management, the management representative reports to the board of directors at least once a year. The management team formulates the sustainable plans and objectives, and regularly reviews the implementation. The board of directors also regularly reviews and supervises the implementation of sustainable development, while urging the management team to make adjustments if requires. The latest report was made to the Board on November 10, 2023. | No deviation. |
| II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? | ✓ | | The Company regards the sustainable development as an important core to enhance corporate competitiveness and respond to the needs of stakeholders from different background. Meanwhile, the ESG visions, policies and road maps are established, with the formulation of the long-term sustainable goals, to set up the foundation for the Company's sustainable development and continue to lead the Company towards a sustainable future. The Company adheres to the GRI Standards 2021, the Stakeholder Engagement Standard (AA 1000 SES), and the AccountAbility Principles (AA 1000 AP) in order to perform materiality analysis, identify important sustainability issues, and establish management policies and long-term goals as the basis for advancing sustainability. | No deviation. |

| Aspect | Material issue | Risk assessment | Policies or strategies of risk management |
|---|---|---|---|
| Economic aspect | Profession ethics | Accepting illegitimate interests not only directly erodes the Company's profits, but also may result in the purchase of poor-quality products or services, indirectly affecting product quality, equipment safety, and personnel safety. | • Sign the integrity commitment with suppliers, and formulate the employees' code of conduct.<br>• Strengthen education, training, and promotion.<br>• Conduct the ethics survey. |
| | Corporate governance | Safeguard the interests of shareholders and treat shareholders equally; strengthen the structure and operation of the Board of Directors. | • Convene at least one investor conference every quarter.<br>• Convene at least four board meetings every year. |
| | Information security | There are security problems in the system or network environment, with network vulnerabilities that will affect the overall operation and maintenance of the system, and result in the risk of disruption. | • Strengthen education, training, and promotion.<br>• Active information security protection.<br>• Define regulations and implement information security. |
| | Customer service | Due to the uncertainty of global or regional market information, in particular related to climate change issues, it is difficult to grasp the market demands for future products or services. | Based on customers' requirements, formulate carbon reduction plan, schedule, and approaches. |
| | Innovative management | The material costs increase relatively, as well as investments in new equipment. | Established the test and analysis of basic materials first |
| | Product quality | The yield of processes decreases and thus the costs increases relatively. | Introduce the automated machine equipment in stages to reduce the risk of adverse events. |
| | Sustainable chain management | Affect production deployment and logistics distribution operations. | Increase the plan of reserved inventory. |
| Environmental aspect | Green products | International legal regulations are becoming stricter on hazardous substances and green products, relatively increasing restrictions on material selection, with relative increased costs of materials and raw materials. | Internally, based on international laws and regulations, more stringent standards for the hazardous substances restrictions are established for products, seeking to eliminating non-compliant |

| Item | Status | | | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | (see nested table below) | |

| | | | |
|---|---|---|---|
| | | | materials and evaluating new materials in advance. |
| | Climate strategy and energy | • Production activities need to be halted when there is insufficient water.<br>• The insufficient power results in failure to produce and loss of revenue. | • Availing the groundwater as the response.<br>• Storing water in advance.<br>• Deploying water trucks in advance.<br>• Be equipped with emergency generators, build the energy storage equipment, purchase green power, and evaluated technologies related to self-built green energy power plants. |
| | Water management | Violation of environmental protection laws and regulations will result in fines, inherently the social perception affected. | The disposal of whole barrels of waste liquid is outsourced to reduce the impact on the system; and engineering consulting companies are successively hired to evaluate the rectification of the overall waste water equipment. |
| | Circular economy | While the production capacity increases, the consumption of recycled water stay unchanged; such situation will increase the water cost year by year, and the overall recycle rate will be difficult to meet customers' requirements. | For two years in a row, pipelines were allocated for ROR to each cooling tower and scrubber to increase the reuse rate. At the same time, an engineering consulting company was hired to evaluate the discharge water recovery process. |
| Social aspect | Occupational safety and health | Every worker dreams of working in a safe and healthy workplace. Ignoring occupational hazards can have a negative impact on company operations, leading to production disruptions and higher labor costs. | Through the implementation of the Environmental Health and Safety Management System, the Company has taken effective measures to prevent injuries and illnesses. The Company has established an Environmental Health and Safety policy to consistently promote a green, healthy, compliant, and safe working environment. The Environmental Health and Safety Management Manual was created, and procedures, operating instructions, and management methods were developed in line with the guidelines in the manual. These measures are implemented to improve the management of occupational safety and health practices. |
| | Talent attraction and retention | • The Company faces a crisis in terms of its competitiveness, where it has the potential to grow, but it is unable to strengthen itself.<br>• The Company's technology and quality are hindered by a lack of suitable talent.<br>• When striving for internationalization, the organization's current workforce lacks the ability to develop forward-thinking strategies. | Continuously increasing recruitment resources (such as increasing referral bonuses for current employees), expanding recruitment channels and increasing company exposure (such as participating in Kaohsiung City Government Youth Prosperity Forum activities, recruiting on social platforms, strengthening cooperation with the Veterans Service Office and government employment channels, etc.), advertising and promotion on human recruitment platforms, and combining government resources (such as the Dagang Youth Project). |

| Item | Status | | | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| III. Environmental issues | | | | |
| (I) Does the company establish proper environmental management systems based on the characteristics of their industries? | ✓ | | (I) Manage the environmental pollution generated by the production process in the plants, such as air pollution, water pollution, waste, etc., through the operation of the Environmental Management System (ISO14001), over and above applying for relevant permits from the local competent authorities.<br>1. Air pollution: obtain the Fixed Pollution Source Operation Permit issued by the environmental protection agency, install scrubbers in the plants to treat the exhaust gas, properly treating it to meet the legal emission standards, and entrust an environmental protection agency recognized testing agency to conduct regular discharge pipeline inspections.<br>2. Water pollution: obtain Water Pollution Prevention and Control License issued by the environmental protection agency, the wastewater generated in the process is self treated by the primary wastewater treatment equipment in the factory, meeting the sewage treatment standards of Dafa Industrial Zone and Hefa Industrial Park.<br>3. Waste management: obtain the approval of the environmental protection agency for the waste disposal plan, implement the waste reduction and classification management, and entrust the removal and disposal of industrial waste approved by the Environmental Protection Agency. | No deviation. |
| (II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? | ✓ | | (II) The Company is committed to the use of recycled water resources, to reduce the volume of waste water, and make good use of water resources. In 2023, via the water recycling system and the increase in the use of recycled water projects (such as cooling water, and replenishment of water for scrubbers, toilet-flushing water), the volume of recycled water was 608,872 tons. The Company also requires qualified resource recycling companies to convert the recycled precious metals into usable resources, while maintaining a new technology for heavy metal recycling- high-performance copper waste liquid electrolytic recovery equipment, to recycle the copper-containing waste liquid in the plant, greatly reducing copper ions in discharged waste water, and reducing the environmental impact caused by pollutant discharge and produce copper rods with a purity of >99%. | No deviation. |
| (III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? | ✓ | | (III) To cope with the impact of climate change on corporate operations, the Company is committed to energy saving and carbon reduction, water resource management and waste recycling goals and policies. In 2022, the ISO14064-1:2018 greenhouse gas inventory standard was adopted to inventory the greenhouse gas emissions; the third party verification was completed in 2023. Through the inventory of production line drainage and waste, the feasibility of reuse is assessed, to reduce the environmental impact and improve environmental friendliness. | No deviation. |
| (IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction, or waste management? | ✓ | | (IV) The Company's implementation of environmental issues in the past two years is as follows:<br>1. Since 2021, the greenhouse gas inventory has been conducted in accordance with the ISO14064-1:2018 standard, with a focus on Category 1 and Category 2 greenhouse gas emissions. For the first time in 2022, categories 3 to 6 were included in the inventory, and the inventory boundary was expanded to include the dormitory (Xifu Building). Post verification in 2023, the greenhouse gas emissions in 2022 were determined to be 90,851.770 metric tons of $CO_2e$, an increase of 8,261.691 metric tons of $CO_2e$ as compared to 82,590.079 metric tons of $CO_2e$ in 2021. This increase in $CO_2$ emissions is mainly due to the expansion of the inspection categories and boundaries.<br>2. The water consumption for the years 2022 and 2023 was 1,194,240 units and 1,402,643 units, respectively. The increase in total annual water consumption was attributed to the operation of the power plant, which commenced in the second half of 2022 and continued throughout 2023. The Company aims to increase the water recycling rate annually in order to reduce the demand for tap water and recycled water. In 2023, the target for the overall plant's water recycling rate was set at 30%, and the actual rate achieved was 31.57%, an improvement from the 27.43% in 2022. Primarily due to the commencement of the new Hefa plant in the latter half of 2022, to ensure consistent calculation, the water recycling rate was separately calculated for the original Dafa plant. This year, the annual water recycling rate of the Hefa plant was included in the calculation, and the reclaimed water recovery rate was significantly improved. This improvement can be attributed the constructions of ROR to reuse the cooling water/scrubbers of each building when the new plant was built, which returns the ROR (RO concentrated water) directly to the scrubbers and cooling water towers, while the toilet flushing water is mainly supplied with ROR. Hence the remarkable reuse rate of the reclaimed water at the Hefa Plant.<br>3. The amount of waste generated in 2022 and 2023 was 3,803 tons and 4,817 tons respectively. As Hefa plant commenced operations in latter half of 2022, with a full year of operations in 2023, the amount of waste generated increased. The wastewater treatment system has implemented a copper electrolytic recovery system to treat wastewater with high concentrations of copper. This system utilizes electrolysis to produce high-purity copper rods (99% purity) that can be recovered. In 2023, a total of 10.5 tons of copper columns were successfully recovered, significantly reducing the environmental impact of waste liquid discharge.<br>4. Since 2021, a taskforce has been established to verify the water usage situation. Daily spot checks are conducted on the wet process workstations/processes to ensure that the relevant main water valves are closed as required when the production line is not in operation, in order to minimize unnecessary water consumption. | No deviation. |

| Item | Status | | | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| IV. Social issues | | | | |
| (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | ✓ | | (I) The Company has comprehensively considered relevant international standards, including international labor certification (Social Accountability 8000) and the Code of Conduct-Responsible Business Alliance (RBA). It has developed the Flexium Interconnect Corporate Sustainable Management Policy, to regulate the policies and guidelines regarding the labor's human rights, health and safety, environmental protection, commercial ethics, while being committed to the environmental aspect (E), social aspect (S) and corporate governance aspect (G), to promote the substantial actions, and progress towards the goal of being a sustainable corporate. The Company maintains the life insurance, health insurance, and sickness/injury insurance for all employees (including full-time, part-time and temporary workers), and also offers the childbirth/child raising leave and pension fund. In terms of working hours, they are controlled within the allowable range in accordance with legal regulations. At the same time, overtime reminder and alert functions are set up in the attendance management system. The human resources department and system provide various information and automatic reporting functions at all times, which can effectively provide suggestions to managers and employees. The Company also regularly holds labor management meetings in the plants, and major labor conditions are implemented after being resolved by labor management representatives in each plant to ensure that employee rights and opinions are respected. | No deviation. |
| (II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? | ✓ | | (II) The Company's operation is as follows:<br>1. The Company organizes orientation training camps to explain the Company's policy including environmental safety and health programs, corporate development direction, management policy and related policies, and CSR philosophy to new hires.<br>2. The Company distributes the enterprise culture and policy cards to each colleague each year to propagate the Company's policies.<br>3. The Company has a transparent and open performance appraisal system and system. In addition to formulating their own learning plans, colleagues also set their annual work goals through face-to-face chats and communication with their direct supervisors, and conduct personal performance appraisals regularly every year<br>4. as a reference basis for salary adjustment, bonus payment and future promotions.<br>5. In 2023, a total of 175 individuals were promoted, with a promotion rate of 6.9%. | No deviation. |
| (III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees regularly? | ✓ | | (III) The Company has established the E01 Environmental, Safety and Health Management Manual in accordance with the latest version of ISO45001, ISO14001, and relevant labor safety, health and environmental protection laws and regulations, and ensures the integrity of the environmental, safety and health management system in accordance with the planning, implementation, inspection and review, so as to integrate sound health and safety management practices into all aspects of the business. The Company is dedicated to creating a safe and health working environment for all of its employees. Establish a medical office with nurses in the plants and on-site doctors for health consultation, in compliance with laws and regulations, while maintaining the promotion of labor health. The Company conducts annual labor health examinations to care for workers, hold health lectures to provide labor health information, and improve workers' resilience through emergency response drills, such as fire drills, earthquake escapes, chemical spill handling drills, etc. The Company has installed the electronic sphygmomanometers at canteens of each building and provided for employees to monitor the health index at any time, to encourage the voluntary health management of employees. | No deviation. |
| (IV) Does the company provide its employees with career development and training sessions? | ✓ | | (IV) The Company establishes a sound training system and links the promotion system to ensure that colleagues can acquire the necessary skills to perform their duties, thereby enhancing the overall competitiveness and sustainable development of human resources. Flexium Interconnect devotes resources to employee training and development, requiring them to go through on-job training (OJT), off-job training (Off-JT) and individual self-development to improve their work abilities and develop diversified functions. Starting from 2014, our efforts through the Talent Quality-Management System (hereafter "TTQS") of the Ministry of Labor earned us the Silver Medal for Corporate Institutions, progressing to the Enterprise Institution Gold Medal Award in 2016. Obviously, our achievements in talent development and training are highly recognized by the country, and we continue to improve human quality and staff development to allow employees obtain self-growth and satisfaction at work.<br>With a vision of becoming the benchmark of global FPC industry and a policy of valuing talent, Flexium unceasingly improves the ability of employees to unleash their innovation prowess through the training and planning courses of the three key functions. The Company created key training courses for employees at all levels, participating in proposals, picking on the brains, and generating a large number of improvement plans to enhance professional and management capabilities. In 2023, by reviewing the learning maps of various functions, new employees will have a systematic and structured learning of professional skills, be able to quickly get started and leverage the power of their respective positions to jointly build a century old evergreen enterprise. | No deviation. |
| (V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, | ✓ | | (V) The company is not the manufacturer of the final product and this evaluation item is not applicable. | No deviation. |

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?<br>(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?</td><td>✓</td><td></td><td>(VI) Flexium Interconnect referred to international initiatives and requirements, including the United Nations Global Compact, Universal Declaration of Human Rights, The UN Framework and Guiding Principles on Business and Human Rights, and the Responsible Business Alliance (RBA), to develop a Supplier Code of Conduct Consent. By requiring suppliers to operate in compliance with the laws, regulations and regulations of the local government, and in further compliance with the requirements of internationally recognized standards, the sustainability of the supply chain and corporate social responsibility will be improved. The latest report was made to the Board on November 10, 2023.</td><td>No deviation.</td></tr>
<tr><td>V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?</td><td>✓</td><td></td><td>The Company has prepared its own corporate social responsibility report since 2017, and issued the 2017 Corporate Social Responsibility Report for the first time in 2018. In 2021, we officially renamed the Corporate Social Responsibility Report to the Sustainability Report. In 2023, entering the seventh year, we continued to draft the 2022 Sustainability Report in accordance to the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and the latest 2021 Global Reporting Initiative (GRI) guidelines. We hope to disclose more climate change risk response policies, as well as financial and non-financial information in all aspects of ESG, to stakeholders, and continue to demonstrate our determination to pursue a sustainable enterprise. In accordance with the GRI Standards 2021, the Stakeholder Compliance Standards (AA 1000 SES) and the Accountability Standards (AA 1000 AP), the Company conducts materiality analysis, identifies material sustainability issues in the county, conducts materiality analysis through the participation and discussion of the ESG decision-making committee, formulates management policies, and formulates medium- and long-term goals. The report has been verified by a third-party verification unit and a third-party verification statement has been obtained to ensure the credibility of the report.</td><td>No deviation.</td></tr>
<tr><td colspan="5">VI. For companies who had established principles of sustainable development in accordance with the “Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct:<br>The Company has formulated the corporate sustainability management manual and established various corporate sustainability management systems to comprehensively manage corporate sustainability management related matters. For the Company's corporate sustainability management operation, please refer to the latest "Sustainability Report" on the Company's official website.</td></tr>
<tr><td colspan="5">VII. Other important information that helps understand the implementations of promoting sustainable development:<br>The Company has compiled a “Sustainability Report” with the sustainable development operation status specified, which has been disclosed on the MOPS and the Company’s website.</td></tr>
</table>

(VII) Climate-Related Information of TWSE/TPEx Listed Company

1. Implementation status of climate related information:

(1) Climate-related issues are reported to the Board on a quarterly basis, and the Board considers climate-related issues for major capital expenditures. The ESG Decision Committee is the highest guiding and supervising unit of the ESG corporate sustainability management system, with the top-ranked executives of each department serving as members of the committee, and an ESG management representative under it to oversee the implementation of ESG sustainability affairs. Through the ESG management representatives, the ESG implementation results, including the work plan and implementation results of major climate change issues, are reported to the board of directors on a quarterly basis.

(2) The scope of extreme climate and transformation actions is very broad, including the purchase of renewable energy, the increased labor costs required to comply with regulatory requirements, and the power consumption costs caused by rising temperatures, all of which are risks to the financial aspect. The opportunities for financial impact include reduced labor costs, increased yield, reduced consumption of raw materials, active carbon reduction, increased investment from investors, and increased customer orders after process improvement.

(3) A climate change risk management program is established within the plants, and climate change risk assessments are carried out annually. Each department analyzes the impact intensity and risk frequency based on this program, identifies the risk level based on the risk sources described, consideration points for impact intensity, risk frequency, etc. Finally, the identified risk level is mapped with relevant countermeasures, before being summarized and submitted to the ESG management representatives for review and submission to the board of directors.

1.1 Greenhouse Gas inventory and verification status for the most recent two years

1-1-1. Greenhouse Gas inventory

(1) In the 2023, emissions totaled 76,494.920 metric tons of CO2e, with an intensity of 2.337 metric tons of CO2e/each million of revenue in TWD. The inventory scope covered Dafa Plant, Dafa Plant 2, Dafa Plant 3, Dafa Plant 5, Hefa Factory (Headquarters), and He Fa Factory (Dormitory). The data is as follows:

| Basic information for the Company | According to the Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies, minimally, the following information should be disclosed: |
|---|---|
| ☐ Companies with a capital of more than NT$10 billion, steel industry, cement industry<br>☐ Companies with a capital between NT$ 5 and $10 billion, steel industry, cement industry<br>■ Companies with a capital of less than NT$5 billion. | ■ Parent company inventory<br>☐ Consolidated financial statement subsidiary inventory<br>☐ Parent company verification<br>☐ Consolidated financial statement verification of subsidiary |

| Scope 1 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | Verification agency | Status of verification |
|---|---|---|---|---|
| Parent company | 12,359.9392 | 0.378 | Pending | It is expected to pass the verification before the end of July 2024 |
| Subsidiary | - | - | | |
| Total | 12,359.9392 | 0.378 | | |
| Scope 2 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | | |
| Parent company | 47,319.0727 | 1.446 | | |
| Subsidiary | - | - | | |
| Total | 47,319.0727 | 1.446 | | |
| Scope 3 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | | |
| Parent company | 16,815.9076 | 0.514 | | |
| Subsidiary | - | - | | |
| Total | 16,815.9076 | 0.514 | | |

(2) In the 2022, emissions totaled 90,851.770 metric tons of CO2e, with an intensity of 2.267 metric tons of CO2e/each million of revenue in TWD. The inventory scope covered Dafa Plant, Dafa Plant 2, Dafa Plant 3, Dafa Plant 5, Hefa Factory (Headquarters), and He Fa Factory (Dormitory). The data is as follows:

| Basic information for the Company | According to the Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies, minimally, the following information should be disclosed: |
|---|---|
| ☐ Companies with a capital of more than NT$10 billion, steel industry, cement industry<br>☐ Companies with a capital between NT$ 5 and $10 billion, steel industry, cement industry<br>■ Companies with a capital of less than NT$5 billion. | ■ Parent company inventory<br>☐ Consolidated financial statement subsidiary inventory<br>☐ Parent company verification<br>☐ Consolidated financial statement verification of subsidiary |

| Scope 1 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | Verification agency | Status of verification |
|---|---|---|---|---|
| Parent company | 28,737.5028 | 0.717 | ARES International Certification Co., Ltd. | Passed verification as of February 29, 2024 |
| Subsidiary | - | - | | |
| Total | 28,737.5028 | 0.717 | | |
| Scope 2 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | | |
| Parent company | 45,958.6214 | 1.147 | | |
| Subsidiary | - | - | | |
| Total | 45,958.6214 | 1.147 | | |
| Scope 3 | Total emissions (metric tons of $CO_2e$) | Intensity (metric tons of $CO_2e$/each million of revenue in TWD) | | |
| Parent company | 1,6155.6458 | 0.403 | | |
| Subsidiary | - | - | | |
| Total | 1,6155.6458 | 0.403 | | |

1-1-2. Verification of Greenhouse Gas inventory

The carbon emission data for the year 2022 has been verified on February 29, 2024, by ARES International Certification Co., Ltd., in accordance with the requirements of ISO 14064-3:2019 for direct and indirect greenhouse gas emissions between January 1, 2022 and December 31, 2022. The verified plants included Hefa Plant (headquarters), Dafa Plant, Dafa Plant 2, Dafa Plant 3, Dafa Plant 5, and Hefa Plant (dormitory). The verification results show that all plants meet the reasonable assurance level (Scope 1 - 2) and limited assurance level (Scope 3 - 6).

1.2 Greenhouse Gas reduction target, strategy and specific action plan

In addition to replacing old equipment and ceaselessly implementing various energy-saving measures, Flexium Interconnect also actively addresses the issue of power shortage. On September 5, 2022, the Company also announced that it has joined RE100, a global renewable energy initiative led by The Climate Group and the Carbon Disclosure Initiative, with an eye towards meeting the goal of achieving a 100% renewable energy utilization rate by 2040 in accordance with the RE100 global renewable energy initiative.

In 2022, after evaluating the feasibility of installing renewable energy facilities, Flexium has set short-term goals to consistently increase solar power generation capacity and complement that with purchase of renewable energy (wind and solar), etc. to mitigate electricity shortages while constructing solar power facilities. In 2023, the Company aims to purchase 1MW of renewable energy, and ultimately, the Kunshan plant will acquire 2MW of renewable energy. By 2024, the projected purchase of renewable energy is 4MW. The medium-term goal is to continue to evaluate the cost comparison of the purchase of renewable energy, energy storage and self-built power plants or other renewable energy generation technologies, and find other alternative solutions, while trying to find the most cost-effective way to carry out subsequent construction planning. The long-term goal is to evaluate the required land area, hardware equipment, environmental needs, etc., to generate enough renewable energy for own consumption, before further evaluating the feasibility of switching to sales of renewable energy, and ultimately maximize the use of renewable energy.

To boot, Flexium Interconnect adopted the ISO 14064-1:2018 standard while carrying out greenhouse gas inventory in 2022 and intends to seek third-party verification in 2023. Despite minor delays caused by scheduling and internal operational issues, the third-party verification of ISO 14064-1:2018 was successfully completed in February 2024. The original benchmark for carbon reduction was based on the inventory data of 2022. In 2023, plans were made to purchase 1MW of renewable energy and install CF4 reduction equipment in order to achieve the goal of reducing carbon by 30% by 2023. Due to the need for a more comprehensive improvement plan for relevant prevention and control equipment in the factory, the plan to install CF4 reduction equipment will be extended to be completed by the end of 2025.

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

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Establish ethical business policies and programs | | | | |
| (I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods? | ✓ | | (I) The Company has established the "Ethical Management Rules" as well as the relevant internal rules which clearly document the policy, method the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods. | No deviation |
| (II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | ✓ | | (II) The Company has clearly stated the risk assessment mechanism against unethical behavior in the "Ethical Corporate Management Best Practice Principles", and analyzes and assesses business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". | No deviation |
| (III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis? | ✓ | | (III) The Company has clearly stated various unethical conducts in the "Ethical Corporate Management Best Practice Principles", as well as operating procedures, behavioral guidelines, disciplines of violations, as well as an appeal system against unethical behavior, and revises the previous program on a regular basis. | No deviation |
| II. Implementation of ethical management<br>(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? | ✓ | | (I) Before establishing a business relationship with another person, the Company shall evaluate the legal compliance and ethical management records of agents, suppliers, customers or other trading counterparts and check whether they involve any unethical records to ensure that its business operates in a fair and transparent manner, and it will never ask for, provide or accept bribe. | No deviation |

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (II) Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)? | ✓ | | (II) To fulfill the oversight duty of the ethical management, the Company has the Ethic Committee in place, consisting of the Administration Division, legal unit, audit unit, and the dedicate unit under the Board, to take the charges of reviewing and improving the Company's ethical management policies and promotional measures, as well as monitoring the development of international and domestic regulations related to the ethical management. This dedicated unit reported its execution to the Board on November 10, 2023. | No deviation |
| (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | ✓ | | (III) The Company has established the prevention of conflict of interest in the "Ethical Corporate Management Best Practice Principles" and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company. | No deviation |
| (IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review? | ✓ | | (IV) The Company has established the "internal control system". The internal audit unit will assess the risk periodically and set the audit plan, and conduct the relevant audit per the plan, and special audit, if necessary. The internal audit unit will also report the audit result to the board of directors periodically to enable the management to understand the status of the Company's internal control and achieve the purpose of management. | No deviation |
| (V) Does the Company regularly hold internal and external educational trainings on ethical management? | ✓ | | (V) The Company arranges anti-corruption training courses (including training courses relating to ethical management and anti-corruption) for members of the Board and general employees on a regular basis. In 2023, 2,546 people took part contributing 9,833 hours. | No deviation |
| III. Operations of the Company's complaining system | | | | |
| (I) Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? | ✓ | | (I) The Company's "Ethical Corporate Management Best Practice Principles" clearly specifies<br>1. The Company encourages internal and external personnel to complain unethical conduct or misconduct, and will grant reward subject to the complained case. If the internal personnel make false or malicious accusation, the personnel shall be disciplined, and dismissed if the case is material.<br>2. The Company has set up and published the internal independent complaining mailbox (https://www.flexium.com.tw/Sustainability/EthicsReport) available to the Company's internal and external staff on the Company's website and intranet. | No deviation |

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct? | ✓ | | (II) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in "Ethical Corporate Management Best Practice Principles". | No deviation |
| (III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident? | ✓ | | (III) The Company keeps the identity of the whistle-blower confidential and takes appropriate measures to protect the whistle-blower from suffering consequences of reporting an incident | No deviation |
| IV. Strengthening of Information Disclosure<br>Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS? | ✓ | | The annual report posted by the Company on the Company's website (also posted on MOPS) has detailed the information about the effect achieved by the Company for promoting ethical management. | No deviation |
| V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the current practice and any deviations from the code of conduct: | | | | |
| VI. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None. | | | | |

(VII) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method:

The Company has established the "Corporate Governance Best-Practice Principles", "Operating Procedures for Ethical Management" and related regulations; for these measures please see the Company's website at https://www.flexium.com.tw or on "MOPS".

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

The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, applicable regulations for TWSE/TPEx companies and other related acts and regulations in connection to business conducts as the basic principles for the implementation of ethical management. Moreover, the recuse system is clearly stated in the Company's "Rules of Procedure for Board of Directors Meetings" and the "Management for the Operation of Board Meetings". When a motion given at a Board meeting concerns the personal interest of the Board member or their representatives, and if his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.

(IX) Status of internal control system:

1. Statement on Internal Control:

Flexium Interconnect. Inc.

Statement on Internal Control System

Date: February 15, 2024

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

I. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.

II. An internal control system has inherent limitations. Regardless how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing aforementioned objectives. Besides, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several items. Please refer to the Regulations for aforementioned items.

IV. The Company has inspected the design and operating effectiveness of its internal control system in accordance with the aforementioned Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, we have maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors in their meeting held on February 9, 2023 none of the attending 11 directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Flexium Interconnect. Inc.

Chairman and President: Cheng Ming-Chi Signature

2. If the Company retains CPA's service for examining internal control system, the independent auditor's report shall be disclosed: None.

(X) List of discipline, significant deficit and improvement status of violation of internal control system in most recent year and as of the publication date of the annual report: None

(XI) Materials resolution by shareholders' meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report:

| Important Resolutions of Shareholders Meeting | | |
|---|---|---|
| Date | Material resolution | Execution status: |
| 2023.05.30 Shareholders' Meeting | Matters to be resolved:<br>1. 2023 Business report and financial statements<br>2. 2023 earnings distribution plan | 1. The resolution has been followed.<br>2. The resolution has been followed. |
| | Discussion items:<br>1. Amendment to the Company's Articles of Incorporation.<br>2. Proposal for the 2023 issuance of new restricted employee shares.<br>3. Proposal to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. | 1. The registration was approved by the Ministry of Economic Affairs on December 16, 2023.<br>2. Approved for issuance by the Financial Supervisory Commission on July 7, 2023.<br>3. By considering the capital market conditions, it is intended to discontinue the aforesaid capital increase. |

| Date | Material resolution |
|---|---|
| 2023.01.05 | 1. Approved drafting of the 2023 business plan.<br>2. Approved the proposal for 2023 capital expenditure budgets.<br>3. Approved the proposal for the Company's 2022 operating bonus and salary adjustment for managerial officers.<br>4. Approved the Company's employee remuneration and directors' remuneration distribution in 2022. |
| 2023.02.09 | 1. Approved the Company's 2022 internal control system declaration statement.<br>2. Approved the Company's 2022 annual financial report and business report.<br>3. Approved the Company's 2022 dividend distribution proposal.<br>4. Approved the Company's distribution in cash with the capital reserve.<br>5. Approved the matters related to the setting of the dividend record date for the Company's cash dividend distribution.<br>6. Approved the amendments to the Company's Articles of Incorporation.<br>7. Approved the proposal for the 2023 issuance of new restricted employee shares.<br>8. Approved proposal to terminate the public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds that was adopted at the 2022 General Shareholders' Meeting.<br>9. Proposal to terminate the public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds.<br>10. Approved the convening of the Company's 2023 General Shareholders' Meeting. |
| 2023.05.04 | 1. Approved internal rotation of the Company's CPA and the proposed change for CPAs.<br>2. Approved the amendments to the Company's Internal Control System.<br>3. Approved the proposal for the loan of funds to subsidiaries. |
| 2023.07.06 | 1. Approved the proposal for the personnel and organization restructuring of the Company.<br>2. Approved the proposal for the loan of funds to subsidiaries.<br>3. Approved the proposal of 2023 CPAs' audit fees. |
| 2023.08.03 | 1. Approved the Company's renewal of bank credit limit. |
| 2023.10.18 | 1. Approved the Company's proposal to publicly acquire ordinary shares of Rafael Micro Co., Ltd.<br>2. Approved the proposal for the application for financial institution performance guarantee. |
| 2023.11.10 | 1. Approved the draft audit plan for 2024.<br>2. Approved the amendments to the Company's Remuneration Committee Charter.<br>3. Approved the Company's renewal of bank credit limit.<br>4. Approved the assessment of independence and adequacy assessment for the Company's attesting public accountants. |

(XII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report: None.

(XIII) Resignation or discharge of chairperson, president and managerial officers of accounting, finance, internal audit, corporate governance, and research and development in most recent year and as of the printed date of the annual report:

| Title | Name | On-board Date | Date of Resignation or Dismissal | Summary of Resignation or Dismissal |
|---|---|---|---|---|
| Internal Auditor | Winni Pai | 2022/01/05 | 2024/01/04 | Position Adjustment |

## V. Attesting CPA professional fee information

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

Unit: NT$ thousand

| Name of Accounting Firm | CPA's Name | CPA audit period | Audit fees | Non-audit fees | Total | Remark |
|---|---|---|---|---|---|---|
| PwC Taiwan | Liao, Ah-Shen | January 1, 2023 to December 31, 2023 | 4,947 | 949 | 5,895 | Non-audit fee items: reporting of inventory write-offs, transfer pricing report, new restricted employee shares, and other matters conduced on behalf of the Company |
| | Wang, Chun-Kai | | | | | |

(II) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(III) Over 15% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

## VI. Change of CPA information

(I) About previous CPA

<table>
<tr><td>Date of change</td><td colspan="5">From the first quarter of 2023</td></tr>
<tr><td>Reason of change and description</td><td colspan="5">Cooperation with the internal organization and personnel adjustment of the accounting firm</td></tr>
<tr><td rowspan="3">Description on whether or not the appointer or CPA terminates or refuses the appointment</td><td colspan="3">Contractual parties<br>status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="3">Active termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="3">No longer accept (continue) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Comments and reasons for audit reports other than the unqualified opinion issued in the last two years</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="6">Any discrepancies with the issuer</td><td rowspan="4">Yes</td><td>-</td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td>-</td><td colspan="3">Disclosure of financial statement</td></tr>
<tr><td>-</td><td colspan="3">Audit scope or step</td></tr>
<tr><td>-</td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4">v</td></tr>
<tr><td colspan="5">Description: None</td></tr>
<tr><td>Other disclosures<br>(Contents required for disclosure according to Sub-paragraphs 1-4 to 1-7 of Paragraph 6 of Article 10 of these regulations)</td><td colspan="5">None</td></tr>
</table>

(II) About CPA in succession

| | |
|---|---|
| Firm Name | PwC Taiwan |
| CPA's Name | Liao, Ah-Shen |
| Date of appointment | On May 4, 2023, the board of directors' meeting approved the proposal on change of Company's CPA -- in cooperation with the internal rotation of PwC Taiwan, starting from the 1st quarter of 2023, CPA Ah-Shen Liao and CPA Wang, Chun-Kai become the appointed CPAs. |
| Accounting process method or accounting principle for specific transactions and comment consultation and result possibly issued on the financial report before the appointment | Not applicable |
| Written opinions of CPA in succession different from the opinions of previous CPA | Not applicable |

## VII. Information on the chairman, president, financial and accounting manager of the Company who has worked with the Company's external auditors or the affiliates to such auditors in the most recent year: None.

## VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings

(I) Changes in shareholding by directors, managers and major Shareholders

| Job Title | Name | 2023 | | As of March 31, 2024 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Chairman and managerial officers | Cheng Ming-Chi | 250,000 | 0 | 0 | 0 |
| Name of corporate shareholder | Chilien Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Chen Yong-Chang | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Hung Chi-Shan | 0 | 0 | 0 | 0 |
| Name of corporate shareholder | Tai Peng Development Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Jeng Xi Shih | 0 | 0 | 0 | 0 |
| Representative of juristic-person director and managerial officers | JJ Chen | 0 | 0 | 0 | 0 |
| Director | Lin Pei-Ru | 0 | 1,000 ,000 | 0 | 0 |
| Director | David Cheng | 80,000 | 0 | 0 | 0 |
| Independent director | Xin-Bin Fu | 0 | 0 | 0 | 0 |
| Independent director | Huang Shui-Tong | 0 | 0 | 0 | 0 |
| Independent director | Wu Pei-Jun | 0 | 0 | 0 | 0 |
| Independent director | Anson Tseng | 0 | 0 | 0 | 0 |
| Managerial Officers | Shan Yi-Wen | 61,000 | 0 | (390,000) | 0 |
| Managerial Officers | Gong Chao-Rong | (30,000) | 0 | 0 | (145,000) |
| Managerial Officers | Tang Chia-Hsien | 30,000 | 0 | 0 | 0 |
| Managerial Officers | Arthur Shiung | 50,000 | 0 | (32,000) | 0 |
| Managerial Officers | Blue Lan | (21,000) | 0 | 0 | 0 |
| Managerial Officers | Austin Li | 0 | 0 | 0 | 0 |
| Managerial Officers | Eva Liao | (2,000) | 0 | 0 | 0 |

Note: The officers identified in the name list are the existing officers on the date of publication of the annual report.

(II) During the transfer of shares in which the counterparty is a related party: None.

(III) During the pledge of shares in which the counterparty is a related party: None.

## IX. Information about top 10 shareholders in proportion of shareholdings and who are related parties to one another, spouses, or blood relatives within the second degree of kinship

March 31, 2024 Unit: Thousand shares; %

| Name | Shares held in own name | | Current shares held by the spouse and children of minor age | | Total shareholding under the name of a third party | | Information on top 10 shareholders in proportion of shareholding, who are related to one another, or are kin at the second pillar tier under the Civil Code related to one another, their names and relationship. | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Name | Relationship | |
| KGI Life | 15,975,000 | 4.95% | 0 | 0 | 0 | 0 | None | None | |
| Tai Peng Development Co., Ltd. | 15,459,784 | 4.79% | 0 | 0 | 0 | 0 | Walter Cheng | Chairman of Board | |
| Nan Shan Life Insurance Co., Ltd. | 9,483,000 | 2.94% | 0 | 0 | 0 | 0 | None | None | |
| Cathay Life Insurance | 8,966,000 | 2.78% | 0 | 0 | 0 | 0 | None | None | |
| Chang Gung Medical Foundation | 7,382,000 | 2.29% | 0 | 0 | 0 | 0 | None | None | |
| Labor Pension Fund | 6,227,700 | 1.93% | 0 | 0 | 0 | 0 | None | None | |
| Bank of Taiwan in custody of Yuanta Taiwan High Dividend Low Volatility ETF | 5,771,000 | 1.79% | 0 | 0 | 0 | 0 | None | None | |
| Walter Cheng | 4,702,360 | 1.46% | 426,546 | 0.13% | 0 | 0 | Tai Peng Development Co., Ltd. | Chairman of Board | |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,135,334 | 1.28% | 0 | 0 | 0 | 0 | None | None | |
| Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account. | 4,093,441 | 1.27% | 0 | 0 | 0 | 0 | None | None | |

Note: This form includes information till the last book closure of the Company before the publication date of the annual report.

## X. Number of shares held and shareholding percentage of the Company, the Company's directors, managerial officers and directly or indirectly controlled entities on the same investee

Unit: thousand shares; %

| Invested businesses | Held by the Company | | Held by directors, supervisors, managers, and directly/indirectly controlled entities | | Combined investment | |
|---|---|---|---|---|---|---|
| | Shares held | Shareholding ratio | Shares held | Shareholding ratio | Shares held | Shareholding ratio |
| FLEXIUM INTERCONNECT INC. | 50 | 100% | - | - | 50 | 100% |
| UFLEX TECHNOLOGY CO., LTD. | 50 | 100% | - | - | 50 | 100% |
| Junfeng Investment Co., Ltd. | 5,000 | 100% | - | - | 5,000 | 100% |
| Universe Energy Co., Ltd. | 5,000 | 100% | - | - | 5,000 | 100% |
| Rafael Microelectronics, Inc. | 9,222 | 30% | | | 9,222 | 30% |
| GRANDPLUS ENTERPRISES LTD. | - | - | 1,881 | 100% | 1,881 | 100% |
| SUCCESS GLORY INVESTMENTS LTD | - | - | 23,510 | 100% | 23,510 | 100% |
| FLEXIUM INTERCONNECT AMERICA LLC | (Note2) | 100% | - | - | (Note2) | 100% |
| Rafael Microelectronics Korea | - | - | 200 | 100% | 200 | 100% |
| CHOSEN GLORY LIMITED | - | - | - | 100% | - | 100% |
| CHAMPION BEYOND LIMITED | - | - | - | 100% | - | 100% |
| FOREVER MASTER LIMITED | - | - | - | 100% | - | 100% |
| BOOM BUSINESS LIMITED | 35,000 | 100% | - | - | 35,000 | 100% |
| CLEAR SUCCESS GLOBAL LIMITED | - | - | 35,000 | 100% | 35,000 | 100% |
| Han Tang Co., Ltd. | - | - | 707 | 100% | 707 | 100% |
| HONG YU CO., LTD. | - | - | 705 | 100% | 705 | 100% |
| Flexium Interconnect (Kunshan) Inc. | - | - | (Note2) | 100% | (Note2) | 100% |
| Flexium Interconnect (Suzhou) Inc. | - | - | (Note2) | 100% | (Note2) | 100% |
| ShenZhen Rafael Microsystems, Inc. | - | - | (Note2) | 100% | (Note2) | 100% |
| Aluksen Hongxin Technology Co., Ltd. | - | - | (Note2) | 49% | (Note2) | 49% |
| Rafael Semiconductors, Inc. | - | - | (Note2) | 100% | (Note2) | 100% |

Note1: Long-term investment by made by the Company using the equity method.
Note2: Not applicable, as It is a limited company.

# Four. Status of fund raising

## I. Capital and shares

### (I) Source of capital stock

Unit: shares/NT$

| Year / Month | Issuing price | Authorized capital stock | | Paid-in capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares held | Amount | Shares held | Amount | Source of capital stock | Offset by any property other than cash | Others |
| February 2023 | 10 | 600,000,000 | 6,000,000,000 | 322,762,919 | 3,227,629,190 | Cancellation of restricted employee shares NT$280,000 | | Note 1 |
| June 2023 | 10 | 600,000,000 | 6,000,000,000 | 322,719,119 | 3,227,191,190 | Cancellation of restricted employee shares NT$438,000 | - | Note 2 |
| December 2023 | 10 | 600,000,000 | 6,000,000,000 | 322,500,981 | 3,225,009,810 | Cancellation of restricted employee shares NT$2,181,380 | - | Note 3 |

Note 1: February 21, 2023 Jing-Shou-Shang-Tzi No. 11230028340 Letter approval.
Note 2: June 16, 2023 Jing-Shou-Shang-Tzi No. 11230103790 Letter approval.
Note 3: December 07, 2023 Jing-Shou-Shang-Tzi No. 11230227180 Letter approval.

| Type of share | Authorized capital stock | | | Remark |
|---|---|---|---|---|
| | Outstanding shares | Unissued shares | Total | |
| ordinary shares | 322,500,981 | 277,499,019 | 600,000,000 | Publicly listed |

Note: Shelf registration system related information: Not applicable.

### (II) Composition of shareholders

March 31, 2024

| Composition of shareholders / Quantity | Government apparatus | Financial organization | Other juristic persons | Individual | Foreign institute and foreigner | Total |
|---|---|---|---|---|---|---|
| number of people | 4 | 9 | 303 | 62,468 | 225 | 63,009 |
| Shares held | 11,971,130 | 43,163,000 | 38,386,625 | 180,193,568 | 48,786,658 | 322,500,981 |
| Shareholding ratio | 3.71% | 13.38% | 11.90% | 55.87% | 15.14% | 100.00% |

### (III) Distribution of Ownership:

March 31, 2024

| Range of shares | Number of shareholders | Shares held (shares) | Shareholding ratio (%) |
|---|---|---|---|
| 1-999 shares | 25,097 | 2,124,777 | 0.66% |
| 1,000-5,000 shares | 31,662 | 60,811,180 | 18.86% |
| 5,001-10,000 shares | 3,444 | 26,909,765 | 8.34% |
| 10,001-15,000 shares | 1,012 | 12,867,678 | 3.99% |
| 15,001-20,000 shares | 569 | 10,506,536 | 3.26% |
| 20,001-30,000 shares | 472 | 11,971,081 | 3.71% |
| 30,001-40,000 shares | 187 | 6,740,059 | 2.09% |
| 40,001-50,000 shares | 128 | 5,940,187 | 1.84% |
| 50,001-10,000 shares | 215 | 15,303,436 | 4.75% |
| 100,001-200,000 shares | 98 | 14,121,808 | 4.38% |
| 200,001-400,000 shares | 60 | 17,346,516 | 5.38% |
| 400,001-600,000 shares | 25 | 12,086,104 | 3.75% |
| 600,001-800,000 shares | 7 | 4,816,574 | 1.49% |
| 800,001-1,000,000 shares | 5 | 4,609,642 | 1.43% |
| 1,000,001 shares and above | 28 | 116,345,638 | 36.08% |
| Total (Note) | 63,009 | 322,500,981 | 100.00% |

## (IV) Roster of major shareholders

March 31, 2024

| Shares / Name of major shareholder | Shares held | Shareholding ratio |
|---|---|---|
| KGI Life | 15,975,000 | 4.95% |
| Tai Peng Development Co., Ltd. | 15,459,784 | 4.79% |
| Nan Shan Life Insurance Co., Ltd. | 9,483,000 | 2.94% |
| Cathay Life Insurance | 8,966,000 | 2.78% |
| Chang Gung Medical Foundation | 7,382,000 | 2.29% |
| Labor Pension Fund | 6,227,700 | 1.93% |
| Bank of Taiwan in custody of Yuanta Taiwan High Dividend Low Volatility ETF | 5,771,000 | 1.79% |
| Walter Cheng | 4,702,360 | 1.46% |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,135,334 | 1.28% |
| Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account. | 4,093,441 | 1.27% |

## (V) Information of market value, net value, earnings and dividends per share for the most recent two years:

Unit: NT$ / thousand shares

| Item / Year | | | 2022 | 2023 | Current year up to March 31, 2024 |
|---|---|---|---|---|---|
| Market value per share | Highest | | 112.00 | 104.00 | 97.10 |
| | Lowest | | 76.60 | 83.00 | 84.30 |
| | Average | | 95.37 | 92.81 | 87.34 |
| Net value per share | Before distribution | | 77.28 | 78.74 | (Note 6) |
| | After distribution | | 72.33 | 73.74 | Not applicable |
| Earnings per share | Weighted average shares (thousand shares) | | 325,213 | 320,451 | (Note 6) |
| | EPS (Note 1) | | 10.83 | 6.45 | (Note 6) |
| Dividends per share | Cash dividends | | 5.0 | 5.0 | |
| | Free-Gratis dividends | Retained shares distribution | 0 | 0 | |
| | | Shares distribution with the capital reserve | 0 | 0 | |
| | Retained dividends (Note 2) | | 0 | 0 | |
| Return on investment analysis | Price-Earnings Ratio (Note 3) | | 8.81 | 14.39 | |
| | Dividend yield (Note 4) | | 19.07 | 18.56 | |
| | Cash dividend yield (Note 5) | | 5.24% | 5.39% | |

Note 1: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 2: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 3: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 4: Dividend yield = average closing price per share in current year/cash dividend per share.

Note 5: Cash dividend yields = cash dividend per share/average closing price per share in current year.

Note 6: Up to the publication date of the annual report, all financial statements for the first quarter have been reviewed completely by CPA.

## (VI) Dividend policy and status of implementation:

1. Dividend policy defined under the Articles of Incorporation

Article 29: If the Company has surplus profits after annual accounting of revenues and expenditures, it shall have its losses covered and all taxes and dues paid and set aside ten percent of the remaining profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. In addition, after a special reserve is provided or reserved in compliance with the laws and regulations, the board of directors may combine the remaining balance with the undistributed earnings at beginning period as accumulated distributed earnings, and depending on the available fund and economic situation, to formulate a proposal; if such distribution is made in the manner of issuing new shares, the distribution shall be submitted for approval in the shareholders meeting. The Company complies with Article 240, Paragraph 5 of the Company Act and Article 241 of the Company Act such that dividends may be distributed or statutory surplus reserve and capital reserve paid by cash upon authorization of board meetings with two thirds or more of directors present and resolution adopted by half or more of directors present, with the matter to be reported to the shareholders meeting.

Article 30: The industry that the Company is in is still in the growing stage. The Company expects it will have cash demand for the expansion of production line in the coming years. The proposal to distribute earnings out of distributable accumulated earnings in relation to Article 29 is submitted for approval by the Shareholders Meeting. Among which, the cash dividends shall not be less than 5% of total dividends distributed. However if cash dividend will be less than NT$ 0.1 per share it will not be distributed, the stock dividends will be distributed instead.

2. On February 15, 2024, the Company passed a special resolution by the Board of Directors to distribute NT$1,290,003,924 from undistributed earnings (NT$4 per share) and NT$322,500,981 (NT$1 per share) from capital reserves, and will submit the report of the 2024 Annual Meeting of Shareholders.
3. Expected materials changes in the dividend policy: None.

(VII) The Impact of allotment of free dividends on business Performance and EPS: Not applicable.

(VIII) Remuneration to Employees and Directors:

1. Proportion or scope of remuneration to employees and directors as stated in the Company’s Articles of Incorporation:
   Depending on the profits of the current year, the Company shall distribute no lower than 2% of the profit as employees’ remuneration, and no higher than 2% of the profit as remuneration to directors. However, if the Company has accumulated losses the profits shall be used to cover the losses before it can make any distribution. The employee’s remuneration may be distributed in stocks or cash, The parties to whom the remuneration distributed to may include employees of affiliated companies The distribution of employees' remuneration and directors' remuneration shall be decided by the board of directors with a resolution made by at least two-thirds of the directors present and a majority of the directors in agreement, and this shall be reported to the shareholders meeting.
2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

It is deemed to be a change in accounting estimates and is listed as the change of annual profit and loss.

3. Information about the motion for allocation of remuneration resolved by a directors' meeting:
   (1) The proposal of 2023 distribution approved by the Company's Board of Directors meeting held on January 4, 2024 is as follows:
      A. Proposal of remuneration to directors to employees - NT$80,000 thousand.
      B. A. Proposal of remuneration to directors to employees - NT$20,000 thousand.
      C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors, and the status of treatment: Not applicable, as there is no discrepancy.
   (2) The amount of remuneration to employee distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total remuneration to employees: Not applicable.
4. The Company want to attract and retain talent needed, issuance of restricted stock awards and connact operating performance, please see page 59 of the annual report for the related assessments.
5. Actual distribution status of the remunerations for employees, directors of the previous fiscal year:
   The proposal of 2022 distribution approved by the Company's Board of Directors meeting held on January 5, 2023 is as follows:

| Item | Estimated amount for the year (NT$) | Actual distribution (NT$) | Difference |
|---|---|---|---|
| Employee remuneration | 100,000,000 | 100,000,000 | None |
| Remuneration of directors and supervisors | 25,000,000 | 25,000,000 | None |

(IX) Repurchase of the Company's shares:
1. Completed: None.
2. Still undergoing implementation: None.

## II. Status of corporate bond

### Status of corporate bond

March 31, 2024

| Type of corporate bond | Issuance of the fourth unsecured overseas convertible corporate bonds |
|---|---|
| Date issued | January 25, 2021 |
| Face value | US$100,000 or multiple thereof |
| Place of issuance and exchange | Singapore Exchange |
| Issuing price | The bond is issued at 102% of the face value. |
| Total amount | US$120,000 thousand |
| Interest rate | Coupon rate: 0% |
| Duration | 3 years, Expiry date: January 25, 2024 |
| Guaranteeing institution | None |
| Trustee | CITICORP INTERNATIONAL LIMITED |
| Underwriting institution: | Overseas lead underwriter: KGI ASIA LIMITED<br>Domestic lead underwriter: KGI Securities Co. Ltd. |
| Certifying attorney | K&L Gates Cheng-Yang Chen, Attorney-at-Law |
| Independent auditor | PwC Taiwan Li Yi-Hua, CPA |
| Repayment method | (I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds.<br>(II) The redemption price at maturity will be converted into NT$ at a fixed rate and the amount in NT$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex). |

<table>
<tr><td colspan="2">Type of corporate bond</td><td>Issuance of the fourth unsecured overseas convertible corporate bonds</td></tr>
<tr><td colspan="2">Outstanding principle (as of March 31, 2024)</td><td>1. The debt holders executed the put right on January 25, 2023, for total of USD112,800 thousand.<br>2. Repayment of US$7,200,000 due on January 25, 2024.</td></tr>
<tr><td colspan="2">Terms for redemption or early repayment</td><td>1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's ordinary shares on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price.<br>2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price.<br>3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may redeem all bonds in advance at the early redemption price according to the trustee's contract.<br>4. The early redemption price will be converted into NT$ at a fixed rate and the amount in NT$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).</td></tr>
<tr><td colspan="2">Restrictive terms</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating organization, rating date, bond rating results</td><td>None</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of ordinary shares converted as the publication date of the annual report</td><td>USD0 thousand (NT$0 thousand)(Note)</td></tr>
<tr><td>Issuance and conversion (traded or subscribed) regulations</td><td>See MOPS-various exclusive sections-bond section</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on equity of existing shareholders</td><td>0.50%; the dilution effect is limited and, therefore, no material impact would be rendered against the equity of existing shareholders.</td></tr>
<tr><td colspan="2">Name of commissioned custodial institution for objects exchanged</td><td>Not applicable</td></tr>
</table>

## Information about the convertible bonds

<table>
<tr><td colspan="2">Type of corporate bond</td><td>Issuance of the fourth unsecured overseas convertible corporate bonds</td></tr>
<tr><td colspan="2">Year / Item</td><td>Current year up to March 31, 2024</td></tr>
<tr><td rowspan="3">Market value of convertible corporate bond (Note 2)</td><td>Highest</td><td>94</td></tr>
<tr><td>Lowest</td><td>90</td></tr>
<tr><td>Average</td><td>92</td></tr>
<tr><td colspan="2">Conversion price (NT$)</td><td>NT$116.84</td></tr>
<tr><td colspan="2">Issuance date and conversion price at time of issuance</td><td>Issuance date: January 25, 2021<br>Conversion price at time of issuance: NT$136</td></tr>
<tr><td colspan="2">Method of fulfilling conversion duty</td><td>Issuance of new shares</td></tr>
</table>

Note: Referring to Bloomberg's quotes

## III. Status of preferred shares

None

## IV. Status of GDR/ADR

None

## V. Status of employee stock option certificates

None

## VI. Handling of restricted employee shares

### (I) Handling of restricted employee shares

March 31, 2024

| Type of stock for restricted employee shares | 1st restricted employee shares for 2019 | 1st restricted employee shares for 2020 | 1st restricted employee shares for 2022 |
|---|---|---|---|
| Effective date of declaration and shares | June 28, 2019<br>6,000,000 shares | July 3, 2020<br>1,000,000 shares | July 7, 2022<br>2,500,000 shares |
| Issuance date | September 5, 2019 | September 4, 2020 | September 5, 2022 |
| Issued shares for restricted employee shares | 5,500,000 shares | 1,000,000 shares | 2,500,000 shares |
| Available number of new restricted employee shares for issuance | 500,000 share | 0 share | 0 share |
| Issue price | NT$ 0 | NT$ 0 | NT$ 0 |
| Ratio of issued restricted employee shares vs. total issuance of shares | 1.73% | 0.29% | 0.78% |
| Restricted employee shares vesting conditions | I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):<br>(1) Number of years in service and job performance<br>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.<br>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.<br>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.<br>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard<br>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT$8, 0% of the highest vested ratio for the year shall be granted.<br>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT$8 (inclusive) to NT$10, 60% of the highest vested ratio for the year shall be granted.<br>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these | I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):<br>(1) Number of years in service and job performance<br>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.<br>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.<br>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.<br>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard<br>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT$8, 0% of the highest vested ratio for the year shall be granted.<br>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT$8 (inclusive) to NT$10, 60% of the highest vested ratio for the year shall be granted.<br>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term is NT$10 or higher (inclusive), 100% of the highest vested ratio | I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):<br>(1) The vesting date is one year from the date when the shares are credited on the shareholder registry; these who are till in service on the vesting date, and the 2022 personal performance appraisal is graded 3A or higher, the vesting percentage is 100%.<br>(2) Operating performance: The Company will apply the basic earnings per share indicated in the 2022 annual consolidated financial statements audited by the CPAs as the standard of the operating performance.<br>1. The vesting percentage is 0% when the basic EPS is under NT$8.<br>2. The vesting percentage is 60% when the basic EPS is between NT$8 to NT$10.<br>3. The vesting percentage is 100% when the basic EPS is NT$10 or more.<br>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."<br>(4) The basic earnings per share in the 2022 annual consolidated financial statements of the previous year audited by the CPAs, refers to the basic earnings per share calculated based on the after-tax net profit after netting the estimated expenses of new restricted employee shares that should be recognized in the current year.<br>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day. |

| Type of stock for restricted employee shares | 1st restricted employee shares for 2019 | 1st restricted employee shares for 2020 | 1st restricted employee shares for 2022 |
|---|---|---|---|
| | expiries of term is NT$10 or higher (inclusive), 100% of the highest vested ratio for the year shall be granted.<br>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."<br>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day. | for the year shall be granted.<br>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."<br>(4) The granting date of years of serve is defined as the date when shares distributed to the shareholder registry.<br>(5) The basic earnings per share in the annual consolidated financial statements of the previous year audited by the CPAs, refers to the basic earnings per share calculated based on the after-tax net profit after netting the estimated expenses of new restricted employee shares that should be recognized in the current year.<br>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day. | |
| Restrictions on restricted employee shares | I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.<br>II. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.<br>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.<br>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution. | I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.<br>II. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.<br>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.<br>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.<br>V. During the vesting period, if the cash is refunded because the Company decreased the capital in cash, the allocated but not vested refund from the capital decrease must be entrusted, and delivered to the employees with the vested shares (without interest) when the vesting conditions and periods are met; provided, if the vested conditions are not met at the expiration of vesting period, the Company will recover such cash. | I. Once the restricted employee stocks are issued, they shall be trusted immediately. The Company or a person designated by the Company shall act as an agent for all assigned employees to sign and revise trust-related contracts with the trust institution and authorize them to handle relevant trust affairs. In addition, before the vesting conditions are met, employees must not request to return the restricted stock for employees with any excuse or in any manner.<br>II. Before the vesting conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.<br>III. Before meeting the vesting conditions, the shareholders' rights in shareholders' meeting, including attendance, proposal, speech, casting votes, and voting rights are entrusted to the trustee institution for exercising.<br>IV. Before the vesting conditions are met, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.<br>V. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Law, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.<br>VI. During the vesting period, where the Company decreases the capital due to any non-statutory capital decrease, such as the capital decrease in cash, the capital decrease for offsetting losses, the restricted employee shares shall decrease proportionally based on the capital decrease percentage. The cash refunded due to the capital decrease in cash shall be trusted, and refunded to employees without interest when the vesting |

| Type of stock for restricted employee shares | 1st restricted employee shares for 2019 | 1st restricted employee shares for 2020 | 1st restricted employee shares for 2022 |
|---|---|---|---|
| | | | conditions are met; provided, where the vesting conditions are not met, the Company will retrieve such cash. |
| Custody of restricted employee shares | Custody shall be entrusted in the names of the employees | Custody shall be entrusted in the names of the employees | Custody shall be entrusted in the names of the employees |
| Where employees fail to meet the acquired conditions after being allocated or subscribed for new shares | For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled. | For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled. | For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled. |
| Number of shares of restricted employee shares recovered or repurchased | 1,867,600 shares | 391,560 shares | 236,818 shares |
| Number of shares of restricted employee shares released | 3,632,400 shares | 608,440 shares | 2,263,182 shares |
| Number of shares of restricted employee shares still unreleased | 0 shares | 0 shares | 0 shares |
| Ratio of unreleased restricted employee shares vs. total issuance of shares (%) | 0% | 0% | 0% |
| Impact on shareholder rights | One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights. | One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights. | One year after the issuance of restricted employee shares of the Company, may be executed, which dilutes the original shareholders' equity. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights. |

(II) Managers who obtained restricted employee shares and the names and acquisition status of the top ten employees

1st restricted employee shares for 2019

March 31, 2024

<table>
<tr><th colspan="2" rowspan="2">Job title</th><th rowspan="2">Name</th><th rowspan="2">Number of restricted employee shares obtained (thousand shares)</th><th rowspan="2">Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note)</th><th colspan="4">Restrictions removed</th><th colspan="4">Restrictions not removed</th></tr>
<tr><th>Number of shares with removed restrictions (thousand shares)</th><th>Issuing price (NT$ thousand dollars)</th><th>Issuing amount</th><th>Shares with removed restrictions vs. total issuance of shares (%) (note)</th><th>Number of shares with restrictions not removed (thousand shares)</th><th>Issuing price (NT$ thousand dollars)</th><th>Issuing amount</th><th>Shares with restrictions not removed vs. total issuance of shares (%) (Note)</th></tr>
<tr><td rowspan="10">Managerial Officers</td><td>President</td><td>Cheng Ming-Chi</td><td rowspan="10">1,290</td><td rowspan="10">0.40%</td><td rowspan="10">1,290</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">0.40%</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td></tr>
<tr><td>Chief Operating Officer</td><td>Tsai Chi-Feng (Dismissed)</td></tr>
<tr><td>Vice President of Business Division</td><td>Tang Chia-Hsien</td></tr>
<tr><td>Project Foreman</td><td>Cheng Yu-tai (Resigned)</td></tr>
<tr><td>Director of Kunshan Plant</td><td>Ma Ruei-Chun</td></tr>
<tr><td>Director of Kaohsiung Plant</td><td>Shan Yi-Wen</td></tr>
<tr><td>CQO</td><td>Lu Yu-hung</td></tr>
<tr><td>Director of Sourcing Division</td><td>Gong Chao-Rong</td></tr>
<tr><td>Director of Administration Division</td><td>Blue Lan</td></tr>
<tr><td>CFO</td><td>Arthur Shiung</td></tr>
<tr><td rowspan="10">Employee</td><td>Vice Director</td><td>Cheng Yang</td><td rowspan="10">750</td><td rowspan="10">0.23%</td><td rowspan="10">750</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">0.23%</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td></tr>
<tr><td>Vice Director</td><td>Chiang Shih-feng</td></tr>
<tr><td>Vice Director</td><td>Yang Chi-kang</td></tr>
<tr><td>Deputy Foreman</td><td>Hsu Wei-min (Resigned)</td></tr>
<tr><td>Project Director</td><td>Cheng Ming-chieh</td></tr>
<tr><td>Manager</td><td>Lin Chi-hsiung</td></tr>
<tr><td>Project Manager</td><td>Chen Wei-kuo</td></tr>
<tr><td>Assistant Manager</td><td>Li Chung-ju</td></tr>
<tr><td>Section Chief</td><td>Li Wei-ting</td></tr>
<tr><td>Project Leader</td><td>Cheng Wei</td></tr>
</table>

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

1st restricted employee shares for 2020

March 31, 2024

| Job title | | Name | Number of restricted employee shares obtained (thousand shares) | Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note) | Restrictions removed | | | | Restrictions not removed | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares with removed restrictions (thousand shares) | Issuing price (NT$ thousand dollars) | Issuing amount | Shares with removed restrictions vs. total issuance of shares (%) (note) | Number of shares with restrictions not removed (thousand shares) | Issuing price (NT$ thousand dollars) | Issuing amount | Shares with restrictions not removed vs. total issuance of shares (%) (Note) |
| Employee | Project Director | Song, Guang-Tao | 293 | 0.09% | 293 | - | - | 0.09% | - | - | - | - |
| | Special Assistant | Duan, Chi-Quan | | | | | | | | | | |
| | Manager | Lin, Chen-Chung | | | | | | | | | | |
| | Project Manager | Chang, Che-Rong | | | | | | | | | | |
| | Assistant Manager | Tsai, Che-Wen (Resigned) | | | | | | | | | | |
| | Assistant Project Manager | Chen, Chien-He | | | | | | | | | | |
| | Assistant Project Manager | Yang, Chung-Yen (Resigned) | | | | | | | | | | |
| | Section Chief | Nien, Li-Chang | | | | | | | | | | |
| | Section Chief | Chen, Tian-Ren | | | | | | | | | | |
| | Section Chief of Project | Lee, Hsien-Tsung | | | | | | | | | | |

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

1st restricted employee shares for 2022

March 31, 2024

<table>
<tr><th colspan="2" rowspan="2">Job title</th><th rowspan="2">Name</th><th rowspan="2">Number of restricted employee shares obtained (thousand shares)</th><th rowspan="2">Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note)</th><th colspan="4">Restrictions removed</th><th colspan="4">Restrictions not removed</th></tr>
<tr><th>Number of shares with removed restrictions (thousand shares)</th><th>Issuing price (NT$ thousand dollars)</th><th>Issuing amount</th><th>Shares with removed restrictions vs. total issuance of shares (%) (note)</th><th>Number of shares with restrictions not removed (thousand shares)</th><th>Issuing price (NT$ thousand dollars)</th><th>Issuing amount</th><th>Shares with restrictions not removed vs. total issuance of shares (%) (Note)</th></tr>
<tr><td rowspan="9">Managerial Officers</td><td>President</td><td>Cheng Ming-Chi</td><td rowspan="9">570</td><td rowspan="9">0.18%</td><td rowspan="9">570</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">0.18%</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td></tr>
<tr><td>Special Assistant</td><td>Tsai Chi-Feng (Dismissed)</td></tr>
<tr><td>Vice President</td><td>Tang Chia-Hsien</td></tr>
<tr><td>Vice President</td><td>Shan Yi-Wen</td></tr>
<tr><td>Director of Kaohsiung Plant</td><td>Ma Ruei-Chun</td></tr>
<tr><td>Director of Sourcing Division</td><td>Gong Chao-Rong</td></tr>
<tr><td>Director of Administration Division</td><td>Blue Lan</td></tr>
<tr><td>CFO</td><td>Arthur Shiung</td></tr>
<tr><td>Assistant manager</td><td>Eva Liao</td></tr>
<tr><td rowspan="10">Employee</td><td>Vice Director</td><td>Cheng Yang</td><td rowspan="10">381</td><td rowspan="10">0.12%</td><td rowspan="10">381</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">0.12%</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td></tr>
<tr><td>Vice Director</td><td>Chiang Shih-feng</td></tr>
<tr><td>Vice Director</td><td>Lin Chi-hsiung</td></tr>
<tr><td>Vice Director</td><td>Wang Ji ming</td></tr>
<tr><td>Vice Director</td><td>Zhang Fu gui</td></tr>
<tr><td>Project Director</td><td>Lu Yu hong</td></tr>
<tr><td>Special Assistant</td><td>Zhuang Yang hai</td></tr>
<tr><td>Manager</td><td>Lu Ting ren</td></tr>
<tr><td>Assistant Manager</td><td>Lin Yi da</td></tr>
<tr><td>Project Leader</td><td>Cheng Wei</td></tr>
</table>

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

## VII. Mergers and acquisitions, or as assignee of new shares issued by another Company

None

## VIII. Status of execution of capital utilization plan

(I) Issuance of the 2021 4th unsecured overseas convertible corporate bonds is described as the following:

1. Contents of plan
   (1) Fund utilization plan: purchasing machineries and machinery equipment with foreign currency.
   (2) Date and No. of the competent authority's approval letter: Ching-Kuan-Cheng-Fa-Tze No. 1090378221 dated December 19, 2020.
   (3) Total fund required by the plan: US$150,000 thousand

2. Execution status:

Unit: thousand dollars

| Project item | Status | | Accumulated until Q1 of 2024 Amount | Reason why the plan is ahead of or fall behind the schedule, and improvement plan |
|---|---|---|---|---|
| Purchase of materials with foreign currency | Expenditure | Scheduled | 1,399,095 | The actual funds raised in this project to paid for purchases of materials in foreign currency were US$48,328 thousand (approximately equivalent to NT$1,399,095 thousand). As of March 31, 2024, all the funds raised have been paid for purchases of materials in foreign currency, so there is no unspent fund. |
| | | Actual | 1,399,095 | |
| | Progress (%) | Scheduled | 100.00 % | |
| | | Actual | 100.00 % | |
| Purchase of machinery equipment with foreign currency. | Expenditure | Scheduled | 3,073,680 | The actual funds raised in this project to paid for purchases of machinery equipment in foreign currency were US$74,072 thousand (approximately equivalent to NT$2,144,385 thousand), and the remaining US$32,100 thousand (equivalent to NT$929,295 thousand) was paid with the self-owned funds. As of March 31, 2024, all the funds raised have been paid for purchases of machinery equipment in foreign currency, so there is no unspent fund. |
| | | Actual | 3,073,680 | |
| | Progress (%) | Scheduled | 100 .00% | |
| | | Actual | 100 .00% | |

# Five. Overview of operations

## I Business contest

(I) Scope of business

1. Primary content of business

The Company and its subsidiaries are primarily engaged in design, development, manufacturing and sale of Flexible Print Circuits (FPC), and assembly, sampling and modules thereof.

2. Current products and business weight portion thereof:

| Year / Main products | 2022 | | 2023 | |
|---|---|---|---|---|
| | Operating amount (NT$ thousand dollars) | Business proportion (%) | Operating amount (NT$ thousand dollars) | Business proportion (%) |
| Flexible printed circuit (FPC) | 40,070,122 | 100.00 | 32,667,490 | 99.81 |
| Radio Frequency Integrated Circuit (RFIC) | - | - | 61,372 | 0.19 |
| Total | 40,070,122 | 100.00 | 32,728,862 | 100.00 |

3. New products (services) under development:

| R&D projects | Future market needs |
|---|---|
| 25um/25um fine line carrier boards | Carrier boards for LCD/HD |
| Soft and hard composite boards with 4-8 layers | Communication/medical carrier boards |
| multi-layer FPC | Carrier board for cameras |
| LED backlight module FPC | LCD monitors |
| FPC with laser blind and/or buried hole | Smartphone and notebooks |

| | |
|---|---|
| Double-panel continuous process | Ultra thin/high precision/high bend resistant electronic products |
| Liquid crystal polymer multilayer lamination | Smartphone and wearable electronic devices 5G and high-frequency antenna boards |

(II) Overview of industry

1. Business Overview and Development and Various Development Trends of Products

A printed circuit board (PCB) is the substrate used for the assembly of electronic components. The main function of a PCB is to solder electronic components onto a PCB and connect it with metal conductors to form an electronic circuit with specific functions, making PCBs indispensable basic parts for all electronic products.

PCBs can be categorized into 3 types: rigid PCBs, flexible print circuits (FPCs) and IC substrates. Among these, FPCs are made by flexible copper clad laminates (FCCL) and a flexible insulating layer (FIL) using an adhesive. They then go through process such as etching to leave the necessary circuit for electronic signal transmission. Due to the characteristics of FPC including high wiring density, thin, light, small, low wiring error rate, and good ductility, it is being widely used in consumer electronics products. In recent years, as the demand for electronics products are leaning towards thinner, lighters, power-saving and touch-control, not only is the application for FPC being used more widely, they are also used more largely, indicating that they are the type of product which has the most PCB growing potential.

The largest FPC application market is still mobile phones worldwide. Due to the improvement of the smartphone penetration rate, FPC used in each smartphone is at the same time continuing increasing. Aside from components and motherboards that are connected to FPC for products such as screens, camera modules, peripherals keys, etc., connection including wireless charging function modules, several motherboards, etc. are new demand for the urge of FPC, making mobiles still the most crucial battlefield for future FPC plants. Compared to smartphones, although the annual shipment of cars is lower, the number of FPC used in each car is diverse and is growing faster. Parts used in cars include LED lights, image sensors, in-car information/entertainment display systems, door handles, and even power engine systems already using FPC. Even though portable ultrasound examination machines, robotic arms/robots, high-frequency transmission/reception antennas used in the field of biomedicine account for a small proportion of FPC, they are however, all niche products with high profits.

2. Relations with industries upstream, mid-stream, and downstream

The primary products at Flexium are PCBs, with upstream raw materials including copper foil laminates, chemicals, films, and electronic parts and components; downstream is for applications of various electronics products, including information, communication and consumer products. Characteristics of upstream materials, manufacturer process, technology level all pose material impact to PCBs; therefore, the expertise and cooperation are relatively important for upstream, midstream and downstream manufacturers.


3. Competition status

The local procurement of raw materials of FPC, such as FCCL and PI, is critical to the industrial development. At the very beginning of FPC development in Taiwan, the raw materials were primarily supplied by Japan, and the profit to be sought by the relevant manufacturer was low. In the recent years, the manufacturers engaged in processing FCCL, such as Taiflex and Dupont, developed considerable production capacity in Taiwan and Mainland China. Therefore, there is no concern about supply of raw materials, and the price becomes more competitive.

The chief technology officer of the Company has earned plentiful experience in design, marketing, production and management in the FPC industry, and become the professional and top team in the FPC circle. The most advanced “Roll to Roll” automated production line is adopted. With the focus on high efficient and human-machine automated production line alongside the optimization of technology and process, the Company maintains highly competitive. The Company is determined to becoming a provider of diversified technology solutions.

(III) Overview of technology and R&D

1 R&D expenses in the most recent year

Unit: NT$ in thousand

| Year | 2023 |
|---|---|
| R&D expenses | 1,914,074 |
| Operating revenues | 32,728,862 |
| To operating revenue (%) | 5.85 |

2 Technology or product successfully developed in the most recent year

| By product | Technology |
|---|---|
| Mobile phone wireless charging module, smart identification lens module, AR/VR virtual reality application module, AI artificial intelligence application module, smart home security system module, 3D sensing lens module, and wearable sensors. | Wireless charging FPC measurement technology, laser microvias, antenna coupling simulation software, blind and buried vias technology development, substrate-like RTR manufacturing technology development, fine-line flexible printed circuit, liquid crystal polymer multilayer lamination technology development. |

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

1. Short-term plan: Continue to develop the existing primary customers thoroughly, integrate technical service team, focus on high valued product lines of consumer electronics, such as onboard and medical products as well as the development of other products.
2. Long-term plan: committed to the application of high-frequency, high-speed, and cloud-based intelligent systems, such as Smart TV, Smart Car, IoT (Internet of Things) electronic products, virtual reality (VR)/ augmented reality (AR) / substitutional reality (SR)/ mixed reality (MR) and other technical improvements of products and material research and development.

(V) Intellectual property management

The Company proactively moves towards the acquisition of international patents, to protect the research and development results through patent applications, and further grasping the research and development results between us, customers and suppliers; by holding patents, the value and competitiveness are enhanced through patent positioning. In 2023, a total of 12 patents were obtained, all of which were invention patents, and they were distributed in the global market. The Company obtained 2 patents from the United States, 1 patent from China, and 1 patent from Hong Kong, with a total of 324 patent applications obtained from 2003 to 2023 (excluding pending patents). In the patent positioning, through the systematic establishment of patent operation instruction with patent incentives, the number of patent applications has been significantly increased since the establishment in 2020. To increase the approval rate of invention patent applications, since 2021, Flexium Interconnect has added legal courses, mainly for the patent education and training of R&D personnel as a long-term education and training course. The management representatives reports such to the board of directors at least once a year and the latest report was made on November 10, 2023.

## II Overview of market and production and marketing

(I) Market analysis

1. Territories where the Company's main products are sold

Unit: NT$ in thousand

| Territory \ Year | | 2022 Amount | 2022 % | 2023 Amount | 2023 % |
|---|---|---|---|---|---|
| Domestic marketing | | 1,361,057 | 3.40 | 1,448,957 | 4.43 |
| Export | Asian region | 4,148,731 | 10.35 | 2,729,572 | 8.34 |
| | Territories in Europe and the U.S.A. | 34,560,334 | 86.25 | 28,550,333 | 87.23 |
| | Sub-total | 38,709,065 | 96.60 | 31,279,905 | 95.57 |
| Total | | 40,070,122 | 100.00 | 32,728,862 | 100.00 |

2. Market share and future supply & demand and growth of the market

Flexum is one of the 3 major FPC suppliers in Taiwan with manufacturing double side, single side, multilayer and rigid-flex FPCs used in products in communications, computers and consumer electronics products.

With smart watches, smart bracelet and wearable medical monitors becoming more and more common, it indicates that consumers are able to accept various types of smart wearable devices. The demand is gradually increasing. In terms of medical monitors, with the trend of the aging society and health care, information and communication manufacturers also seized such business opportunity by developing corresponding healthcare products for future elderly and groups of people who take health-care seriously. These healthcare products include smart wearable products that enable support of long-time wear without affecting the wearer's daily life with advantages of the ability to automatically detect, collect, display and transmit data over the Internet. Furthermore, according to researchers at the Moscow Institute of Physics and Technology (MIPT) and biotechnology company GERO, it has been confirmed that it only takes one week to extract body activity data from a wearable device, which can be used to generate digital biological indicators of aging and deterioration . Therefore, via the concept of continuous health risk monitoring and real-time feedback to life and health insurance, healthcare and sports fitness providers can drive the future sales of wearable devices.

In addition, smart bracelets/watches are also gradually improving. Not only they are equipped with touch-screens, they also have functions including mobile phone message browsing and replying, music control, mobile payment, voice assistant, etc. They even provide a detachable bracelet screen to be used as Bluetooth headset for calls. The development of diverse functions also attract more consumers, leading the trend of wearable devices.

3. Competitive niche

(1) The increase shipment of smartphones drives the growth of FPC industry.

In the past, 3-5 flexible boards were required in a functional mobile phone. Given the fact that consumers demand products to be lighter and thinner with diversity, the demand for flexible boards that can modularize electronic component functions in limited space is greater. Nowadays, flexible boards needed for a smartphone exceed 20 boards, which is four times more than a traditional mobile phone. The sale of smartphones will also affect the development of industry.

(2) Complex design needs of 5G will bring a new wave of business opportunities

From the concept of 5G technology to it being massed produced, the large scale MIMO (Multi-input Multi-output) antenna configurations that accompany it will become more complex, making the RF front-end occupy take up more space in 5G smart phones. In addition, the amount of data processed by the 5G system will grow geometrically which means the battery capacity will also need to improve, meaning that PCBs and other electronic components will be compressed to complete the package in a higher density, compact form. With 5G becoming more common, the most direct contribution is the FPC demand, especially in MIMO antenna described previously, which also pose a certain degree of promotion of innovation in terms of materials and manufacturing processes. For example, in 2019 when 5G was not yet common, Modified Polyimide (MP) which performed well in the 4G band was used as the primary material.

However, with the equipment manufacturing needs brought by 5G that can adapt to LCP (Liquid crystal polymer) materials in higher bands will become mainstream.

(3) FPC for electric vehicles

Generally, there will be more than 100 FPC applications on one electric vehicle. The FPC battery modules in the vehicle battery BMS, and the vehicle camera modules have the highest application values, which are also a market where various FPC manufacturers compete.

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

(1) Favorable factors: The FPC application keeps emerging on an ongoing basis, and there is no concern about the growth:

Flexible boards are used widely; downstream end products mainly include high-end consumer electronics such as smartphones, tablets, PCs and wearable devices.

FPC is primarily applied to the binding of main panel and external components. Following the increasing diversification of smart phone functions, the additional external components are increasing relatively, e.g. the connection between screen and main panel, camera module and buttons etc. Generally speaking, the quantity of FPC applied to a smart phone is several multiple of that applied to the general mobile phone.

(2) Unfavorable factors: High labor-intensive industry

The production process of FPC per se is complicate, and the back-end production process requires massive labors. Nevertheless, due to the shortage of domestic labors and the increasing wage in Mainland China year by year, the product cost is increased and the competitive strength is weakened accordingly.

(3) Response to the factors

A. Purchase automatic and semi-automatic test equipment, improve production process and quality, and increase employees' benefit to retain high-quality talents, and reduce the HR demand and operating cost to upgrade the Company's competitive strength.

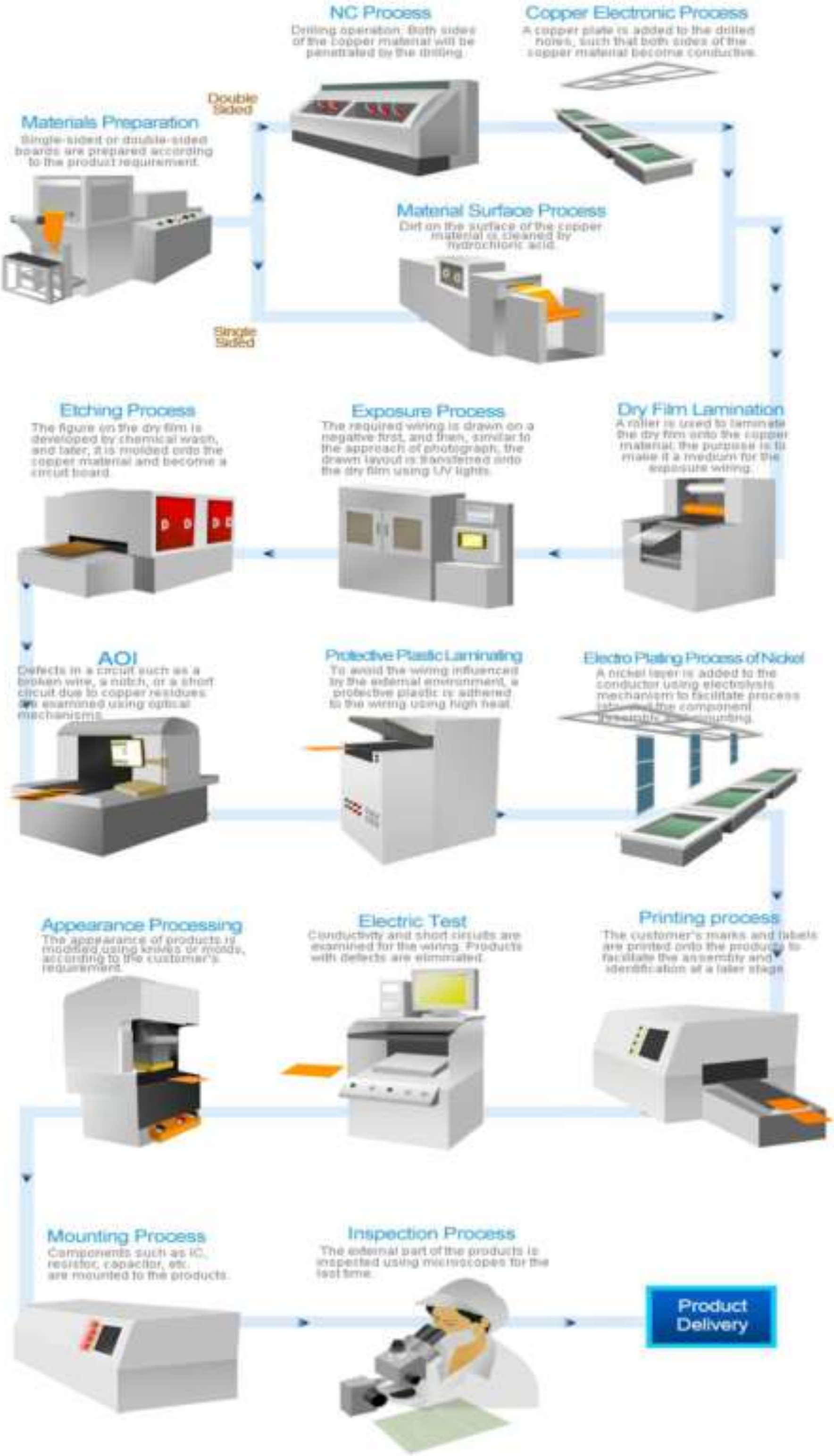
B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and talents.

(II) Important purpose and production process of main products

1. Important purpose of main products

| Main products | Important purpose or function |
|---|---|
| Flexible printed circuit (FPC) | Computer: Notebooks, tablet computers, printers and displays etc.<br>Communication: Mobile phones and fax machines etc.<br>Others: Stereo, TV, video recorder, video camera system, digital camera, electronic products for car, industrial instrument, and medical instrument etc. |

2. Production process of main products




(III) Primary raw material supply status

The Company maintains long-term partnership relationship with suppliers of main raw materials to make the source of supply of main raw materials free from concern and make the cost most competitive.

(IV)A list of any suppliers and clients accounting for 10%or more of the Company's total procurement (sales) amount in either of the most two recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each.

1. Information about main suppliers for the most recent two years

Unit: NT$ thousand; %

| Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | To the annual net purchase (%) | Relationship with the issuer | Name | Amount | To the annual net purchase (%) | Relationship with the issuer |
| 1 | Company R | 2,703,527 | 10.79 | None | Company R | 2,224,608 | 11.48 | None |
| | Others | 22,349,489 | 89.21 | — | Others | 17,146,659 | 88.52 | — |
| | Net purchase | 25,053,016 | 100.00 | None | Net purchase | 19,371,267 | 100.00 | None |

Over the last two years, the number of suppliers accounted for more than 10% of the material inbound of the Company is only 1 supplier, and the number of suppliers for material inbounds of the Company less than 10% accounts for 80%, which indicates that the main suppliers of the Company are in excellent cooperation, the material supply sources are stable, and there are no concentration of material inbound.

2. Information about main customers for the most recent two years

Unit: NT$ thousand; %

| Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | To the annual net sale (%) | Relationship with the issuer | Name | Amount | To the annual net sale (%) | Relationship with the issuer |
| 1 | Company A | 33,906,144 | 84.62 | None | Company A | 26,355,298 | 80.53 | None |
| | Others | 6,163,978 | 15.38 | - | Others | 6,373,564 | 19.47 | - |
| | Net sale | 40,070,122 | 100.00 | | Net sale | 32,728,862 | 100.00 | |

It is mainly caused by the change of the sales of customers and cooperation with the adjustment of the terminal brand manufacturer sales strategies.

(V) Production value in recent two years

Unit: Capacity/KSF; Volume/KPCS; NT$ thousands

| Year / Production value / Main product | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Production capacity | Production Volume | Production Value | Production capacity | Production Volume | Production Value |
| Flexible printed circuit (FPC) | 27,605 | 1,795,177 | 32,700,263 | 26,705 | 1,314,905 | 24,933,254 |
| Radio Frequency Integrated Circuit (RFIC) | - | - | - | - | 10,084 | 41,495 |
| Total | 27,605 | 1,795,177 | 32,700,263 | 26,705 | 1,324,989 | 24,974,749 |

(VI) Sales value in recent two years

Unit: KPCS/NT$ thousand

| Year / Sale value / Main product | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic marketing | | Export | | Domestic marketing | | Export | |
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Flexible printed circuit (FPC) | 24,727 | 1,361,057 | 1,196,228 | 38,709,065 | 36,973 | 1,446,921 | 897,731 | 31,220,569 |
| Radio Frequency Integrated Circuit (RFIC) | - | - | - | - | 235 | 2,036 | 8,158 | 59,336 |
| Total | 24,727 | 1,361,057 | 1,196,228 | 38,709,065 | 37,208 | 1,448,957 | 905,889 | 31,279,905 |

## III Employee information in the last 2 years up until the publication date of this annual report

Unit: person; %

| Year | | 2022 | 2023 | As of March 31, 2024 |
|---|---|---|---|---|
| Number of employees | Direct labor | 5,407 | 5,092 | 5,606 |
| | Indirect labor | 913 | 959 | 933 |
| | Total | 6,320 | 6,051 | 6,539 |
| Average age | | 32.18 | 32.54 | 32.69 |
| Average service seniority | | 3.85 | 4.12 | 4.05 |
| Ratio of educational background | Ph.D | 0.04% | 0.09% | 0.13% |
| | Master | 4.64% | 5.87% | 5.91% |
| | University (college) | 35.71% | 35.03% | 32.29% |
| | Senior high school | 53.00% | 52.67% | 53.30% |
| | Below senior high school | 6.61% | 6.34% | 8.37% |

## IV Environmental protection expenditure information

In the most recent year and as of the date of publication 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:

| Item | 2023 | | | January 1, 2024 to March 31, 2024 |
|---|---|---|---|---|
| Violation of environmental regulations | The site failed to implement the air pollution prevention as required. | The storage location of hazardous waste does not match the layout of the waste disposal plant. | Incomplete identification of hazardous waste characteristics. | None |
| Sanction date | January 11, 2023 | August 7, 2023 | August 7, 2023 | |
| Sanction code | 20-112-010020 | 40-112-080003 | 40-112-080004 | |
| Regulatory provisions violated | Article 20, paragraph 1, Air Pollution Control Act | Article 36, paragraph 1, Waste Disposal Act | Article 36, paragraph 1, Waste Disposal Act and Article 7, paragraph 1-2, Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste | |
| Details of violation | Air pollutants - the concentration of odor pollutants was 1,740, exceeding the emission standard of 1,000 for discharge pipes of odor pollutants in the Standards for Air Pollutant Emission from Stationary Pollution Sources. | The storage location of hazardous waste was not indicated in the plant configuration diagram of the business waste cleaning plan, and the business waste disposal plan was not revised according to regulations. | The hazardous waste storage location was not fully marked with the name of the enterprise that generated the waste, the storage date, the quantity, the composition, and the mark that distinguishes the characteristics of the hazardous industrial waste. | |
| Sanction details | NT$120,000 | NT$60,000 | NT$60,000 | |
| Estimated amount that may occur | None | None | None | |
| Countermeasures | The installation of prevention and control equipment. | Edit the waste disposal manual. | Installation of new waste labels in the plants. | |

## V Labor relationship

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans
   (1) The Company maintains the labor insurance and health insurance for all of its employees and also contributes pension fund on a monthly basis, term group insurance of NT$3 million to NT$12 million for its employees, and additional travel insurance of NT$5 million if the employees take a business trip.
   (2) Health examination each year.
   (3) Orientation training, on-the-job training, and periodic or irregular training inside and outside the factory;
   (4) Issuance of employee stock and dividend as well as quarterly performance bonus, year-end bonus according to the company business operation performance and employee individual performance.
   (5) Worker Welfare Commission will organize the employees' tour and family day periodically each year, and subsidize marriage, funeral and celebration, and also emergent relief, and also grant the coupon (gift) for three major festivals and birthday coupon.
2. Continuing education and training

   To increase the overall competitiveness and continuous development of talents, Flexium Interconnect, Inc. has invested a lot of resources on employee trainings and development, such that through On-job training (OJT), Off-job training and Self-development of individuals, the work abilities and diverse professional skills can be improved. With our effort, in 2014, the Company received the Talent Quality-management System (hereinafter referred to as "TTQS") "Enterprise Mechanical Board Silver Award" from the Ministry of Labor, and in 2016, the Company further improved and received the Golden Award. It demonstrates that our efforts in the talent development and training performance are greatly recognized by the nation.

   Flexium Interconnect, Inc. upholds the vision of "becoming the role model for global FPC industry training" for talent training and implement the training policy of "improvement promotion culture" such that through three main core occupational skill training and planning courses, the Company continues to improve the abilities of employees and to exploit innovation energy. Various key cultivation courses are created for employees at all levels. Through the method of "learning during practice, practice during learning," the professional and management abilities of employees can be improved such that the professional skills of employees can be developed while creating the maximum benefits for the Company.

   There was a total of 122,000 employee training hours in 2022. The average training time per employee is 32 hours. The content includes training for new recruits, general courses, occupational safety training, project management, training on various functions, and so on. The annual training expenditure is approximately NT$12.39 million.
3. Retirement system and implementation thereof

   The Company has established the defined the appropriation for retirement in accordance with the "Labor Pension Act," which is applicable to employees of the nationality of R.O.C. The Company will contribute the pension fund equivalent to no less than 6% of the salary to the employee's personal pension account maintained at the Bureau of Labor Insurance, according to the labor pension system defined under the “Labor Pension Act” chosen by the employees. Employees’ pension would be paid on a monthly basis or in a lump sum according to the balance in the employees’ personal pension accounts and accumulated income generated.

In addition, according to the Labor Standards Act (old labor retirement in old system), 2% of the employee tax payable salary is appropriated to the labor retirement reserve at the old system retirement reserve account at the Trust Department of Bank of Taiwan.

4. Status of labor agreement and employee interests and rights protection measures:

The Company is used to valuing humane management and adhering to the philosophy about “labor integration and intergrowth and co-prosperity”. Therefore, the labor-management communication is handled in multiple manners to enable the labor and management to know each other better and develop toward the same goal.

(1) Complaint channel: The Company and its subsidiaries all have established the complaining channels immediately subordinated to the President’s Office, so that the employees may report any illegal activity or event impairing employees’ interest and right found by them in work to the supreme management via the confidential channels to rectify and maintain the employees’ interest and right in a timely manner.
(2) Staff meeting: The staff meeting shall be held on a bi-weekly basis, in order to discuss and solve multi-departmental problems and to propagate policies to make the management more reasonable and help operations more successful.
(3) Monthly labor-management meeting: The meeting shall be held once per month in order to understand all employees’ opinion and solve problems to gather employees’ cohesion.
(4) Worker Welfare Commission meeting: The labor-management members may conduct special discussion about the benefit plans at the Worker Welfare Commission meeting, including the comments on employees’ work and life, in order to enable the labor and management to communicate with each other as the reference for the management.

(II) Explain that, as of the publication of the annual report, the losses caused from labor disputes (including labor inspection result which violates the regulations stipulated in the Labor Standards Act - the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content). The current and future possible estimated amount and countermeasures shall also be disclosed. If it cannot be reasonably estimated, facts of the reason shall be given: None.

## VI Cyber security management

(I) Information security management policies and framework

1.Information security risk assessment:

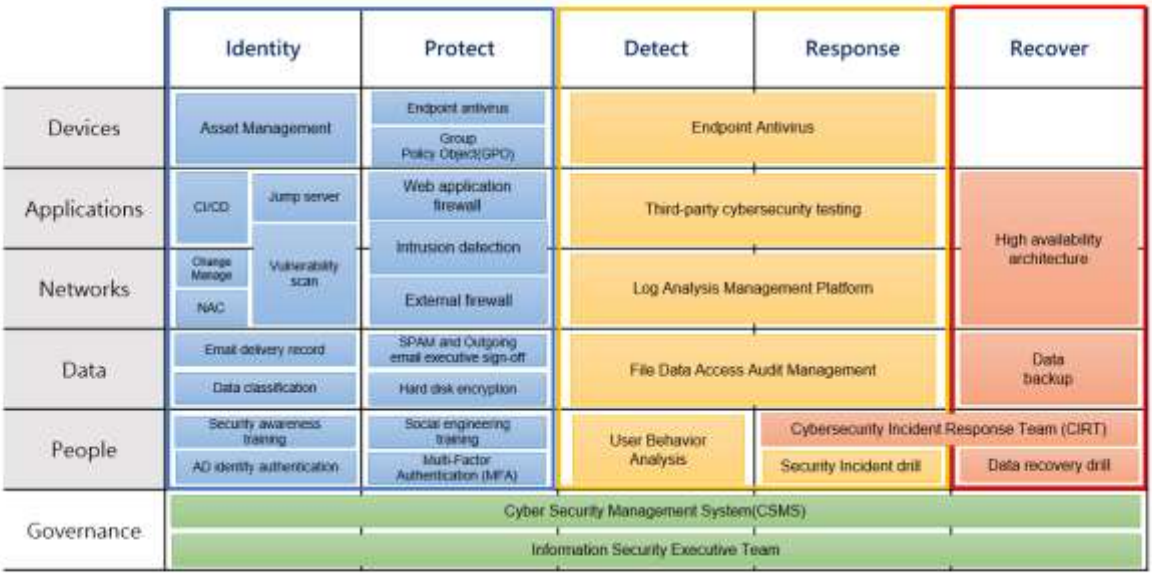
In order to ensure the security of customer products and confidential information, and to ensure that assets are properly protected, stored, and applied, Flexium Interconnect has formulated the SRC Security Responsibility Management Manual to state the security responsibilities for customers (SRC), covering management responsibility, manufacturing responsibility, security project office responsibility, and information protection responsibility. To boot, there is a management organization, led by the Chairman of the group, with the plant managers or managerial level supervisors serving as the management representatives, and personnel designated by the management representative serving as the direct person in charge and four working groups were set up to implement the measures. It applies to all employees of the company and all guests, visitors, and outsourced service provider personnel who enter the plant.

2.Information safety organization:

Approved by the head of IT division, the information security policy is formulated with the aim of achieving zero violation of the information security policy. and shall be used to regularly control the achievement of the goal. Various information security measures are implemented, and based on the principles of sustainability, legality, concept and control, Flexium have established various security responsibility management systems for the protection of customers' products and confidential information, so as to assist customers to understand the group's safety responsibility work and establish customers' confidence in the Group fulfilling its security responsibilities. Dedicated personnel for information security are appointed to maintain information security policies and goals, as well as formulate standard operating procedures, to implement improvement recommendations of audits, and track the implementation of deficiencies and information security incident reporting and handling, to ensure that various information security management regulations can be effectively and continuously implemented.


(II) Information security risk management

In terms of information security risk management, Flexium provides information security protection for five asset categories, namely, equipment, application, network, data, and user. Taking reference from the National Institute of Standards and Technology (NIST) network security framework, Flexium established the Flexium Interconnect Network Security Protection Framework for five aspects of identification, defense, detection, response, and recovery, and regularly reviews the corresponding protection measures before, during, and after incidents.



Flexium Interconnect Network Security Protection Framework

In view of various information security risks, such as computer equipment management, hardware protection, application system security monitoring and alarming, internet active detection protection and endpoint protection, system vulnerability scanning and patching, multi-factor authentication (MFA), etc., the Company unceasingly conduct risk assessment and take corresponding measures, over and above outsourcing the implementation of third-party information security and health diagnosis projects to reinforce the management of information security. With an eye towards fulfilling the corporate responsibility of protecting customers' personal information, the Company completed the relevant verification measures on the technical and management aspects in accordance with the information security assessment project of the Information Protection Management Measures, so as to improve and enhance the security protection capabilities and information governance level of the network and information system.

For good measure, in order to reduce the risk of disruptions to the continuous operation due to information system downtime, the ELK log management platform collects and stores the information or records of the operation of the information system and network communication equipment, and analyzes the abnormality in real time. Perform system vulnerability scanning to detect potential security vulnerabilities and proactively patch and prevent them, reducing the risk of security attacks. For critical operating systems with the ability of redundant load mechanism, equipment replacement and architecture optimization are carried out, and the Kubernetes Execution Application Container Platform is adopted to transfer the application service layer of the production and operation system to containerized management, so that the system automatically has the load and redundancy capabilities, and can be automatically deployed and expanded across host clusters to boost the system's uninterrupted recovery capabilities. The Company also implement and improve data backup protection, establish a data backup mechanism, an offline backup mechanism, and remote backup of storage equipment.

To ensure uninterrupted operation of the information system, in addition to setting the goal of stable operation of the Group's information system, monitoring operations from both institutional and executive perspectives, 1-2 information protection drills will be conducted annually. In May and August 2023, the IT division conducted core system security updates and uninterrupted simulation drills and initiated the automatic backup mechanism switch of the system according to the maintenance system or disaster scenarios to ensure the normal operation of system services without interruption.

(III) Resources committed to information security management

1. Introduce log management system platform to collect and save the information or records of the operation log of the information system and network communication equipment, and then analyze and detect potential abnormalities, issue immediate warnings, and take action promptly to nip issues in the bud.
2. Introduce a vulnerability scanning system, regularly detect security vulnerabilities in devices and system hosts, proactively patch them in advance to prevent them, and reduce the risk of cyber attacks.
3. Conduct regular information security inspections annually for firewalls and intrusion detection system rules. New measures to address security risks will be implemented through annual improvement goals and information security meetings to review and adjust strategies.
4. Formulate relevant regulations and execution plans for machine equipment virus prevention to prevent virus infection and reduce the occurrence of security incidents based on the frequency of occurrence of risk factors and the evaluation results of their impact on operations.
5. Strengthen the awareness of information security among all employees through diverse channels and methods. Health inspections and proof-of-concepts (POCs) are conducted annually on newly purchased information products to examine potential information security threats and risks, before purchasing or strengthening information security, by enhancing basic equipment, such as network speed optimization, software updates, conducting advocacy through monthly meetings, emails, education and training, etc.. The Company leaves no stone unturned when it comes to information security to ensure that robustness of network security is maintained, and regularly conducts employee security awareness training and promotions to reinforce information security threat awareness and vigilance capabilities.

Results of 2023 information security education and training

| Target audience | Course content | No. of trained personnel (Unit: person) | No. of training hours (Unit: hour) | Training rate (%) |
|---|---|---|---|---|
| New hires | Information security training and test for new hires | 1,228 | 614 | 100% |
| Information and related colleagues | Information security general course | 10 | 4 | 100% |
| General colleagues | Information security general course | 68 | 68 | 100% |

(IV) Any losses incurred due to major cyber security incidents, potential impacts, and countermeasures in the most recent year and up to the publication date of this annual report: none.

## VII Important contracts

Sales contract, technical cooperation contracts, engineering contracts, long term loans contracts and other significant contracts that are active or ending within a year which are sufficient to affect the interests of shareholders; with the parties, the main content, restrictions and the date of commencement and duration of the contract clearly stated.

As of March 31, 2024

| Nature of contract | Contractual parties | Duration | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Real estate lease contract | Tatung Company | May 5, 2019 to April 30, 2034 | Roof lease (for solar power generation) | None |
| Real estate lease contract | HongXing Energy Co., Ltd. | April 16, 2021 to April 15, 2041 | Roof lease (for solar power generation) | None |
| Real estate lease contract | Yuan An Enterprise Co., Ltd. | March 15, 2023 - March 14 2028 | Land and plant lease | None |
| Real estate lease contract | Yu-Ping-Tang Electronic Technology (Suzhou) Co., Ltd. | July 20, 2022 to July 19, 2032 | Dormitory and land leased | None |
| Real estate lease contract | Kunshan Good Housekeeper Property Co., Ltd. | August 1, 2021 to July 31, 2023 | Dormitory leased | None |
| Long-term borrowing contract | CTBC Bank | May 2019 to May 2029 | Long-term borrowing | None |
| Long-term borrowing contract | E. Sun Commercial Bank | May 2019 to July 2026 | Long-term borrowing | None |

# Six. Financial overview

## I. Condensed balance sheet and income statement for the most recent five years

(I) Consolidated Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

| Item \ Year | | Financial information for the most recent five years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 25,952,009 | 31,946,671 | 32,668,376 | 26,738,338 | 19,523,907 |
| Property, plant and equipment | | 7,323,353 | 8,485,676 | 14,638,999 | 17,389,321 | 17,407,479 |
| Intangible assets | | 46,150 | 20,645 | 13,914 | 25,597 | 2,044,506 |
| Other assets | | 1,132,175 | 2,314,381 | 993,774 | 1,967,412 | 1,320,534 |
| Total amount of assets | | 34,453,687 | 42,767,373 | 48,315,063 | 46,120,668 | 40,296,426 |
| Current liabilities | Before distribution | 8,133,819 | 13,021,769 | 14,323,684 | 16,502,502 | 9,682,411 |
| | After distribution | 9,815,902 | 14,808,534 | 15,916,854 | 18,102,307 | 11,294,916 |
| Non-current liabilities | | 4,392,066 | 4,188,115 | 8,306,925 | 4,671,286 | 3,556,547 |
| Total amount of liabilities | Before distribution | 12,525,885 | 17,209,884 | 22,630,609 | 21,173,788 | 13,238,958 |
| | After distribution | 14,207,968 | 18,996,649 | 24,223,779 | 22,773,593 | 14,851,463 |
| Equities belong to the owner of the parent Company | | 21,927,802 | 25,557,489 | 25,684,454 | 24,946,880 | 27,057,468 |
| Capital | | 3,346,328 | 3,617,798 | 3,513,309 | 3,227,909 | 3,225,010 |
| Capital reserve | | 4,285,961 | 4,771,691 | 3,048,710 | 1,579,870 | 778,955 |
| Retained earnings | Before distribution | 15,357,966 | 17,731,146 | 19,645,120 | 20,634,841 | 21,902,253 |
| | After distribution | 14,853,341 | 17,731,146 | 19,645,120 | 19,834,938 | 20,612,249 |
| Other equities | | (771,663) | (563,146) | (522,685) | (495,740) | (514,023) |
| Treasury stock | | (290,790) | 0 | 0 | 0 | 0 |
| Non-controlling equities | | 0 | 0 | 0 | 0 | 1,665,273 |
| Total amount of equities | Before distribution | 21,927,802 | 25,557,489 | 25,684,454 | 24,946,880 | 27,057,468 |
| | After distribution | 20,245,719 | 23,770,724 | 24,091,284 | 23,347,075 | 25,444,963 |

Note : All of the financial information from 2019 to 2023 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(II) Consolidated Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

| Item \ Year | Financial information for the most recent five years (Note) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenues | 26,033,230 | 29,897,996 | 35,568,666 | 40,070,122 | 32,728,862 |
| Operating gross profit | 5,945,005 | 6,134,099 | 6,329,498 | 6,823,071 | 4,853,527 |
| Operating income | 3,797,113 | 3,439,319 | 3,272,961 | 3,530,334 | 1,637,567 |
| Non-operating revenues and expenses | 204,656 | 357,622 | 540,968 | 781,253 | 690,609 |
| Net profit before tax | 4,001,769 | 3,796,941 | 3,813,929 | 4,311,587 | 2,328,176 |
| Net profit of the current term from continuing operations | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,055,723 |
| Loss from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) of the current term | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,055,723 |
| Other comprehensive income (net amount after tax) of the current term | (219,345) | 94,373 | (53,231) | 155,861 | (185,295) |
| Total amount of comprehensive income of the current term | 2,933,858 | 3,028,416 | 2,826,519 | 3,677,418 | 1,870,428 |
| Net profit belonging to the owner of the parent Company | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,066,725 |
| Net profit belonging to the non-controlling equities | 0 | 0 | 0 | 0 | (11,002) |
| Total amount of comprehensive income belonging to the owner of the parent Company | 2,933,858 | 3,028,416 | 2,826,519 | 3,677,418 | 1,881,430 |
| Total amount of comprehensive income belonging to the non-controlling equities | 0 | 0 | 0 | 0 | (11,002) |
| Earnings per share | 10.02 | 8.63 | 8.19 | 10.83 | 6.45 |

Note : All of the financial information from 2019 to 2023 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(III)Parent Company Only Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

| Item | | Financial information for the most recent five years (Note) 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Current assets | | 23,857,151 | 27,723,347 | 27,080,847 | 25,480,030 | 14,123,682 |
| Property, plant and equipment | | 3,893,642 | 4,580,154 | 9,619,974 | 11,727,404 | 11,425,863 |
| Intangible assets | | 42,395 | 16,291 | 12,056 | 22,662 | 20,329 |
| Other assets | | 7,193,196 | 9,897,518 | 9,937,747 | 11,225,004 | 13,304,155 |
| Total amount of assets | | 34,986,384 | 42,217,310 | 46,650,624 | 48,455,100 | 38,874,029 |
| Current liabilities | Before distribution | 8,686,400 | 12,498,329 | 12,682,106 | 19,400,202 | 10,204,324 |
| | After distribution | 10,368,483 | 14,285,094 | 14,275,276 | 21,000,007 | 11,816,829 |
| Non-current liabilities | | 4,372,182 | 4,161,492 | 8,284,064 | 4,108,018 | 3,277,510 |
| Total amount of liabilities | Before distribution | 13,058,582 | 16,659,821 | 20,966,170 | 23,508,220 | 13,481,834 |
| | After distribution | 14,740,665 | 18,446,586 | 22,559,340 | 25,108,025 | 15,094,339 |
| Equities belong to the owner of the parent Company | | 21,927,802 | 25,557,489 | 25,684,454 | 24,946,880 | 25,392,195 |
| Capital | | 3,346,328 | 3,617,798 | 3,513,309 | 3,227,909 | 3,225,010 |
| Capital reserve | | 4,285,961 | 4,771,691 | 3,048,710 | 1,579,870 | 778,955 |
| Retained earnings | Before distribution | 15,357,966 | 17,731,146 | 19,645,120 | 20,634,841 | 21,902,253 |
| | After distribution | 14,853,341 | 17,731,146 | 19,645,120 | 19,834,938 | 20,612,249 |
| Other equities | | (771,663) | (563,146) | (522,685) | (495,740) | (514,023) |
| Treasury stock | | (290,790) | 0 | 0 | 0 | 0 |
| Non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Total amount of equities | Before distribution | 21927802 | 25,557,489 | 25,684,454 | 24,946,880 | 25,392,195 |
| | After distribution | 20,245,719 | 23,770,724 | 24,091,284 | 23,347,075 | 23,779,690 |

Note : All of the financial information from 2019 to 2023 have been audited and certified by the CPA.

(IV) Parent Company Only Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

| Item \ Year | Financial information for the most recent five years (Note) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenues | 25,681,858 | 29,674,189 | 35,426,904 | 40,001,113 | 32,613,577 |
| Operating gross profit | 4,182,922 | 3,378,251 | 3,244,518 | 3,393,210 | 2,209,813 |
| Operating income | 3,232,736 | 2,212,997 | (1,227,749) | 2,069,180 | 818,243 |
| Non-operating revenues and expenses | 795,051 | 1,472,034 | 1,623,456 | 2,037,349 | 1,447,089 |
| Net profit before tax | 4,027,787 | 3,685,031 | 3,640,225 | 4,106,529 | 2,265,332 |
| Net profit of the current term from continuing operations | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,066,725 |
| Loss from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) of the current term | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,066,725 |
| Other comprehensive income (net amount after tax) of the current term | (219,345) | 94,373 | (53,231) | 155,861 | (185,295) |
| Total amount of comprehensive income of the current term | 2,933,858 | 3,028,416 | 2,826,519 | 3,677,418 | 1,881,430 |
| Net profit belonging to the owner of the parent Company | 3,153,203 | 2,934,043 | 2,879,750 | 3,521,557 | 2,066,725 |
| Net profit belonging to the non-controlling equities | 0 | 0 | 0 | 0 | 0 |
| Total amount of comprehensive income belonging to the owner of the parent Company | 2,933,858 | 3,028,416 | 2,826,519 | 3,677,418 | 1,881,430 |
| Total amount of comprehensive income belonging to the non-controlling equities | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | 10.02 | 8.63 | 8.19 | 10.83 | 6.45 |

Note : All of the financial information from 2019 to 2023 have been audited and certified by the CPA.

(V) The names of CPAs and audit opinions for the past 5 fiscal years

| Year | Accounting firm | CPA | Audit opinions | Remark |
|---|---|---|---|---|
| 2019 | PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | Unqualified opinion | |
| 2020 | PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | Unqualified opinion | |
| 2021 | PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | Unqualified opinion | |
| 2022 | PwC Taiwan | Wu Jian-Chi and Liao Ah-Shen | Unqualified opinion | |
| 2023 | PwC Taiwan | Liao Ah-Shen and Wang, Chun-Kai | Unqualified opinion | |

## II. Financial analysis for the most recent 5 years

(I) (I) Consolidated Financial Analysis Under International Financial Reporting Standards (IFRS)

| Analysis item / Year | | Financial analysis for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure | Liabilities to assets (%) | 36.36 | 40.24 | 46.84 | 45.91 | 32.85 |
| | Long-term capitals to property, plant and equipment (%) | 359.40 | 350.54 | 232.20 | 170.32 | 175.85 |
| Solvency | Current ratio (%) | 319.06 | 245.33 | 228.07 | 162.03 | 201.64 |
| | Quick ratio (%) | 287.39 | 209.46 | 188.33 | 130.56 | 158.00 |
| | Times Interest Earned (TIE) (%) | 46.39 | 88.87 | 147.11 | 114.72 | 40.20 |
| Operating ability | Receivable turnover (times) | 3.74 | 4.12 | 4.44 | 5.47 | 6.03 |
| | Average collection days | 97.59 | 88.59 | 82.20 | 66.72 | 60.53 |
| | Inventory turnover (times) | 5.80 | 6.77 | 6.44 | 6.62 | 6.41 |
| | Payable turnover (times) | 5.24 | 5.50 | 5.34 | 5.92 | 5.97 |
| | Average inventory turnover days | 62.93 | 53.91 | 56.67 | 55.13 | 56.94 |
| | Property, plant and equipment turnover (times) | 4.02 | 3.78 | 3.08 | 2.50 | 1.88 |
| | Total assets turnover (times) | 0.84 | 0.77 | 0.78 | 0.85 | 0.76 |
| Profitability | Return on assets (%) | 10.39 | 7.69 | 6.37 | 7.52 | 4.87 |
| | Return on equities (%) | 15.33 | 12.36 | 11.24 | 13.91 | 7.91 |
| | Net profit before tax to paid-in capital (%) | 119.59 | 105.07 | 108.56 | 133.57 | 72.19 |
| | Net profit ratio (%) | 12.11 | 9.81 | 8.10 | 8.79 | 6.28 |
| | Earnings per share (NT$) | 10.02 | 8.63 | 8.19 | 10.83 | 6.45 |
| Cash flow | Cash flow ratio (%) | (1.75) | 39.23 | 38.85 | 83.10 | 47.15 |
| | Cash flow adequacy ratio (%) | 87.68 | 58.45 | 58.85 | 90.88 | 90.40 |
| | Cash reinvestment ratio (%) | (5.30) | 9.23 | 8.78 | 30.16 | 7.10 |
| Leverage | Operating leverage | 1.34 | 1.48 | 1.58 | 1.76 | 2.83 |
| | Financial leverage | 1.02 | 1.01 | 1.01 | 1.01 | 1.04 |

Reasons of financial ratio changes reaching 20% in the most recent two years

| | | |
|---|---|---|
| 1 | Liabilities to assets reduced by 28% | Predominantly due to buy back of overseas convertible corporate bonds in 2023. |
| 2 | Current ratio increased by 24% | Predominantly due to buy back of overseas convertible corporate bonds in 2023. |
| 3 | Quick ratio increased by 21% | Predominantly due to buy back of overseas convertible corporate bonds in 2023. |
| 4 | Times interest earned reduced by 65% | Predominantly due to decrease in net profit before tax in 2023. |
| 5 | Property, plant and equipment turnover reduced by 25% | Predominantly due to decrease in net operating revenue in 2023. |
| 6 | Return on assets reduced by 35% | Predominantly due to decrease in net profit before tax in 2023. |
| 7 | Return on equities reduced by 43% | Predominantly due to decrease in net profit before tax in 2023. |
| 8 | Net profit before tax to paid-in capital reduced by 46% | Predominantly due to decrease in net profit before tax in 2023. |
| 9 | Net profit ratio reduced by 29% | Predominantly due to decrease in net profit before tax in 2023. |
| 10 | Earnings per share decreased by 40% | Predominantly due to decrease in net profit before tax in 2023. |
| 11 | Cash flow ratio decreased by 43% | Predominantly due to decrease in net cash flow from operating activities. |
| 12 | Cash reinvestment ratio decreased by 76% | Predominantly due to decrease in net cash flow from operating activities. |
| 13 | Operating leverage increased by 61% | Predominantly due to decrease in net profit before tax in 2023. |

Note: All financial information in each fiscal year is audited and certified by CPAs; financial information of the latest quarter up to the publication date of the annual report.has not been audited by the CPA.

(II) Parent only Financial analysis Under International Financial Reporting Standards (IFRS)

| Analysis item | Year | Financial analysis for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure | Liabilities as a percentage assets (%) | 37.32 | 39.46 | 44.94 | 48.52 | 34.68 |
| | Long-term capitals to property, plant and equipment (%) | 675.46 | 648.86 | 353.10 | 247.75 | 250.92 |
| Solvency | Current ratio | 274.65 | 221.82 | 213.54 | 131.34 | 138.41 |
| | Quick ratio | 265.70 | 210.58 | 198.63 | 122.21 | 128.57 |
| | Times Interest Earned (TIE) | 46.83 | 87.38 | 145.01 | 148.47 | 111.36 |
| Operating ability | Receivable turnover (times) | 3.74 | 3.29 | 3.47 | 3.91 | 4.08 |
| | Average collection days | 97.59 | 111.01 | 105.19 | 93.35 | 89.46 |
| | Inventory turnover (times) | 23.26 | 24.77 | 20.25 | 20.42 | 22.70 |
| | Payable turnover (times) | 3.17 | 3.34 | 3.61 | 3.47 | 3.15 |
| | Average inventory turnover days | 15.69 | 14.74 | 18.02 | 17.87 | 16.08 |
| | Property, plant and equipment turnover (times) | 7.83 | 7.00 | 4.99 | 3.75 | 2.82 |
| | Total assets turnover (times) | 0.81 | 0.77 | 0.80 | 0.84 | 0.75 |
| Profitability | Return on assets (%) | 10.22 | 7.69 | 6.53 | 7.45 | 4.77 |
| | Return on equities (%) | 15.33 | 12.36 | 11.24 | 13.91 | 8.21 |
| | Net profit before tax to paid-in capital (%) | 120.36 | 101.97 | 103.61 | 127.22 | 70.24 |
| | Net profit ratio (%) | 12.28 | 9.89 | 8.13 | 8.80 | 6.34 |
| | Earnings per share (NT$) | 10.02 | 8.63 | 8.19 | 10.83 | 6.45 |
| Cash flow | Cash flow ratio (%) | (31.07) | 25.84 | 11.65 | 75.41 | -0.59 |
| | Cash flow adequacy ratio (%) | 87.81 | 67.66 | 51.74 | 108.96 | 77.36 |
| | Cash reinvestment ratio (%) | (14.97) | 4.76 | -0.82 | 38.38 | -4.76 |
| Leverage | Operating leverage | 1.17 | 1.32 | 1.44 | 3.62 | 2.64 |
| | Financial leverage | 1.03 | 1.02 | 1.01 | 1.01 | 1.03 |

Reasons of financial ratio changes reaching 20% in the most recent two years

| | | |
|---|---|---|
| 1 | Liabilities to assets reduced by 29% | Predominantly due to decrease in accounts payable as a consequence of decrease in purchases in 2023. |
| 2 | Times interest earned reduced by 25% | Predominantly due to decrease in net profit before tax in 2023. |
| 3 | Property, plant and equipment turnover reduced by 25% | Predominantly due to decrease in net operating revenue in 2023. |
| 4 | Return on assets reduced by 36% | Predominantly due to decrease in net profit before tax in 2023. |
| 5 | Return on equities reduced by 41% | Predominantly due to decrease in net profit before tax in 2023. |
| 6 | Net profit before tax to paid-in capital reduced by 45% | Predominantly due to decrease in net profit before tax in 2023. |
| 7 | Net profit ratio reduced by 28% | Predominantly due to decrease in net profit before tax in 2023. |
| 8 | Earnings per share decreased by 40% | Predominantly due to decrease in net profit before tax in 2023. |
| 9 | Cash flow ratio decreased by 86% | Predominantly due to decrease in net cash flow from operating activities. |
| 10 | Cash reinvestment ratio decreased by 104% | Predominantly due to decrease in net cash flow from operating activities. |
| 11 | Operating leverage increased by 60% | Predominantly due to decrease in net profit before tax in 2023. |

Note: The above financial information of each fiscal year has been audited and CPAs.

The formula of financial analysis is as follows:

1. Financial structure:
   (1) Liabilities to assets= total amount of liabilities/total amount of assets.
   (2) Long-term funds to property, plant and equipment= (Total amount of equities+ non-current liabilities)/net amount of property, plant and equipment.
2. Solvency:
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
   (3) Times Interest Earned (TIE)= income tax and net profit before interest expense/ interest expense of the current term.
3. Operating ability:
   (1) Receivables (including trade receivables and notes receivables generated from operation) turnover= net sales/ balance of average receivables of each term (including trade receivables and notes receivables generated from operation).
   (2) Average collection days= 365/ receivables turnover.
   (3) Inventory turnover= sales cost/ average inventory amount.
   (4) Payables (including trade payables and notes payables generated from operation) turnover= sales cost/ balance of average payables of each term (including trade payables and notes payables generated from operation ).
   (5) Average inventory turnover days= 365/ inventory turnover.
   (6) Property, plant and equipment turnover= net sales/ average net amount of property, plant and equipment.
   (7) Total assets turnover= net sales/ total amount of average assets.
4. Profitability:
   (1) Return on assets= [income after tax＋interest expense × (1-tax rate)]/ total amount of average assets.
   (2) Return on equities= income after tax/ total amount of average equities.
   (3) Net profit ratio= income after tax/ net sales.
   (4) Earnings per share= (income belonging to the owner of the parent Company - dividends of preferred shares)/ weighted average shares issued.
5. Cash flow:
   (1) Cash flow ratio= net cash flow from operations/ current liabilities.
   (2) Net cash flow adequacy ratio= net cash flow from operations for the most recent5 fiscal years/ (capital expenditure+ inventory increase amount+ cash dividends) for the most recent 5 fiscal years.
   (3) Cash reinvestment ratio= (net cash flow amount from operations-cash dividends)/ (gross amount of property, plant and equipment+ long-term investments+ other non-current assets+ operating funds).
6. Leverage:
   (1) Operating leverage= (net operating revenues - variable operating costs and expenses)/ operating profits.
   (2) Financial leverage= operating profits / (operating profits - interest expenses).

**III. Audit report of the Audit Committee on the most recent financial report**

# Audit Committee's Audit Report

The board of directors has produced the company's 2023 annual business report, financial statements, profit distribution proposals, and so on. Among them, PWC Taiwan has been entrusted to audit the financial statements and issue an audit report. The above-mentioned business report, financial statements and profit distribution proposal has been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Flexium Interconnect. Inc.
Convener of Audit Committee:

Xin-Bin Fu

February 15, 2024

**IV. Consolidated financial statement of the most recent year**

Please refer to Attachment 1 in this annual report.

**V. Individual financial statement of most recent year**

Please refer to Attachment 2 in this annual report.

**VI. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company's financial position, for the most recent year and until the date of publication of the annual report**

N/A

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

## I Financial status

Unit: NT$ in thousand

| Item \ Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 19,523,907 | 26,738,338 | (7,214,431) | -26.98 |
| Non-current assets | 20,772,519 | 19,382,330 | 1,390,189 | 7.17 |
| Total assets | 40,296,426 | 46,120,668 | (5,824,242) | -12.63 |
| Current liabilities | 9,682,411 | 16,502,502 | (6,820,091) | -41.33 |
| Non-current liabilities | 3,556,547 | 4,671,286 | (1,114,739) | -23.86 |
| Total liabilities | 13,238,958 | 21,173,788 | (7,934,830) | -37.47 |
| Capital | 3,225,010 | 3,227,909 | (2,899) | -0.09 |
| Capital reserve | 778,955 | 1,579,870 | (800,915) | -50.69 |
| Retained earnings | 21,902,253 | 20,634,841 | 1,267,412 | 6.14 |
| Other equities | (514,023) | (495,740) | (18,283) | 3.69 |
| Equity attributable to owners of the parent | 25,392,195 | 24,946,880 | 445,315 | 1.79 |
| Non-controlling interests | 1,665,273 | - | 1,665,273 | - |
| Total equity | 27,057,468 | 24,946,880 | 2,110,588 | 8.46 |

1.The main reasons for significant changes (over 20%) in the past two years:

(1)Decrease in current assets: predominantly due to buy back of overseas convertible corporate bonds in 2023.

(2)Decrease in current liabilities: predominantly due to buy back of overseas convertible corporate bonds in 2023.

(3)Decrease in non-current liabilities: predominantly due to repayment of long term loan in 2023.

(4)Decrease in capital reserve: predominantly due to the distribution of cash dividends for 2022 with the capital reserve.

2.The impact of significant changes in the past two years and future countermeasures:
There are no material anomalies in the overall performance of the Company and its subsidiaries, so there is no need to formulate countermeasures.

## II Financial performance

Unit: NT$ in thousand

| Item \ Year | 2023 | 2022 | Amount increased (decreased) | Ratio of change (%) |
|---|---|---|---|---|
| Operating revenues | 32,728,862 | 40,070,122 | (7,341,260) | -18.32 |
| Operating costs | 27,875,335 | 33,247,051 | (5,371,716) | -16.16 |
| Operating expenses | 3,215,960 | 3,292,737 | (76,777) | -2.33 |
| Operating profit | 1,637,567 | 3,530,334 | (1,892,767) | -53.61 |
| Non-operating revenues and expenses | 690,609 | 781,253 | (90,644) | -11.60 |
| Net profit before tax | 2,328,176 | 4,311,587 | (1,983,411) | -46.00 |
| Income tax expenses | 272,453 | 790,030 | (517,577) | -65.51 |
| Net income this period | 2,055,723 | 3,521,557 | (1,465,834) | -41.62 |
| Other comprehensive income | (185,295) | 155,861 | (341,156) | -218.88 |
| Total amount of comprehensive income of the current term | 1,870,428 | 3,677,418 | (1,806,990) | -49.14 |

1.The main reasons for significant changes (over 20%) in the past two years:

(1)Decrease in operating profit, net profit before tax, income tax expenses, net income this period: predominantly due to decrease in operating profit in 2023.

(2)Decrease in comprehensive income: predominantly due to decrease of the cumulative translation adjustment generated from the long-term investment.

2.Sales forecast and basis thereof: the Company does not prepare and publicly announce the financial forecast and so this is not applicable.

3.Possible impacts and countermeasures on the Company’s future financial operations: there are no material anomalies in the overall performance of the Company.

## III Cash flow analysis

Unit: NT$ in thousand

| Balance of cash and cash equivalents - beginning of year | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Effect of Exchange Rate Changes | Balance of cash and cash equivalents - end of year |
|---|---|---|---|---|---|
| 12,653,297 | 4,564,091 | (4,827,347) | (6,303,769) | (85,985) | 6,000,287 |

(I) Cash flow change analysis and explanation

1. Cash flow change analysis and explanation and current year cash flow change status analysis:
   (1) Operating activities: net cash inflow of NT$4.6 billion, predominantly due to increased depreciation expenses and decreased inventory.
   (2) Investment activities: net cash outflow of NT$4.8 billion, predominantly due to acquisition of real estate, plant and equipment, and acquisition of subsidiaries.
   (3) Financingactivities: net cash outflow of NT$6.3 billion, predominantly due to repayment of long-term loans and corporate bonds.
2. The corrective measures for cash deficiency forecast and liquidity analysis: Not applicable.

(II) Improvement plan for insufficient liquidity: The Company is not subject to the condition of insufficient liquidity.

(III) Cash liquidity analysis for the coming year: Not applicable.

## IV Impact of major capital expenditure in recent years on financial operations

(I) Application of major capital expenditures and the source of funds

| Project item | Actual or estimated source of funds | Actual or estimated date of completion | Expected possible benefit generated |
|---|---|---|---|
| Purchasing land and machineries | Own fund/corporate bond | In progress | Refers to benefits for expanding production capacity, enhancing competitiveness of the Company and increasing the operation efficiency . |

(II) Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year:

The major capital expenditures of the Company in 2023 were mainly on self-owned funds, which do not have major unfavorable effect upon the Company's financial operations.

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

(I) Re-investment policy of the Company

The investment policy of the Company is to invest in industries related to the primary business and is based on the consideration of enhancing the competitiveness of the Company such that each investment project is executed upon thorough evaluation.

(II) Main reasons for profit or loss of invested companies and improvement plan

In 2023, the recognized investment profit is of the total amount of NT$1,051,551 thousand, which mainly came from the profit of subsidiaries.

(III) Investment plan for the coming year

According to the global plan of the Company, in the future, the Company will set up manufacturing sites at important regions internationally in order to deliver products to customers locally and to reduce the production and logistics costs. In addition, depending upon the development of business, the operating scale of subsidiaries will be expanded.

## VI Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report

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

1. Interest rate:

   The Company and subsidiaries have sound financial structures. In the aspect of interest rates for loans, the Company will strengthen the connection with banks and understand the trend of interest rate in order to obtain the best interest rate for loans. In addition, in the aspect of the application of short-term idle funds, we will take the low risk deposits and repurchase (government repurchase) as investment targets in order to obtain return on short-term investment.

2. Exchange rate:

   The Group operates internationally; therefore, it is subject to currency risk generated due to various types of currencies, which are mainly USD and RMB. Relevant currency risk mainly comes from future commercial transactions and assets and liabilities listed.

   The management level of the Group has established policies to specify the all companies of the Group to manage the currency risks for their functional currencies. Each Company of the Group shall perform hedges for the overall currency risks via the Financial Department of the Group. To management the currency risks associated with the future commercial transactions and assets and liabilities listed, each Company of the Group shall perform by using forward exchange agreements via the Financial Department of the Group. When the future commercial transactions and assets or liabilities listed use the foreign currency of non-individual functional currency for calculation, currency risk is then generated.

3. Inflation:

   Inflation is the changes in the overall economics, and this element is expected to have minor effect on the Company's income.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. Engaging in high-risk and high-leverage investing activities

   The Company has never engaged in any high-risk and high-leverage investing activities.

2. Lending funds to others and endorsements & guarantees

   Handled according to the Company's "Operational Procedures for Lending Funds to Others" and "Handling Procedures of Enforcements/Guarantees".

3. Derivatives transactions

The Company adopts the principles of forward exchange and financial products and deposits, which aim to earn interest gains and are 100% capital guaranteed, when conducting derivatives. Thus, the income generated in limited. They are conducted in accordance with “Regulations Governing the Acquisition and Disposal of Assets”.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

With regard to the future R&D plans, please refer to the disclosure of the technology development status in the “Report to Shareholders” of this Annual Report. R&D invested by the Company and its subsidiaries for 2024 is expected to account for 5.0%-7.0% of the annual revenue of the Company and its subsidiaries.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

To cope with the domestic and foreign important changes of policies and laws, the Company and its subsidiaries review and revise the Company management rules at all time and readily establish necessary countermeasures in order to satisfy the business operation needs of the Company. In recent years and up to the publication date of the annual report, there are no major impacts of changes of domestic and foreign important policies and laws on the financial business of the Company.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

Following the gradual emerging of wearable devices which are equipped with more and more functions, along with services of application software and content provided, it is possible that they may even replace smartphones as the mainstream technology of the future. To maintain the competitiveness of the Company and its subsidiaries, the market trend of products must be understood such that the development direction will head toward the high-density layout, slim in size and fine wire with small holes. In recent years and up to the publication date of the annual report, there are no major impacts due to changes of technology and changes of industry on the financial business of the Company and its subsidiaries.

(VI) Impacts of change of corporate image on risk management of corporate and countermeasures:

In September 2003, the Company was officially listed in the stock exchange market for public trading. All employees strive for reaching the goal of profit, fulfilling the responsibility to all shareholders. We will continue to strive for the improving the product quality in the future, maintaining the consistent excellent corporate image, and enhancing the status of the Company in the industry. In recent years and up to the publication date of the annual report, there are no changes of image of the Company such that the Company faces crisis management.

(VII) Expected benefit, possible risk and countermeasures for mergers:

In recent years and up to the publication date of the annual report, the Company has no plans for mergers.

(VIII) Expected benefit, possible risk and countermeasures for expansion of facilities:

The expansion of the facility of the Company is evaluated carefully based on the existing production capacity and future business growth. Major investments and expenditures are reviewed by the board of directors, and the investment benefits and possible risks have been considered appropriately.

(IX) Risks and counter-measures for material inbound and sales concentration:

The main product of the Company is FPC, and the main materials used are copper cladded laminates, protection films and electronic components. Since there are numerous suppliers supplying main materials at home or abroad, the supply is not over concentrated on specific suppliers for the Company. In addition, the main customers of the Company are big companies at home or abroad, and sales does not concentrate on specific customers.

(X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken:

The Company is not subject to large amount of transfer or change of equity made by directors, supervisors or shareholders with shareholding over 10%.

(XI) Impacts, risks and counter-measures for change of management right on the Company:

The equities of the main shareholders and directors of the Company are stable, and there is no event of change of management right.

(XII) Litigious and non litigious matters; the directors, supervisors, general managers and substantial principals of the Company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities price as of the publication of the annual report: None.

(XIII) Other important risks and corresponding measures: None.

## VII Other important matters:

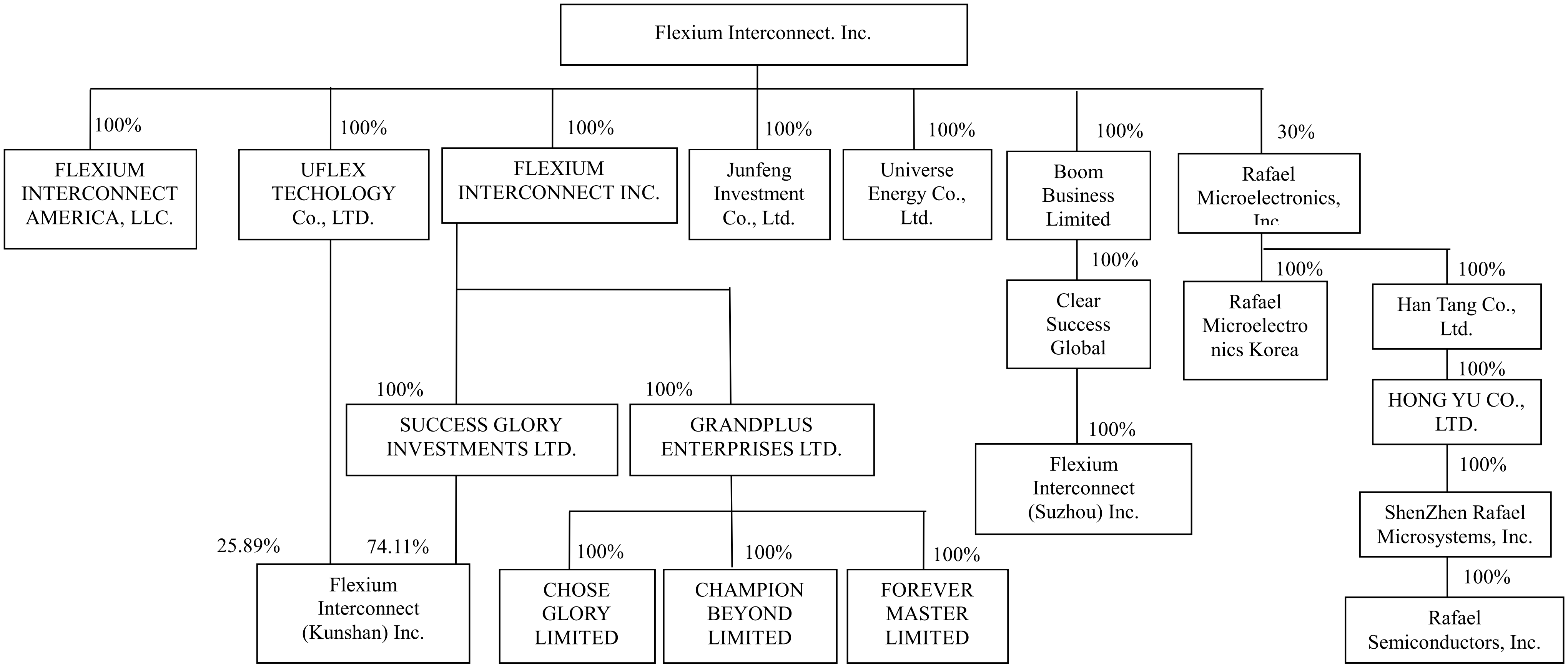
None

# Eight. Special notes

## I Relevant information of affiliates

(I) The consolidated business report of the Company's affiliates

1. Organizational chart of the Company's affiliates



## 2. Basic information of the Company's affiliates

Unit: NT$ thousand

| Name of corporation | Date of establishment | Address | Paid-in Capital | Main business or products |
|---|---|---|---|---|
| FLEXIUM INTERCONNECT INC | 2002.02.20 | P.O. Box 3152, Road Town Tortrola, British Virgin Islands | 835,252 | Reinvestment in variable businesses |
| UFLEX TECHNOLOGY CO., LTD | 2000.10.30 | Akara Building, 24 De Castro Street, Wickhams Cay 1.Road Town, Tortola, British Virgin Islands. | 39,711 | Reinvestment in variable businesses |
| Junfeng Investment Co., Ltd. | 2010.04.15 | 21F-6, No. 91, Zhongshan 2nd Rd., Qianzheng District, Kaohsiung City | 50,000 | Reinvestment in variable businesses |
| Universe Energy Co., Ltd. | 2022.09.06 | No. 39, Huaxi Rd., Daliao Dist., Kaohsiung City | 50,000 | Renewable energy self-use power generation equipment and energy technology services, etc. |
| Rafael Microelectronics, Inc. | 2006/11/06 | 8F., No.28, Chenggong 12th St., Zhubei City, Hsinchu County | 307,315 | Research, design, manufacturing, and sales of RF integrated circuits, integrated RF systems, and related products. |
| FLEXIUM INTERCONNECT AMERICA LLC | 2011.01.06 | 4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA | 8,067 | Conducting marketing support, and customer and technical services |
| Rafael Microelectronics Korea | 2018.11.23 | R1135, 11F., Owners Tower, 28, Hwangsaeul-ro 200beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, 13595 KOREA | 2,730 | Business promotion of RF integrated circuit products. |
| SUCCESS GLORY INVESTMENTS LTD | 2003.03.21 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 719,042 | Reinvestment in variable businesses |
| GRANDPLUS ENTERPRISES LTD | 2003.06.12 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 62,001 | Reinvestment in variable businesses |
| CHOSEN GLORY LIMITED | 2014.01.02 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | - | Reinvestment in variable businesses |
| CHAMPION BEYOND LIMITED | 2013.12.11 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | - | Reinvestment in variable businesses |
| FOREVER MASTER LIMITED | 2014.01.08 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | - | Reinvestment in variable businesses |
| BOOM BUSINESS LIMITED | 2016.09.21 | Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa | 1,064,460 | Reinvestment in variable businesses |
| CLEAR SUCCESS GLOBAL LIMITED | 2017.01.09 | Offshore Chambers, P.O. Box 217, Apia, Samoa | 1,064,460 | Reinvestment in variable businesses |
| Han Tang Co., Ltd. | 2013.01.31 | Vistra Corporate Services Centre, Suite 23,1st Floor, Eden Plaza, Eden Island,Mahé, Republic of Seychelles | 21,712 | Reinvestment in variable businesses |
| HONG YU CO., LTD. | 2013.02.01 | Vistra Corporate Services Centre, Suite 23,1st Floor, Eden Plaza, Eden Island,Mahé, Republic of Seychelles | 21,635 | Reinvestment in variable businesses |
| Flexium Interconnect (Kunshan) Inc. | 2000.11.16 | National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province | 2,478,470 | Research ,development, manufacturing and sales of new electronic components like flexible circuit boards |

| Name of corporation | Date of establishment | Address | Paid-in Capital | Main business or products |
|---|---|---|---|---|
| Flexium Interconnect (Suzhou) Inc. | 2017.04.11 | No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province | 1,074,780 | Research ,development, manufacturing and sales of new electronic components like flexible circuit boards |
| ShenZhen Rafael Microsystems, Inc. | 2013.09.09 | Shenzhen 2906, Building A, Phase I, Zhuoyue Baozhong Times Square, No.15-1 Haitian Road, N23 Haibin Community, Xin'an Street, Bao'an District, Shenzhen | 10,749 | Research, design, manufacturing, and sales of RF integrated circuits, integrated RF systems, and related products. |
| Rafael Semiconductors, Inc. | 2020.09.18 | Shenzhen 2906, Building A, Phase I, Zhuoyue Baozhong Times Square, No.15-1 Haitian Road, N23 Haibin Community, Xin'an Street, Bao'an District, Shenzhen | 3,896 | Research, design, manufacturing, and sales of RF integrated circuits, integrated RF systems, and related products. |

3. Shareholders presumed to have control and subordinate relationship with the same information: Not applicable.

4. Business covered by each afflicted company:
The businesses of the Company and affiliates cover the design, development, manufacturing and sale of Flexible Print Circuits (FPC), as well as assembly and sampling of modules and general investment business.

5. Information on directors, supervisors and presidents of affiliates

2024/03/31

| Name of corporation | Job title | Name or representative | Shares held | |
|---|---|---|---|---|
| | | | Shares held (thousand shares) | Shareholding ratio (%) |
| UFLEX TECHNOLOGY CO., LTD | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 50 | 100% |
| FLEXIUM INTERCONNECT INC | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 50 | 100% |
| Junfeng Investment Co., Ltd. | Chairman of Board | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 5,000 | 100% |
| | Director | Flexium Interconnect. Inc. (Representative: Blue Lan) | | |
| | Director | Flexium Interconnect. Inc. (Representative: Su Shao-Shan) | | |
| | Supervisor | Flexium Interconnect. Inc. (Representative: Liao Yi-Wen) | | |
| Universe Energy Co., Ltd. | Chairman of Board | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 5,000 | 100% |
| Rafael Microelectronics, Inc. | Chairman of Board | Flexium Interconnect. Inc. (Representative: David Cheng) | 9,222 | 30% |
| | Director | Flexium Interconnect. Inc. (Representative: Walter Cheng) | | |

| Name of corporation | Job title | Name or representative | Shares held | |
|---|---|---|---|---|
| | | | Shares held (thousand shares) | Shareholding ratio (%) |
| | Director | Flexium Interconnect. Inc. (Representative: Moffatt, Robert Alexander) | | |
| | Director | Flexium Interconnect. Inc. (Representative: Lin Pei-Ju) | | |
| | Director | Flexium Interconnect. Inc. (Representative: Sun Te-Feng) | | |
| | Director | Lin Kun-Hsi | 937 | 0.30% |
| | Independent Director | Huang Shui-Tong | 0 | 0.00% |
| | Independent Director | Anson Tseng | 0 | 0.00% |
| | Independent Director | Chen Che-Hsiung | 40 | 0.01% |
| FLEXIUM INTERCONNECT AMERICA LLC | Responsible person | David Cheng | - | 100% |
| Rafael Microelectronics Korea | Legal Representative | Hyunsu Lee | - | 0.00% |
| SUCCESS GLORY INVESTMENTS LTD | Director | FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi) | 23,510 | 100% |
| GRANDPLUS ENTERPRISES LTD | Director | FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi) | 1,881 | 100% |
| CHOSEN GLORY LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| CHAMPION BEYOND LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| FOREVER MASTER LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| BOOM BUSINESS LIMITED | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 35,000 | 100% |
| CLEAR SUCCESS GLOBAL LIMITED | Director | BOOM BUSINESS LIMITED (Representative: Cheng Ming-Chi) | 35,000 | 100% |
| Han Tang Co., Ltd. | Director | JJ Chen | 0 | 0.00% |
| HONG YU CO., LTD. | Director | JJ Chen | 0 | 0.00% |
| Flexium Interconnect (Kunshan) Inc. | Chairman of Board | Cheng Ming-Chi | Note | 100% |
| | Director | Cheng Wei | | |
| | Director | Joann Lin | | |
| | Supervisor | Chen, Lung-Cheng | | |
| Flexium Interconnect (Suzhou) Inc. | Chairman of Board | Cheng Ming-Chi | Note | 100% |
| | Director | Joann Lin | | |
| | Director | David Cheng | | |
| | Supervisor | Chen, Lung-Cheng | | |
| ShenZhen Rafael Microsystems, Inc. | Executive Director | JJ Chen | 0 | 0.00% |
| | President | Tang Yubin | | |
| | Supervisor | Su Qinya | | |
| Rafael Semiconductors, Inc. | Executive Director | JJ Chen | 0 | 0.00% |
| | President | Tang Yubin | | |
| | Supervisor | Su Qinya | | |

Note: It is a limited company; therefore, there are no shares.

6. Operational overview of affiliates

Unit: NT$ in thousand

| Name of corporation | Capital amount | Total amount of assets | Total amount of liabilities | Net value | Operating revenues | Operating profit | Current term income (after tax) | Earnings per share (NT$) (after tax) |
|---|---|---|---|---|---|---|---|---|
| FLEXIUM | 835,252 | 7,734,311 | - | 7,734,311 | - | - | 681,265 | - |
| UFLEX | 39,711 | 2,671,891 | - | 2,671,891 | - | - | 237,966 | - |
| Junfeng Investment | 50,000 | 32,198 | 45 | 32,153 | - | (691) | (1,892) | - |
| FLEXIUM (AMERICA) | 8,067 | 4,512 | 72 | 4,440 | - | (21,139) | (470) | - |
| Universe Energy | 50,000 | 115,806 | 67,371 | 48,435 | 7,524 | (971) | (1,556) | - |
| Rafael | 307,315 | 1,588,941 | 185,859 | 1,403,082 | 61,372 | (11,331) | (6,972) | 1.38 |
| Rafael (Korea) | 2,730 | 3,563 | 56 | 3,507 | 4,172 | 151 | 139 | - |
| SUCCESS | 719,042 | 7,768,088 | 33,779 | 7,734,309 | - | - | 681,328 | - |
| GRANDPLUS | 62,001 | - | - | - | - | - | (56) | - |
| CHOSEN | - | - | - | - | - | - | - | - |
| CHAMPION | - | - | - | - | - | - | - | - |
| FOREVER | - | - | - | - | - | - | (23) | - |
| BOOM | 1,064,460 | 1,223,310 | - | 1,223,310 | - | - | 42,295 | - |
| CLEAR | 1,064,460 | 1,223,310 | - | 1,223,310 | - | - | 42,295 | - |
| Han Tang | 21,712 | 20,226 | - | 20,226 | - | - | (597) | - |
| HONG YU | 21,635 | 20,149 | - | 20,149 | - | - | (598) | - |
| Flexium (Kunshan) Inc. | 2,480,649 | 17,825,483 | 7,428,775 | 10,396,708 | 28,806,993 | 648,446 | 919,342 | - |
| Flexium (Suzhou) Inc. | 1,064,460 | 3,849,461 | 2,626,151 | 1,223,310 | 3,003,295 | 37,396 | 42,295 | - |
| ShenZhen Rafael | 10,749 | 17,942 | 4,632 | 13,310 | 28,316 | 964 | 882 | - |
| Rafael Semiconductors | 3,896 | 3,908 | - | 3,908 | - | (1) | (2) | - |

Note: The above foreign company's assets and liabilities are converted at the exchange rate on date of reporting date; the profit and loss amounts are converted at the average exchange rate during the reporting period.

(II) Consolidated Financial Statement Announcement of Affiliates is as follows:

Flexium Interconnect. Inc. and subsidiaries
Declaration of consolidated financial statement of related parties.

The entities that are required to be included in the combined financial statements of the Company for 2023 (from January 1, 2023 to December 31, 2023), under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in IFRS 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Flexium Interconnect. Inc. and subsidiaries

Person in Charge: Cheng Ming-Chi

February 15, 2024

(III) Affiliated enterprises report: None

**II During the most recent year and as of the publication date of the annual report, the status of private placement of securities**

None

**III Status of holding or disposal of shares of the Company by the subsidiaries in recent years or up to the publication date of the annual report**

None

**IV Other supplementary information**

None

## Nine. Whether any of the situations listed in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None

## Attachment 1: 2023 Consolidated Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000569

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

### *Opinion*

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and subsidiaries (the "Group") as at December 31, 2023 and 2022 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to *Other Matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the 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 the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

## Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(10). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Group uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

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

A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.

B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.

C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

## Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(14). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

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

A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.

B. Understood the Group's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.

C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

## Key audit matter - Business combination transactions

Description

On November 23, 2023, the Group acquired ordinary shares of Rafael Microelectronics, Inc. in the amount of NT$ 1,567,736 thousand through a merger transaction. The Group adopted the acquisition method to account for the business combination. Refer to Note 4(34) to the consolidated financial statements for relevant explanations. The allocation of acquisition price was valued based on the price allocation report from the external expert engaged by management. Refer to Note 6(31) for the measurement and allocation of the acquisition price to the acquired identifiable assets of the acquired company.

As the allocation of the purchase price involved important estimates by the management and the amount of mergers and acquisitions in this year was significant, we considered business combination transactions of a subsidiary as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the internal control procedures over the Company's investment transactions, and reviewed the related documents prepared by the Board of Directors to verify whether the investment was made in accordance with related procedures.

2. Examined the merger and acquisition transaction contract, verified the payment instrument and confirmed the purchase consideration.

3. Obtained the purchase price allocation of the mergers and acquisitions, assessed the independence of the expert appointed by management, reviewed the data used in the report and assessed the appraisal methods and the significant assumptions used in the report to evaluate the reasonableness of the purchase price allocations.

### *Other matter – Reference to the audits of other auditors*

We did not audit the financial statements of certain subsidiaries and investments accounted for using equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the financial statements, is based solely on the reports of the other auditors. Total assets of these subsidiaries and the balances of these investments accounted for using equity method amounted to NT$1,593,666 thousand, constituting 4% of the consolidated total assets as at December 31, 2023, and operating revenue amounted to NT$61,372 thousand, constituting 0.19% of the consolidated total operating revenue for the year then ended. Related share of loss of associates and join ventures accounted for using equity method amounted to (NT$146) thousand, constituting (0.01%) of the consolidated total comprehensive income for the periods from November 23, 2023 to December 31, 2023.

### *Other matter – Parent company only financial reports*

We have audited and expressed an unqualified opinion with a other matter paragraph on the parent company only financial statements of Flexium Interconnect, Inc. and an unqualified opinion as of and for the years ended December 31, 2023 and 2022.

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

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

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

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

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

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

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

A. 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.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Liao, A-Shen

Liao, A-Shen

WANG, Chun-Kai

Wang, Chun-Kai

For and on behalf of PricewaterhouseCoopers, Taiwan
February 15, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 6,000,287 | 15 | $ 12,653,297 | 27 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 1,899,473 | 5 | 892,247 | 2 |
| 1136 | Financial assets at amortised cost - current | 6(4) | 2,391,202 | 6 | 1,848,360 | 4 |
| 1170 | Accounts receivable, net | 6(5) | 4,783,457 | 12 | 6,029,307 | 13 |
| 1200 | Other receivables | | 109,101 | - | 121,461 | - |
| 1220 | Current tax assets | | 74,503 | - | 620 | - |
| 130X | Inventories | 6(6) | 3,857,923 | 9 | 4,838,714 | 11 |
| 1410 | Prepayments | | 367,741 | 1 | 353,881 | 1 |
| 1470 | Other current assets | | 40,220 | - | 451 | - |
| 11XX | **Current Assets** | | 19,523,907 | 48 | 26,738,338 | 58 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 95,654 | - | 92,124 | - |
| 1550 | Investments accounted for using equity method | 6(7) | 6,239 | - | - | - |
| 1600 | Property, plant and equipment | 6(8)(11) | 17,407,479 | 43 | 17,389,321 | 38 |
| 1755 | Right-of-use assets | 6(9) | 1,011,720 | 3 | 1,098,202 | 3 |
| 1780 | Intangible assets | 6(10) | 2,044,506 | 5 | 25,597 | - |
| 1840 | Deferred tax assets | 6(29) | 128,951 | 1 | 139,564 | - |
| 1900 | Other non-current assets | 6(12) and 8 | 77,970 | - | 637,522 | 1 |
| 15XX | **Non-current assets** | | 20,772,519 | 52 | 19,382,330 | 42 |
| 1XXX | **Total assets** | | $ 40,296,426 | 100 | $ 46,120,668 | 100 |

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | $ 49 | - | $ 19,689 | - |
| 2130 | Current contract liabilities | 6(22) | 8,125 | - | - | - |
| 2170 | Accounts payable | | 4,023,701 | 10 | 5,319,859 | 12 |
| 2200 | Other payables | 6(13) | 3,446,379 | 8 | 5,494,264 | 12 |
| 2230 | Current income tax liabilities | | 1,067,997 | 3 | 1,314,117 | 3 |
| 2280 | Current lease liabilities | | 27,193 | - | 122,782 | - |
| 2320 | Long-term liabilities, current portion | 6(14)(15) | 1,047,888 | 3 | 4,183,228 | 9 |
| 2399 | Other current liabilities | | 61,079 | - | 48,563 | - |
| 21XX | **Current Liabilities** | | 9,682,411 | 24 | 16,502,502 | 36 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(15) | 1,792,559 | 5 | 2,638,988 | 6 |
| 2570 | Deferred tax liabilities | 6(29) | 1,694,029 | 4 | 1,446,418 | 3 |
| 2580 | Non-current lease liabilities | | 46,416 | - | 558,704 | 1 |
| 2600 | Other non-current liabilities | 6(16) | 23,543 | - | 27,176 | - |
| 25XX | **Non-current liabilities** | | 3,556,547 | 9 | 4,671,286 | 10 |
| 2XXX | **Total Liabilities** | | 13,238,958 | 33 | 21,173,788 | 46 |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6(14)(17)(18) | | | | |
| 3110 | Share capital - common stock | | 3,225,010 | 8 | 3,227,909 | 7 |
| | Capital surplus | 6(14)(19) | | | | |
| 3200 | Capital surplus | | 778,955 | 1 | 1,579,870 | 3 |
| | Retained earnings | 6(20) | | | | |
| 3310 | Legal reserve | | 2,708,045 | 7 | 2,609,073 | 6 |
| 3320 | Special reserve | | 328,092 | 1 | 477,174 | 1 |
| 3350 | Unappropriated retained earnings | | 18,866,116 | 47 | 17,548,594 | 38 |
| | Other equity interest | 6(21) | | | | |
| 3400 | Other equity interest | | ( 514,023) | ( 1) | ( 495,740) | ( 1) |
| 31XX | **Equity attributable to owners of the parent** | | 25,392,195 | 63 | 24,946,880 | 54 |
| 36XX | **Non-controlling interests** | | 1,665,273 | 4 | - | - |
| 3XXX | **Total equity** | | 27,057,468 | 67 | 24,946,880 | 54 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 40,296,426 | 100 | $ 46,120,668 | 100 |

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2023 | | 2022 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(22) | $ 32,728,862 | 100 | $ 40,070,122 | 100 |
| 5000 | Operating costs | 6(6)(10)(27)(28) | (27,875,335) | (85) | (33,247,051) | (83) |
| 5900 | Net operating margin | | 4,853,527 | 15 | 6,823,071 | 17 |
| | Operating expenses | 6(10)(27)(28) | | | | |
| 6100 | Selling expenses | | (231,512) | (1) | (275,995) | (1) |
| 6200 | General and administrative expenses | | (1,069,999) | (3) | (959,217) | (2) |
| 6300 | Research and development expenses | | (1,914,074) | (6) | (2,050,930) | (5) |
| 6450 | Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 | 12(2) | (375) | - | (6,595) | - |
| 6000 | Total operating expenses | | (3,215,960) | (10) | (3,292,737) | (8) |
| 6900 | Operating profit | | 1,637,567 | 5 | 3,530,334 | 9 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(4)(23) | 395,678 | 1 | 287,882 | 1 |
| 7010 | Other income | 6(24) | 294,424 | 1 | 79,301 | - |
| 7020 | Other gains and losses | 6(2)(11)(25) | 60,040 | - | 451,986 | 1 |
| 7050 | Finance costs | 6(26) | (59,387) | - | (37,916) | - |
| 7060 | Share of loss of associates and joint ventures accounted for using equity method | 6(7) | (146) | - | - | - |
| 7000 | Total non-operating income and expenses | | 690,609 | 2 | 781,253 | 2 |
| 7900 | **Profit before income tax** | | 2,328,176 | 7 | 4,311,587 | 11 |
| 7950 | Income tax expense | 6(29) | (272,453) | (1) | (790,030) | (2) |
| 8200 | **Profit for the year** | | $ 2,055,723 | 6 | $ 3,521,557 | 9 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial losses on defined benefit plans | 6(16) | $ 590 | - | $ 6,779 | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(21) | - | - | 9,054 | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(21) | (185,885) | - | 140,028 | - |
| 8300 | **Total other comprehensive (loss) income** | | ($ 185,295) | - | $ 155,861 | - |
| 8500 | **Total comprehensive income** | | $ 1,870,428 | 6 | $ 3,677,418 | 9 |
| | Profit (loss) attributable to: | | | | | |
| 8610 | Owners of parent | | $ 2,066,725 | 6 | $ 3,521,557 | 9 |
| 8620 | Non-controlling interests | | (11,002) | - | - | - |
| | | | $ 2,055,723 | 6 | $ 3,521,557 | 9 |
| | Comprehensive income (loss) attributable to: | | | | | |
| 8710 | Owners of parent | | $ 1,881,430 | 6 | $ 3,677,418 | 9 |
| 8720 | Non-controlling interests | | (11,002) | - | - | - |
| | | | $ 1,870,428 | 6 | $ 3,677,418 | 9 |
| | Earnings per share | 6(30) | | | | |
| 9750 | Basic earnings per share | | $ 6.45 | | $ 10.83 | |
| 9850 | Diluted earnings per share | | $ 6.37 | | $ 9.94 | |

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | | | | | |
| | Notes | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Other equity interest | Treasury stocks | Total | Non-controlling interests | Total equity |
| Year ended December 31, 2022 | | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 3,513,309 | $ 3,048,710 | $ 2,417,676 | $ 428,325 | $ 16,799,119 | ($ 522,685) | $ - | $ 25,684,454 | $ - | $ 25,684,454 |
| Profit for the year | | - | - | - | - | 3,521,557 | - | - | 3,521,557 | - | 3,521,557 |
| Other comprehensive income | 6(21) | - | - | - | - | 6,779 | 149,082 | - | 155,861 | - | 155,861 |
| Total comprehensive income | | - | - | - | - | 3,528,336 | 149,082 | - | 3,677,418 | - | 3,677,418 |
| Appropriation and distribution of 2021 earnings: | | | | | | | | | | | |
| Legal reserve | | - | - | 191,397 | - | (191,397) | - | - | - | - | - |
| Special reserve | | - | - | - | 48,849 | (48,849) | - | - | - | - | - |
| Cash dividends from capital surplus | 6(19) | - | (1,593,170) | - | - | - | - | - | (1,593,170) | - | (1,593,170) |
| Share-based payments transactions | 6(17)(18)(19)(21) | 14,600 | 210,160 | - | - | - | (122,137) | - | 102,623 | - | 102,623 |
| Purchase of treasury share | 6(18) | - | - | - | - | - | - | (2,924,445) | (2,924,445) | - | (2,924,445) |
| Retirement of treasury share | 6(18) | (300,000) | (85,830) | - | - | (2,538,615) | - | 2,924,445 | - | - | - |
| Balance at December 31, 2022 | | $ 3,227,909 | $ 1,579,870 | $ 2,609,073 | $ 477,174 | $ 17,548,594 | ($ 495,740) | $ - | $ 24,946,880 | $ - | $ 24,946,880 |
| Year ended December 31, 2023 | | | | | | | | | | | |
| Balance at January 1, 2023 | | $ 3,227,909 | $ 1,579,870 | $ 2,609,073 | $ 477,174 | $ 17,548,594 | ($ 495,740) | $ - | $ 24,946,880 | $ - | $ 24,946,880 |
| Profit for the year | | - | - | - | - | 2,066,725 | - | - | 2,066,725 | (11,002) | 2,055,723 |
| Other comprehensive income (loss) | 6(21) | - | - | - | - | 590 | (185,885) | - | (185,295) | - | (185,295) |
| Total comprehensive income | | - | - | - | - | 2,067,315 | (185,885) | - | 1,881,430 | (11,002) | 1,870,428 |
| Appropriation and distribution of 2022 earnings: | | | | | | | | | | | |
| Legal reserve | | - | - | 98,972 | - | (98,972) | - | - | - | - | - |
| Special reserve | | - | - | - | (149,082) | 149,082 | - | - | - | - | - |
| Cash dividends | 6(20) | - | - | - | - | (799,903) | - | - | (799,903) | - | (799,903) |
| Cash dividends from capital surplus | 6(19) | - | (799,903) | - | - | - | - | - | (799,903) | - | (799,903) |
| Share-based payments transactions | 6(17)(18)(19)(21) | (2,899) | (972) | - | - | - | 167,602 | - | 163,731 | - | 163,731 |
| Return of unclaimed dividends to shareholders | 6(19) | - | (40) | - | - | - | - | - | (40) | - | (40) |
| Non-controlling interests arising from a business combination | | - | - | - | - | - | - | - | - | 1,676,275 | 1,676,275 |
| Balance at December 31, 2023 | | $ 3,225,010 | $ 778,955 | $ 2,708,045 | $ 328,092 | $ 18,866,116 | ($ 514,023) | $ - | $ 25,392,195 | $ 1,665,273 | $ 27,057,468 |

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 2,328,176 | $ 4,311,587 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Share-based payments | 6(17) | 163,731 | 102,623 |
| Expected credit loss | 12(2) | 375 | 6,595 |
| Povision for allowance for sales returns and discounts | | 675 | 110 |
| Depreciation expense | 6(8)(9)(27) | 2,964,306 | 2,667,536 |
| Amortization expense | 6(10)(27) | 33,396 | 16,367 |
| Net loss on financial assets or liabilities at fair value through profit or loss | 6(2)(25) | 38,509 | 11,703 |
| Interest expense | 6(26) | 59,387 | 37,916 |
| Interest income | 6(23) | ( 395,678 ) | ( 287,882 ) |
| Dividend income | 6(24) | ( 85 ) | ( 1,892 ) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(7) | 146 | - |
| Losses on repurchase of corporate bonds | 6(25) | 16,072 | - |
| Loss on disposal of property, plant and equipment | 6(25) | 3,437 | 18,217 |
| (Reversal of) impairment loss on property, plant and equipment | 6(11)(25) | ( 1,127 ) | 74,541 |
| Unrealized profit from sales | | 383 | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| (Increase) decrease in financial assets at fair value-current | | ( 89,008 ) | 20,205 |
| (Increase) decrease in financial assets at amortised cost-current | | ( 528,142 ) | 5,477,060 |
| Decrease in notes receivable | | - | 23 |
| Decrease in accounts receivable | | 1,306,060 | 2,567,923 |
| Decrease in other receivables | | 23,167 | 140,577 |
| Decrease in inventories | | 1,372,266 | 363,544 |
| (Increase) decrease in prepayments | | ( 9,003 ) | 136,339 |
| Increase in other current assets | | ( 39,753 ) | ( 207 ) |
| Changes in operating liabilities | | | |
| Increase in contract liabilities | | 1,551 | - |
| Decrease in accounts payable | | ( 1,367,675 ) | ( 584,912 ) |
| Decrease in other payable | | ( 1,041,499 ) | ( 734,196 ) |
| Increase in other current liabilities, others | | 12,101 | 5,212 |
| Cash inflow generated from operations | | 4,851,768 | 14,348,989 |
| Interest received | | 371,842 | 134,191 |
| Dividends received | | 85 | 1,892 |
| Interest paid | | ( 62,197 ) | ( 21,997 ) |
| Income tax paid | | ( 597,407 ) | ( 749,431 ) |
| Net cash flows from operating activities | | 4,564,091 | 13,713,644 |

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31, 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets mandatorily measured at fair value through profit or loss - current | | ($ 3,758,777 ) | ($ 14,061,941 ) |
| Proceeds from disposal of financial assets mandatorily measured at fair value through profit or loss - current | | 3,100,031 | 16,068,611 |
| Acquisition of property, plant and equipment (including prepayment for equipment and for land purchases) | 6(32) | ( 3,416,153 ) | ( 5,881,634 ) |
| Proceeds from disposal of property, plant and equipment | | 8,039 | 18,905 |
| Acquisition of intangible assets | 6(10) | ( 10,919 ) | ( 28,037 ) |
| Decrease in refundable deposits | | 249,669 | 51,206 |
| Net cash outflow on acquisitions of subsidiaries | | ( 1,081,265 ) | - |
| Interest received | | 82,028 | 152,996 |
| Net cash flows used in investing activities | | ( 4,827,347 ) | ( 3,679,894 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term loans | 6(33) | 3,292,059 | 886,768 |
| Decrease in short-term loans | 6(33) | ( 3,295,058 ) | ( 878,503 ) |
| Repayments of principal portion of lease liabilities | 6(33) | ( 693,616 ) | ( 336,840 ) |
| Repayments of corporate bonds | 6(33) | ( 3,157,836 ) | - |
| Repayments of long-term borrowings | 6(33) | ( 846,429 ) | ( 414,583 ) |
| Decrease in other non-current liabilities | | ( 3,043 ) | ( 1,854 ) |
| Payments to acquire treasury shares | 6(18) | - | ( 2,924,445 ) |
| Cash dividends and cash dividends from capital surplus | 6(19)(20) | ( 1,599,806 ) | ( 1,593,170 ) |
| Return of unclaimed dividends to shareholders | 6(19) | ( 40 ) | - |
| Net cash flows used in financing activities | | ( 6,303,769 ) | ( 5,262,627 ) |
| Effect of exchange rate changes on cash and cash equivalents | | ( 85,985 ) | ( 14,101 ) |
| Net (decrease) increase in cash and cash equivalents | | ( 6,653,010 ) | 4,757,022 |
| Cash and cash equivalents at beginning of year | 6(1) | 12,653,297 | 7,896,275 |
| Cash and cash equivalents at end of year | 6(1) | $ 6,000,287 | $ 12,653,297 |

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

FLEXIUM INTERCONNECT, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) Flexium Interconnect, Inc. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company's shares have been traded in the Taiwan Stock Exchange since September, 2003.

(2) Please refer to Note 4(3) B. for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the "Group").

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 15, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

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

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2024 |
| Amendments to IAS 1, 'Non-current liabilities with covenants' | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements' | January 1, 2024 |

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 21, 'Lack of exchangeability' | January 1, 2025 |

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| | | | Ownership (%) | | |
|---|---|---|---|---|---|
| | | | December 31, | | |
| Name of investor | Name of subsidiary | Main business activities | 2023 | 2022 | Note |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Business investment | 100 | 100 | |
| | | | 100 | | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | Marketing supporting, and technology services | 100 | 100 | |
| | | | 100 | | |
| FLEXIUM INTERCONNECT INC. | UNIVERSE ENERGY CO., LTD | Renewable energy self-use power generation equipment and energy technology services, etc. | 100 | 100 | Note 1 |
| FLEXIUM INTERCONNECT INC. | RAFAEL MICROELECTRONICS, INC. | Design, manufacturing and sale of radio frequency integrated circuit (RFIC) | 30 | - | Note 3 |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Business investment | 100 | 100 | |
| SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards) | 100 | 100 | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Business investment | 100 | 100 | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Business investment | 100 | 100 | |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Business investment | 100 | 100 | |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Business investment | 100 | 100 | |
| CLEAR SUCCESS GLOBAL LIMITED | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards) | 100 | 100 | |

Note 1 : Established on September 6, 2022.

Note 2 : As of December 31, 2023 and 2022, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

Note 3 : On November 23, 2023, the Group obtained control over the company and it was included in the consolidated financial statements. Details are provided in Note 6(31).

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The following is information on material non-controlling interests in the Group and its subsidiaries:

| Name of subsidiary | Principal place of business | Non-controlling interest December 31, 2023 Amount | Ownership (%) |
| --- | --- | --- | --- |
| RAFAEL MICROELECTRONICS, INC. (NOTE) | TAIWAN | $ 1,665,273 | 70% |

Note: It pertained to a subsidiary which the Group obtained control over it on November 23, 2023.

Summarised financial information of the subsidiaries:

Balance sheets

| | RAFAEL MICROELECTRONICS, INC. December 31, 2023 |
| --- | --- |
| Current assets | $ 1,293,032 |
| Non-current assets | 2,373,519 |
| Current liabilities | ( 187,342) |
| Non-current liabilities | ( 250,907) |
| Total net assets | $ 3,228,302 |

Statements of comprehensive income

| | RAFAEL MICROELECTRONICS, INC. November 23, 2023 to December 31, 2023 |
| --- | --- |
| Revenue | $ 61,372 |
| Profit before income tax | ( 22,031) |
| Income tax profit | 6,313 |
| Loss for the period | ( 15,718) |
| Other comprehensive income, net of tax | - |
| Total comprehensive income for the period | ($ 15,718) |

Statements of cash flows

| | RAFAEL MICROELECTRONICS, INC. November 23, 2023 to December 31, 2023 |
| --- | --- |
| Net cash used in operating activities | ($ 20,083) |
| Net cash used in investing activities | ( 4) |
| Net cash used in financing activities | ( 978) |
| Effect of exchange rates on cash and cash equivalents | ( 108) |
| Increase (decrease) in cash and cash equivalents | ( 21,173) |
| Cash and cash equivalents, beginning of period | 457,000 |
| Cash and cash equivalents, end of period | $ 435,827 |

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Operating leases (lessor)

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

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 2 ~ 50 years |
| Machinery equipment | 2 ~ 15 years |
| Transportation equipment | 2 ~ 15 years |
| Office equipment | 3 ~ 10 years |
| Other equipment | 2 ~ 10 years |

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Intangible assets

A. Computer software:

Computer software is stated initially at its cost and are amortised on a straight-line basis over their estimated useful life.

B. Masks, trademarks and patents:

Masks acquired separately, trademarks and patents are stated at historical cost. Masks, trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Masks, trademarks and patents all have a finite useful life and are amortised on a straight-line basis over their estimated useful lives as follows:

| | Masks | Trademarks | Patents |
|---|---|---|---|
| Useful lives | 3 years | 7 years | 5 ~ 10 years |

C. Goodwill arises in a business combination accounted for by applying the acquisition method.

D. Customer relations are amortised on a straight-line basis over their estimated useful lives of 10 years.

(19) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

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

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(26) <u>Non-hedging derivatives</u>

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(27) <u>Employee benefits</u>

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Employees' and directors' remuneration

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

(28) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

C. Employee restricted shares:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(29) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(31) Dividends

Dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed when they are approved by the Company's shareholders, and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells flexible printed circuit board products and sale of radio frequency integrated circuit (RFIC). Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

The Group provides commissioned design services. Service revenue is recognised by measuring the performance obligation's progress towards completion based on the contract during the period of service rendering. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(33) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(34) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Group must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash: | | |
| Cash on hand and revolving funds | $ 1,692 | $ 1,157 |
| Checking accounts and demand deposits | 2,170,633 | 1,750,328 |
| | 2,172,325 | 1,751,485 |
| Cash equivalents: | | |
| Time deposits | 3,610,689 | 8,813,668 |
| Bonds sold under repurchase agreements | 217,273 | 2,088,144 |
| | 3,827,962 | 10,901,812 |
| | $ 6,000,287 | $ 12,653,297 |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others as collaterals.

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

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

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed stocks | $ 384,606 | $ 16,074 |
| Forward foreign exchange contracts | 32,931 | 590 |
| Structured certificates of deposit | 1,518,806 | 881,831 |
| | 1,936,343 | 898,495 |
| Valuation adjustments | ( 36,870) | ( 6,248) |
| | $ 1,899,473 | $ 892,247 |
| Current items: | | |
| Financial liabilities held for trading | | |
| Forward foreign exchange contracts | $ 49 | $ 15,920 |
| Financial liabilities designated as at fair value through profit or loss | | |
| Put options of convertible bonds | - | 3,769 |
| | $ 49 | $ 19,689 |

A. The Group recognised net loss of $38,509 and $11,703, respectively, for the years ended December 31, 2023 and 2022.

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

| | December 31, 2023 | |
|---|---|---|
| Derivative Financial Assets | Contract Amount (notional principal) | Contract Period |
| Current items: | | |
| Structured certificates of deposit | RMB 50,000 thousand | 2023.10~2024.01 |
| Structured certificates of deposit | RMB 50,000 thousand | 2023.11~2024.02 |
| Structured certificates of deposit | RMB 100,000 thousand | 2023.11~2024.01 |
| Structured certificates of deposit | RMB 50,000 thousand | 2023.11~2024.02 |
| Structured certificates of deposit | RMB 100,000 thousand | 2023.12~2024.03 |
| Forward foreign exchange contracts | USD 63,000 thousand | 2023.11~2024.03 |
| Forward foreign exchange contracts | USD 10,000 thousand | 2023.12~2024.01 |
| Derivative Financial Liabilities | | |
| Forward foreign exchange contracts | USD 8,000 thousand | 2023.12~2024.02 |

| | December 31, 2022 | |
|---|---|---|
| Derivative Financial Assets | Contract Amount (notional principal) | Contract Period |
| Current items: | | |
| Structured certificates of deposit | RMB 50,000 thousand | 2022.12~2023.01 |
| Structured certificates of deposit | RMB 150,000 thousand | 2022.12~2023.03 |
| Forward foreign exchange contracts | USD 21,000 thousand | 2022.12~2023.01 |
| Derivative Financial Liabilities | | |
| Forward foreign exchange contracts | USD 134,000 thousand | 2022.12~2023.04 |

C. The Group has no financial assets at fair value through profit or loss pledged to others as collaterals.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 118,215 | $ 88,215 |
| Valuation adjustments | ( 22,561) | 3,909 |
| | $ 95,654 | $ 92,124 |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $ 95,654 and $92,124, respectively, as at December 31, 2023 and 2022.

B. Amounts that the Group recognised in other comprehensive income for the years ended December 31, 2023 and 2022 in relation to the financial assets at fair value through other comprehensive income were $0 and $9,054, respectively.

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collaterals.

(4) Financial assets at amortised cost

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items | | |
| Time deposits maturing in excess of three months | $ 2,391,202 | $ 1,848,360 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest income | $ 104,525 | $ 22,341 |

B. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

(5) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 4,815,207 | $ 6,037,039 |
| Less: Allowance for doubtful accounts | ( 30,334) | ( 6,991) |
| Allowance for sales returns and discounts | ( 1,416) | ( 741) |
| | $ 4,783,457 | $ 6,029,307 |

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Up to 90 days | $ 4,768,390 | $ 6,009,293 |
| 91 to 180 days | 215 | 22 |
| 181 to 365 days | - | 3,879 |
| Over one year | 46,602 | 23,845 |
| | $ 4,815,207 | $ 6,037,039 |

The above ageing analysis was based on overdue dates.

B. As of December 31, 2023 and 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to $4,815,207, $6,037,039 and $8,604,962, respectively.

C. The Group does not hold collateral as security for accounts receivable.

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $4,783,457 and $6,029,037, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Raw materials | $ 792,277 | $ 1,022,962 |
| Work in process and semi-finished goods | 1,007,115 | 1,156,590 |
| Finished goods | 2,058,531 | 2,659,162 |
| | $ 3,857,923 | $ 4,838,714 |

The cost of inventories recognised as expenses and losses for the years ended December 31, 2023 and 2022, was $27,875,335 and $33,247,051, respectively, including the amount of $66,415 for the year ended December 31, 2023 that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventories were scrapped or sold, as well as the amount of $59,286 for the year ended December 31, 2022 that the Group wrote down from cost to net realisable value accounted for as increase of cost of goods sold.

(7) Investments accounted for using equity method

| | December 31, 2023 | |
|---|---|---|
| Joint ventures | Book values | Shareholding ratio |
| Aluksen Hongxin Technology Co., Ltd. | $ 6,239 | 49% |

Note: It was acquired by the Group on November 23, 2023 through a merger transaction. Details are provided in Note 6(31).

A. As of December 31, 2023, the Group has no significant joint ventures.

B. The carrying amount of the Group's interests in all individually immaterial joint ventures amounted to $6,239 and the Group's share of the operating results are summarised below:

| | November 23, 2023 to December 31, 2023 |
|---|---|
| Loss for the period from continuing operations (total comprehensive loss) | ($ 146) |

(8) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 5,946,707 | $ 4,949,953 |
| Buildings | 3,100,089 | 3,228,749 |
| Machinery | 7,732,744 | 8,357,672 |
| Research and development equipment | 11,641 | - |
| Transportation equipment | 6,849 | 5,886 |
| Office equipment | 2,907 | 1,481 |
| Other equipment | 421,533 | 447,204 |
| Construction in progress and equipment under acceptance | 184,809 | 398,376 |
| | $ 17,407,279 | $ 17,389,321 |

B. Changes in property, plant and equipment are as follows:

| | For the year ended December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| Cost | Opening net book amount | Additions and transfer | Deduction | Acquired from business combinations | Effects of exchange rate changes | Closing net book amount |
| Land | $ 4,949,953 | $ 782,648 | $ - | $ 214,306 | $ - | $ 5,946,907 |
| Buildings | 4,756,581 | 14,418 | - | 99,320 | ( 45,927) | 4,824,392 |
| Machinery | 18,154,534 | 1,807,615 | ( 179,316) | 3,149 | ( 162,397) | 19,623,585 |
| Research and development equipment | - | - | - | 27,402 | ( 62) | 27,340 |
| Transportation equipment | 29,484 | 2,603 | ( 4,017) | 3,650 | ( 236) | 31,484 |
| Office equipment | 14,942 | - | - | 5,523 | ( 58) | 20,407 |
| Other equipment | 1,002,349 | 212,289 | ( 29,381) | - | ( 16,139) | 1,169,118 |
| Construction in progress and equipment under acceptance | 398,376 | ( 212,871) | - | - | ( 696) | 184,809 |
| | $ 29,306,219 | $ 2,606,702 | ($ 212,714) | $ 353,350 | ($ 225,515) | $ 31,828,042 |

| | For the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| Cost | Opening net book amount | Additions and transfer | Deduction | Effects of exchange rate changes | Closing net book amount |
| Land | $ 2,407,376 | $ 2,542,577 | $ - | $ - | $ 4,949,953 |
| Buildings | 3,783,042 | 967,082 | ( 8,475) | 14,932 | 4,756,581 |
| Machinery | 14,343,197 | 3,995,317 | ( 273,710) | 89,730 | 18,154,534 |
| Transportation equipment | 26,515 | 3,568 | ( 849) | 250 | 29,484 |
| Office equipment | 14,533 | 200 | - | 209 | 14,942 |
| Other equipment | 708,821 | 315,654 | ( 28,673) | 6,547 | 1,002,349 |
| Construction in progress and equipment under acceptance | 2,859,891 | ( 2,497,058) | - | 35,543 | 398,376 |
| | $ 24,143,375 | $ 5,327,340 | ($ 311,707) | $ 147,211 | $ 29,306,219 |

| | For the year ended December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| Accumulated depreciation and impairment | Opening net book amount | Additions | Deduction | Acquired from business combinations | Effects of exchange rate changes | Closing net book amount |
| Buildings | $ 1,527,832 | $ 205,713 | $ - | $ 12,776 | ($ 22,018) | $ 1,724,303 |
| Machinery | 9,796,862 | 2,366,197 | ( 170,561) | 1,992 | ( 103,649) | 11,890,841 |
| Research and development equipment | - | 609 | - | 14,669 | 421 | 15,699 |
| Transportation equipment | 23,598 | 2,840 | ( 3,936) | 2,292 | ( 159) | 24,635 |
| Office equipment | 13,461 | 412 | - | 3,777 | ( 150) | 17,500 |
| Other equipment | 555,145 | 230,115 | ( 27,868) | - | ( 9,807) | 747,585 |
| | $ 11,916,898 | $ 2,805,886 | ($ 202,365) | $ 35,506 | ($ 135,362) | $ 14,420,563 |

| Accumulated depreciation and impairment | For the year ended December 31, 2022 Opening net book amount | Additions | Deduction | Effects of exchange rate changes | Closing net book amount |
|---|---|---|---|---|---|
| Buildings | $ 1,282,690 | $ 238,788 | ($ 8,475) | $ 14,829 | $ 1,527,832 |
| Machinery | 7,771,169 | 2,215,110 | ( 238,304) | 48,887 | 9,796,862 |
| Transportation equipment | 21,310 | 2,934 | ( 849) | 203 | 23,598 |
| Office equipment | 12,993 | 276 | - | 192 | 13,461 |
| Other equipment | 416,214 | 162,807 | ( 26,957) | 3,081 | 555,145 |
| | $ 9,504,376 | $ 2,619,915 | ($ 274,585) | $ 67,192 | $ 11,916,898 |

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2023 and 2022.

D. Impairment information about the property, plant and equipment is provided in Note 6(11).

E. The Group did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(9) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.

B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Land | $ 186,569 | $ 195,608 |
| Buildings | 825,034 | 901,852 |
| Transportation equipment (Business vehicles) | 117 | 742 |
| | $ 1,011,720 | $ 1,098,202 |

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | Depreciation charge | Depreciation charge |
| Land | $ 6,064 | $ 6,078 |
| Buildings | 151,731 | 113,941 |
| Transportation equipment (Business vehicles) | 625 | 2,143 |
| | $ 158,420 | $ 122,162 |

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $79,239 and $946,505, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

| | For the years ended December 31, | |
|---|---|---|
| Items affecting profit or loss | 2023 | 2022 |
| Interest expense on lease liabilities | $ 871 | $ 1,078 |
| Expense on short-term lease contracts | 47,911 | 72,172 |

F. For the years ended December 31, 2023 and 2022, the Group’s total cash outflow for leases were $742,398 and $410,090, respectively.

(10) Intangible assets

A. Changes in intangible assets are as follows:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trademarks and licences | Patents | Computer software | Masks | Customer relations | Goodwill | Total |
| At January 1 | $ - | $ - | $ 25,597 | $ - | $ - | $ - | $ 25,597 |
| Additions-acquired separately | - | 5 | 10,914 | - | - | - | 10,919 |
| Acquired from business combinations | 105,000 | 403,000 | 30,937 | 37,838 | 619,000 | 845,629 | 2,041,404 |
| Amortization | ( 1,250) | ( 3,500) | ( 16,821) | ( 6,667) | ( 5,158) | - | ( 33,396) |
| Effects of exchange rate changes | - | - | ( 18) | - | - | - | ( 18) |
| At December 31 | $ 103,750 | $ 399,505 | $ 50,609 | $ 31,171 | $ 613,842 | $ 845,629 | $ 2,044,506 |

| | 2022 |
|---|---|
| | Computer software |
| At January 1 | $ 13,914 |
| Additions-acquired separately | 28,037 |
| Amortization | ( 16,367) |
| Effects of exchange rate changes | 13 |
| At December 31 | $ 25,597 |

B. Details of amortization on intangible assets are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Operating costs | $ 273 | $ 511 |
| General and administrative expenses | 10,046 | 10,734 |
| Research and development expenses | 23,077 | 5,122 |
| | $ 33,396 | $ 16,367 |

(11) Impairment of non-financial assets

A. In 2022, the changes in product structures and replacement of existing product equipment resulted in an impairment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly. As of December 31, 2022, the Company recognised impairment loss amounting to $74,541. The recoverable amount is the fair value of those property, plant and equipment less costs of disposal, estimated in accordance with the income approach. The fair value is classified as a level 3 fair value. For the year ended December 31, 2023, the Group recognised a gain on reversal of impairment of $1,127 due to the reversal of impairment loss from selling those machinery equipment.

B. Details of impairment losses recognised by the Group are as follows:

| | January 1, 2023 | Additions | Effects of exchange rate changes | December 31, 2023 |
|---|---|---|---|---|
| Machinery | $ 63,189 | $ (1,127) | ($ 899) | $ 61,163 |
| Other equipment | 10,421 | - | ( 165) | 10,256 |
| | $ 73,610 | ($ 1,127) | ($ 1,064) | $ 71,419 |

| | January 1, 2022 | Deduction | Effects of exchange rate changes | December 31, 2022 |
|---|---|---|---|---|
| Machinery | $ - | $ 64,037 | ($ 848) | $ 63,189 |
| Other equipment | - | 10,504 | ( 83) | 10,421 |
| | $ - | $ 74,541 | ($ 931) | $ 73,610 |

(12) Other non-current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Prepayment for land purchases | $ - | $ 116,165 |
| Prepayment for equipment | 35,596 | 232,039 |
| Refundable deposits | 40,620 | 289,318 |
| Long-term prepayments | 1,754 | - |
| | $ 77,970 | $ 637,522 |

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(13) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Processing fees payable | $ 929,901 | $ 1,377,533 |
| Wages and salaries payable | 700,775 | 647,855 |
| Payables on employees' compensation and remuneration to directors | 130,288 | 125,000 |
| Payables on machinery and equipment | 596,299 | 1,718,358 |
| Other payables | 1,089,116 | 1,625,518 |
| | $ 3,446,379 | $ 5,494,264 |

(14) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Third overseas unsecured convertible bonds | $ - | $ - |
| Fourth overseas unsecured convertible bonds | 201,564 | 3,359,400 |
| Less: Discount on bonds payable | ( 105) | ( 22,601) |
| | 201,459 | 3,336,799 |
| Less: current portion | | |
| (Shown as long-term liabilities, current portion) | ( 201,459) | ( 3,336,799) |
| | $ - | $ - |

A. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As at January 22, 2022, the bonds with face value in the amount of US$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as 'Share capital-common stock' of $397,252 and 'capital surplus, additional paid-in capital arising from bond conversion' of $2,767,823).

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at January 22, 2022, the conversion price was adjusted to NT$75.88 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the "early redemption price for the bondholders"), after two years from the issue date.

(ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the "early redemption amount").

(iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of January 22, 2022, the balance of "capital surplus - share options" after adjusting the amount converted into common stock is \$0. The non-equity redeem options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets and liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%

B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$120 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 25, 2021.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption. As of December 31, 2023, the book value of the convertible corporate bonds redeemed by the Company due to the bondholders exercising put options amounted to USD 112,800 thousand..

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$136.00 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 27.995 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2023, the conversion price was adjusted to NT\$116.84 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have the right to ask for whole or partial redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium after two years from the issue date.

(ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have the right to ask for only whole redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium (the "early redemption amount").

(iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $112,250 were separated from the liability component and were recognised in ‘capital surplus - share options’ in accordance with IAS 32. As of December 31, 2023, the balance of the account ‘capital surplus - share options’ was $6,375 due to the bondholders exercising their put options and the account was reversed. The non-equity redeem options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 0.6748%.

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2023 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.55%~2.095% | None | $ 483,333 |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.55%~2.095% | None | 928,572 |
| Unsecured borrowings | Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.55%~2.095% | None | 1,227,083 |
| | | | | 2,638,988 |
| Less: Current portion | | | | ( 846,429) |
| | | | | $ 1,792,559 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2022 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.425%~1.970% | None | $ 683,333 |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.425%~1.970% | None | 1,100,000 |
| Unsecured borrowings | Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.425%~1.970% | None | 1,702,084 |
| | | | | 3,485,417 |
| Less: Current portion | | | | ( 846,429) |
| | | | | $ 2,638,988 |

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note6 (26).

(16) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | ($ 65,486) | ($ 66,710) |
| Fair value of plan assets | 52,343 | 51,465 |
| Net defined benefit liability (shown as 'Other non-current liabilities') | ($ 13,143) | ($ 15,245) |

(c) Changes in present value of defined benefit obligations are as follows:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| For the year ended December 31, 2023 | | | |
| Balance at January 1 | ($ 66,710) | $ 51,465 | ($ 15,245) |
| Interest (expense) income | ( 834) | 654 | ( 180) |
| | ($ 67,544) | $ 52,119 | ($ 15,425) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 450 | 450 |
| Experience adjustments | 140 | - | 140 |
| | 140 | 450 | 590 |
| Pay pension | 1,918 | ( 1,918) | - |
| Pension fund contribution | - | 1,692 | 1,692 |
| Balance at December 31 | ($ 65,486) | $ 52,343 | ($ 13,143) |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| For the year ended December 31, 2022 | | | |
| Balance at January 1 | ($ 70,635) | $ 47,059 | ($ 23,576) |
| Interest (expense) income | ( 459) | 311 | ( 148) |
| | ($ 71,094) | $ 47,370 | ($ 23,724) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 3,610 | 3,610 |
| Experience adjustments | 4,384 | ( 1,215) | 3,169 |
| | 4,384 | 2,395 | 6,779 |
| Pension fund contribution | - | 1,700 | 1,700 |
| Balance at December 31 | ($ 66,710) | $ 51,465 | ($ 15,245) |

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

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.25% | 1.25% |
| Future salary increases | 3.00% | 3.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 1% | Decrease 1% |
| December 31, 2023 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,619) | $ 1,678 | $ 7,008 | ($ 6,194) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,933) | $ 2,011 | $ 8,440 | ($ 7,335) |

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

The method and assumptions used for the preparation of sensitivity analysis during 2023 and 2022 are the same.

(f)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to $1,692.

(g)As of December 31, 2023, the weighted average duration of that retirement plan is 12.5 years.

B. Defined contribution plan

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Group contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company’s mainland China subsidiaries, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages.

(c)The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $340,921 and $299,263, respectively.

(17) Share-based payment

A. On August 3, 2022, July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

| Type of arrangement | Grant date | Number of shares granted (in thousands) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Restricted stock transferred to employees (Note 1) | 2020.08.03 | 2,500 | 3 years | Service period and performance condition (Note 3) |
| Restricted stock transferred to employees (Note 1) | 2020.07.03 | 1,000 | 3 years | Service period and performance condition (Note 2) |
| Restricted stock transferred to employees (Note 1) | 2019.07.01 | 5,500 | 3 years | Service period and performance condition (Note 2) |

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 30%, 30% and 40%, respectively.

Note 3: For the employees who are currently working in the Company, whose services have reached 1 year since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to100%.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

| | 2023 | 2022 |
|---|---|---|
| Employee restricted shares at January 1 | 2,885 | 2,734 |
| Options issued for the year | - | 2,500 |
| Options retired for the year | ( 290) | ( 1,040) |
| Unrestriction for the year | ( 2,591) | ( 1,309) |
| Employee restricted shares at December 31 | 4 | 2,885 |

(c) Expenses incurred on share-based payment transactions amounted to $163,731 and $102,623 for the years ended December 31, 2023 and 2022, respectively.

B. The expected duration life of the employee restricted shares granted by the subsidiary, RAFAEL MICROELECTRONICS, INC., on May 5, 2021 and August 11, 2021, respectively, was three years. After 2 years from the restricted stocks granted, employees who meet certain specific requirements and achieve the performance conditions set by the Company can be vested with a certain percentage of the shares. The limited rights before employees reaching the vesting conditions are as follows:

i. Cannot sell, pledge, transfer, donate, set or dispose the restricted stocks in any other method.

ii. The rights to attend, propose, speak, vote and elect in the shareholders' meeting are executed by the Trust Depository or custodian bank according to the regulations.

iii. Cannot participate in the distribution of stocks and dividends and do not entitle the rights to subscribe shares from the capital increase.

The restricted shares are not meeting the vesting conditions if employees resign voluntarily, retire or are dismissed, which will be considered as not meeting the vesting conditions starting from the effective date, and the Company will redeem their shares at no consideration and retire the shares.

(a) The basic information of share-based payment arrangements of the subsidiary, RAFAEL MICROELECTRONICS, INC., are as follows:

| Type of arrangement | Grant date | Number of shares granted (in thousands) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Restricted stock transferred to employees | 2021.08.11 | 38 | 3 years | Service period and performance condition |
| Restricted stock transferred to employees | 2021.05.05 | 30 | 3 years | Service period and performance condition |

(b) As of December 31, 2023, restricted stocks to employees of the subsidiary, RAFAEL MICROELECTRONICS, INC., were recognised in RAFAEL MICROELECTRONICS, INC.'s capital surplus - restricted stock and unearned employee compensation amounting to $6,705 and $2,470, respectively.

C. In May 2021, the subsidiary, RAFAEL MICROELECTRONICS, INC., implemented cash-settled employee stock appreciation right plan to grant 54 thousand units at no consideration. One unit of stock appreciation right represents the right of one ordinary share of the Company and is granted to the Company's employees who meet the certain conditions. The duration of employee stock appreciation right plan is 3.92 years. After 2 years from the restricted stocks granted, employees who meet certain specific requirements and achieve the performance conditions set by the Company can exercise a certain percentage of stock appreciation right. For restricted stocks that do not meet the vesting condition, the Company will recover their rights at no consideration. The stock appreciation rights during the vesting period do not entitle the related rights of ordinary shares.

The initial fair value of the total compensation cost of cash-settled share-based payment is measured using the Black-Scholes option-pricing model and subsequently remeasured at the end of each reporting period until the settlement.

(a) As of December 31, 2023, the details of the valuation assumptions are as follows:

| Type of arrangement | Fair value per unit | Expected price volatility rate | Expected option life | Expected dividends rate | Risk-free interest rate |
|---|---|---|---|---|---|
| Employee stock appreciation right plan | $ 159.50 | 39.9% | 0.33 years | 2.94% | 1.07% |

(b) As of December 31, 2023, the employee stock appreciation right plan of the subsidiary, RAFAEL MICROELECTRONICS, INC., had not recognised any liabilities. Total intrinsic value of liabilities for which the vesting conditions have been met was $0.

(18) Share capital

A. As of December 31, 2023, the Company's authorized capital was $6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was $3,225,010, consisting of 322,501 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Shares in thousands)

| | 2023 | 2022 |
|---|---|---|
| At January 1 | 322,791 | 351,331 |
| Employee restricted shares | - | 2,500 |
| Employee restricted shares cancellation | ( 290) | ( 1,040) |
| Treasury share cancellation | - | ( 30,000) |
| At December 31 | 322,501 | 322,791 |

B. The Board of Directors during its meeting on August 3, 2022 adopted a resolution to issue employee restricted ordinary shares (see Note 6(17)) with the effective date set on September 5, 2022. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

D. Treasury shares

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

There was no such transaction as of December 31, 2023 and 2022.

(b)Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within five years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2023, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(f) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on March 16, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2023, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(19) Capital surplus

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Employee | | |
| | Share premium | Stock options | Donated assets | restricted shares | Others | Total |
| At January 1, 2023 | $ 1,206,805 | $ 112,250 | $ 1,245 | $ 257,799 | $ 1,771 | $ 1,579,870 |
| Return of unclaimed dividends to shareholders | - | - | ( 40) | - | - | ($ 40) |
| Employee restricted shares | 256,827 | - | - | ( 257,799) | - | ( 972) |
| Put options of convertible bonds | - | ( 105,515) | - | - | 105,515 | - |
| Cash dividends from capital surplus | ( 799,903) | - | - | - | - | ( 799,903) |
| At December 31, 2023 | $ 663,729 | $ 6,735 | $ 1,205 | $ - | $ 107,286 | $ 778,955 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Employee | | |
| | Share premium | Stock options | Donated assets | restricted shares | Others | Total |
| At January 1, 2022 | $ 2,595,672 | $ 112,250 | $ 1,245 | $ 337,772 | $ 1,771 | $ 3,048,710 |
| Employee restricted shares | 290,133 | - | - | ( 79,973) | - | 210,160 |
| Treasury shares cancellation | ( 85,830) | - | - | - | - | ( 85,830) |
| Cash dividends from capital surplus | ( 1,593,170) | - | - | - | - | ( 1,593,170) |
| At December 31, 2022 | $ 1,206,805 | $ 112,250 | $ 1,245 | $ 257,799 | $ 1,771 | $ 1,579,870 |

B. On February 9, 2023, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $799,903, at NT$2.5 (in dollars) per share and reported to the shareholders during their meeting on May 30, 2023. On May 4, 2022, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $1,593,170, at NT$5 (in dollars) per share and reported to the shareholders during their meeting on May 31, 2022. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. On February 15, 2024, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $322,501, at NT$1 (in dollars) per share.

D. For details of capital reserve from stock options, please refer to Note 6(14).

(20) <u>Retained earnings</u>

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders' meeting.

B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than $0.1 per share, which will instead be distributed in the form of stocks.

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

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The shareholders of the Company during their meeting on May 30, 2023 resolved to distribute cash dividend from earnings in the amount of $799,903, at NT$2.5 (in dollars) per share. The appropriation of 2021 earnings had been resolved at the shareholders' meeting on May 31, 2022. All distributable earnings have been retained and not distributed as dividends. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange..

F. On February 15, 2024, the Board of Directors resolved that the cash dividends for the distribution of earnings was $1,290,004, at NT$4 (in dollars) per share.

(21) Other equity items

| | 2023 | | | |
|---|---|---|---|---|
| | Currency translation | Unearned compensation | Unearned gain (losses) on valuation | Total |
| At January 1 | ($ 332,001) | ($ 167,648) | $ 3,909 | ($ 495,740) |
| Currency translation differences: | | | | |
| –Group | ( 185,885) | - | - | ( 185,885) |
| Compensation cost of share-based payment | - | 164,383 | - | 164,383 |
| Valuation adjustments | - | 3,219 | - | 3,219 |
| At December 31 | ($ 517,886) | ($ 46) | $ 3,909 | ($ 514,023) |

| | 2022 | | | |
|---|---|---|---|---|
| | Currency translation | Unearned compensation | Unearned gain (losses) on valuation | Total |
| At January 1 | ($ 472,029) | ($ 45,511) | ($ 5,145) | ($ 522,685) |
| Currency translation differences: | | | | |
| –Group | 140,028 | - | - | 140,028 |
| Issuance of employee restricted shares | - | ( 142,600) | - | ( 142,600) |
| Compensation cost of share-based payment | - | 102,623 | - | 102,623 |
| Valuation adjustments | - | ( 82,160) | 9,054 | ( 73,106) |
| At December 31 | ($ 332,001) | ($ 167,648) | $ 3,909 | ($ 495,740) |

(22) Operating revenue

| Revenue from contracts with customers | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| Salea revenue | $ 32,728,862 | $ 40,070,122 |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

| 2023 | Taiwan | China | Asia (excluding Taiwan and China) | Europe and America | Total |
|---|---|---|---|---|---|
| Revenue from external customer contracts | $ 1,448,957 | $ 2,029,368 | $ 700,204 | $ 28,550,333 | $32,728,862 |
| Timing of revenue recognition | | | | | |
| At a point in time | $ 1,448,957 | $ 2,029,368 | $ 700,204 | $ 28,550,333 | $32,728,862 |

| 2022 | Taiwan | China | Asia (excluding Taiwan and China) | Europe and America | Total |
|---|---|---|---|---|---|
| Revenue from external customer contracts | $ 1,361,057 | $ 2,825,064 | $ 1,323,667 | $ 34,560,334 | $ 40,070,122 |
| Timing of revenue recognition | | | | | |
| At a point in time | $ 1,361,057 | $ 2,825,064 | $ 1,323,667 | $ 34,560,334 | $ 40,070,122 |

B. Contract liabilities

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

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities | $ 8,125 | $ - | $ - |

(23) Interest income

| | For the years ended December 31, 2023 | 2022 |
|---|---|---|
| Interest income from bank deposits | $ 316,276 | $ 134,210 |
| Other interest income | 79,402 | 153,672 |
| | $ 395,678 | $ 287,882 |

(24) Other income

| | For the years ended December 31, 2023 | 2022 |
|---|---|---|
| Rent income | $ 11,029 | $ 13,647 |
| Dividend income | 85 | 1,892 |
| Government grant revenue | 240,158 | 28,572 |
| Other income | 43,152 | 35,190 |
| | $ 294,424 | $ 79,301 |

(25) Other gains and losses

| | For the years ended December 31, 2023 | 2022 |
|---|---|---|
| Losses on disposal of property, plant and equipment | ($ 3,437) | ($ 18,217) |
| Foreign exchange gains | 118,045 | 562,919 |
| Net losses on financial assets/ liabilities at fair value through profit or loss | ( 38,509) | ( 11,703) |
| Impairment gains (losses) on property, plant and equipment | 1,127 | ( 74,541) |
| Losses on repurchase of corporate bonds | ( 16,072) | - |
| Others | ( 1,114) | ( 6,472) |
| | $ 60,040 | $ 451,986 |

(26) <u>Finance costs</u>

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | $ 55,156 | $ 16,103 |
| Convertible bonds | 2,880 | 20,727 |
| Imputed interest on deposit | 16 | 8 |
| Interest expense on lease liabilities | 871 | 1,078 |
| Other | 464 | - |
| | $ 59,387 | $ 37,916 |

(27) <u>Expenses by nature</u>

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Employee benefit expense | $ 5,783,613 | $ 6,157,592 |
| Depreciation charge on property, plant and equipment | 2,805,886 | 2,545,374 |
| Depreciation expenses on right-of-use assets | 158,420 | 122,162 |
| Amortisation on intangible assets | 33,396 | 16,367 |

(28) <u>Employee benefit expense</u>

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Wages and salaries | $ 4,825,178 | $ 5,284,603 |
| Employee restricted stock | 163,731 | 102,623 |
| Labor and health insurance fees | 262,912 | 249,567 |
| Pension costs | 341,101 | 299,411 |
| Other personnel expenses | 190,692 | 221,388 |
| | $ 5,783,614 | $ 6,157,592 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued $80,000 and $100,000; while directors' remuneration were $20,000 and $25,000, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash. Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Information about employees' compensation and directors' remuneration of the Company resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

Components of income tax expense:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Current tax： | | |
| Current tax on profits for the year | $ 317,287 | $ 841,285 |
| Tax on undistributed earnings | 138,927 | 131,756 |
| Overestimation of prior year's income tax | ( 194,565) | ( 135,272) |
| Total current tax | 261,649 | 837,769 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 10,804 | ( 47,739) |
| Income tax expense | $ 272,453 | $ 790,030 |

B. Reconciliation between income tax expense and accounting profit

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Tax calculated based on profit before tax and statutory tax rate (Note) | $ 606,881 | $ 1,094,222 |
| Effect from items adjusted in accordance with tax regulation | ( 278,790) | ( 300,676) |
| Tax on undistributed earnings | 138,927 | 131,756 |
| Overestimation of prior year's income tax | ( 194,565) | ( 135,272) |
| Income tax expense | $ 272,453 | $ 790,030 |

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

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

| | For the year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Business combinations | Effects of exchange rate changes | December 31 |
| Temporary differences: | | | | | |
| －Deferred tax assets: | | | | | |
| Allowance for obsolescence and decline in market value of inventories | $ 92,175 | ($ 5,776) | $ 4,157 | ($ 1,028) | $ 89,528 |
| Unrealised gross profit | 16,290 | ( 3,967) | - | - | 12,323 |
| Unrealised compensated absences | 7,567 | 1,005 | - | - | 8,572 |
| Cost of bond issuance | 1,064 | ( 982) | - | - | 82 |
| Unrealised exchange loss | - | 196 | 467 | - | 663 |
| Refund liability | 3,591 | - | - | - | 3,591 |
| Unrealised estimated expense | 7,430 | ( 4,542) | - | - | 2,888 |
| Impairment of assets | 10,356 | ( 169) | - | ( 160) | 10,027 |
| Others | 1,091 | ( 480) | 666 | - | 1,277 |
| Subtotal | $ 139,564 | ($ 14,715) | $ 5,290 | ($ 1,188) | $ 128,951 |
| －Deferred tax liabilities: | | | | | |
| Gain on foreign investment accounted for under equity method | ($ 1,437,902) | $ - | $ - | $ - | ($ 1,437,902) |
| Pension expense | ( 2,722) | ( 303) | - | - | ( 3,025) |
| Unrealised exchange gain | ( 5,794) | 2,027 | ( 1,633) | - | ( 5,400) |
| Unrealized land value-added tax | - | - | ( 2,252) | - | ( 2,252) |
| Unrealized amortization of the difference | - | 2,187 | ( 247,637) | - | ( 245,450) |
| Subtotal | ($ 1,446,418) | $ 3,911 | ($ 251,522) | $ - | ( 1,694,029) |
| Total | ($ 1,306,854) | ($ 10,804) | ($ 246,232) | ($ 1,188) | ($ 1,565,078) |

| | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Effects of exchange rate changes | December 31 |
| Temporary differences: | | | | |
| －Deferred tax assets: | | | | |
| Allowance for obsolescence and decline in market value of inventories | $ 75,222 | $ 15,870 | $ 1,083 | $ 92,175 |
| Unrealised gross profit | 4,133 | 12,157 | - | 16,290 |
| Unrealised compensated absences | 7,495 | 72 | - | 7,567 |
| Cost of bond issuance | 1,964 | ( 900) | - | 1,064 |
| Refund liability | 3,591 | - | - | 3,591 |
| Unrealised estimated expense | 15 | 7,415 | - | 7,430 |
| Impairment of assets | 70 | 10,347 | ( 61) | 10,356 |
| Others | 79 | 1,012 | - | 1,091 |
| Subtotal | $ 92,569 | $ 45,973 | $ 1,022 | $ 139,564 |
| －Deferred tax liabilities: | | | | |
| Gain on foreign investment accounted for under equity method | ($ 1,437,902) | $ - | $ - | ($ 1,437,902) |
| Pension expense | ( 2,412) | ( 310) | - | ( 2,722) |
| Unrealised exchange gain | ( 7,870) | 2,076 | - | ( 5,794) |
| Subtotal | ($ 1,448,184) | $ 1,766 | $ - | ($ 1,446,418) |
| Total | ($ 1,355,615) | $ 47,739 | $ 1,022 | ($ 1,306,854) |

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were $450,189 and $238,246, respectively.

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(30) Earnings per share

| | For the year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 2,066,725 | 320,451 | $ 6.45 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 2,066,725 | 320,451 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 920 | |
| Convertible bonds | 14,981 | 2,989 | |
| Employee restricted stock | - | 2,255 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 2,081,706 | 326,615 | $ 6.37 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,521,557 | 325,213 | $ 10.83 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,521,557 | 325,213 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,031 | |
| Convertible bonds | 9,180 | 27,263 | |
| Employee restricted stock | - | 1,586 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 3,530,737 | 355,093 | $ 9.94 |

(31) Business combinations

A. The public acquisition period for the public acquisition of ordinary shares of RAFAEL MICROELECTRONICS, INC. (“RAFAEL, INC.”) on November 23, 2023 was expired, and the Group acquired 30% of equity interest in RAFAEL, INC. by cash in the amount of $1,567,736. As the Group was the single largest shareholder of RAFAEL, INC. and directed the relevant activities of it, and thus RAFAEL, INC. was deemed a subsidiary of the Group and was included in the consolidated financial statements from the date the Group obtained control over it. As a result of the acquisition, the Group is expected to provide a market with complete modular solutions and accelerate energy conservation and carbon reduction. It also expects to develop a transmission technology integration layout.

B. The following table summarises the consideration paid for RAFAEL, INC. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

| | December 31, 2023 |
|---|---|
| Purchase consideration | |
| Cash paid | $ 1,567,736 |
| Fair value of non-controlling interest | 1,671,762 |
| | 3,239,498 |
| Fair value of the identifiable assets acquired and liabilities assumed | |
| Cash | 486,471 |
| Financial assets at fair value through profit or loss - current | 340,035 |
| Financial assets at amortised cost - current | 14,700 |
| Accounts receivable | 61,260 |
| Other receivables | 22,614 |
| Inventories | 391,475 |
| Prepayments | 4,857 |
| Other current assets | 16 |
| Financial assets at fair value through other comprehensive income - non-current | 5,208 |
| Investments accounted for using equity method | 7,076 |
| Property, plant and equipment | 317,844 |
| Right-of-use assets | 7,552 |
| Intangible assets | 1,195,775 |
| Deferred tax assets | 5,290 |
| Other non-current assets | 2,724 |
| Current lease liabilities | ( 3,977) |
| Current contract liabilities | ( 6,574) |
| Accounts payable | ( 71,517) |
| Other payables | ( 115,637) |
| Current income tax liabilities | ( 15,755) |
| Other current liabilities | ( 415) |
| Non-current lease liabilities | ( 3,631) |
| Deferred tax liabilities | ( 249,270) |
| Deferred tax liabilities-Land value added tax | ( 2,252) |
| Total identifiable net assets | 2,393,869 |
| Goodwill | $ 845,629 |

C. The operating revenue included in the consolidated statement of comprehensive income since November 23, 2023 contributed by RAFAEL, INC. was $61,372. RAFAEL, INC. also contributed loss before income tax of ($11,100) over the same period. Had RAFAEL, INC. been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of $33,663,510 and profit before income tax of $2,377,872.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Purchase of property, plant and equipment (including prepayments for equipment and for land purchases) | $ 2,294,094 | $ 5,472,814 |
| Add: opening balance of payable on equipment | 1,718,358 | 2,127,178 |
| Less: ending balance of payable on equipment | ( 596,299) | ( 1,718,358) |
| Cash paid during the period | $ 3,416,153 | $ 5,881,634 |

B. Investing and financing activities with no cash flow effects:

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Prepayment for equipment transferred to property, plant, and equipment | $ 312,607 | $ - |

(33) Changes in liabilities from financing activities

| 2023 | Short-term loans | Lease liability | Bonds payable | Long-term borrowings | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1 | $ - | $ 681,486 | $ 3,336,799 | $ 3,485,417 | $ 7,503,702 |
| Changes in cash flow from financing activities | 3,292,059 | ( 693,616) | - | - | 2,598,443 |
| Changes in other non-cash items | - | - | 3,544 | - | 3,544 |
| Changes in acquisition of subsidiaries | - | 7,608 | - | - | 7,608 |
| Increase in lease liabilities | - | 79,239 | - | - | 79,239 |
| Amortisation of discounts on bonds payable | - | - | 2,880 | - | 2,880 |
| Losses on repurchase of convertible bonds | - | - | 16,072 | - | 16,072 |
| Repurchase of convertible bonds | - | - | ( 3,157,836) | - | ( 3,157,836) |
| Repayments of long-term borrowings | - | - | - | ( 846,429) | ( 846,429) |
| Repayments of short-term borrowings | ( 3,295,058) | - | - | - | ( 3,295,058) |
| Impact of changes in foreign exchange rate | 2,999 | ( 1,108) | - | - | 1,891 |
| At December 31 | $ - | $ 73,609 | $ 201,459 | $ 2,638,988 | $ 2,914,056 |

| 2022 | Short-term loans | Lease liability | Bonds payable | Long-term borrowings | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1 | $ - | $ 75,428 | $ 3,316,072 | $ 3,900,000 | $ 7,291,500 |
| Changes in cash flow from financing activities | ( 8,265) | ( 336,840) | - | ( 414,583) | ( 759,688) |
| Increase in lease liabilities | - | 946,505 | - | - | 946,505 |
| Amortisation of discounts on bonds payable | - | - | 20,727 | - | 20,727 |
| Impact of changes in foreign exchange rate | 8,265 | ( 3,607) | - | - | 4,658 |
| At December 31 | $ - | $ 681,486 | $ 3,336,799 | $ 3,485,417 | $ 7,503,702 |

7. RELATED PARTY TRANSACTIONS

Key management compensation

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 78,032 | $ 83,829 |
| Post-employment benefits | 175 | 168 |
| Share-based payments | 38,031 | 21,493 |
| | $ 116,238 | $ 105,490 |

8. PLEDGED ASSETS

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2023 | December 31, 2022 | Purpose |
| Refundable deposits (recorded in "Other non-current assets") | $ 3,500 | $ 247,939 | Guarantee for land bid and gas |

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2023 and 2022, the Group issued promissory notes both amounting to $723,848 for applying loan facilities from the banks to meet the operational needs.

(2) As of December 31, 2023 and 2022, the Group entered into several contracts for construction and acquisition of machinery with total values of $769,952 and $2,257,204, respectively, and the unpaid balance on these contracts amounted to $ 466,366 and $1,553,352, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

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

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2023 and 2022 were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Total liabilities | $ 13,238,958 | $ 21,173,788 |
| Total assets | $ 40,296,426 | $ 46,120,668 |
| Gearing ratio | 33 | 46 |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 1,899,473 | $ 892,247 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | $ 95,654 | $ 92,124 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | $ 6,000,287 | $ 12,653,297 |
| Financial assets at amortised cost | 2,391,202 | 1,848,360 |
| Accounts receivable | 4,783,457 | 6,029,307 |
| Other receivables | 109,101 | 121,461 |
| Refundable deposits | 40,620 | 289,318 |
| | $ 13,324,667 | $ 20,941,743 |
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | $ 49 | $ 15,920 |
| Financial liabilities designated at fair value through profit or loss | - | 3,769 |
| | $ 49 | $ 19,689 |
| Financial liabilities at amortised cost | | |
| Accounts payable | $ 4,023,701 | $ 5,319,859 |
| Other payables | 3,446,379 | 5,494,264 |
| Bonds payable (including current portion) | 201,459 | 3,336,799 |
| Long-term borrowings (including current portion) | 2,638,988 | 3,485,417 |
| Guarantee deposits received | 10,400 | 11,931 |
| | $ 10,320,927 | $ 17,648,270 |
| Lease liabilities | $ 73,609 | $ 681,486 |

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | $ 265,212 | 30.7350 | $ 8,151,291 | 1% | $ 81,513 | $ - |
| USD:RMB | 203,697 | 7.0827 | 6,260,627 | 1% | 62,606 | - |
| Non-monetary items | | | | | | |
| USD:NTD | 3,000 | 30.7350 | 92,124 | 1% | - | 921 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | 226,799 | 30.7350 | 6,970,667 | 1% | ( 69,707) | - |
| USD:RMB | 138,700 | 7.0827 | 4,262,945 | 1% | ( 42,629) | - |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | $ 660,215 | 30.7080 | $ 20,273,882 | 1% | $ 202,739 | $ - |
| USD:RMB | 379,057 | 6.9646 | 11,640,082 | 1% | 116,401 | - |
| Non-monetary items | | | | | | |
| USD:NTD | 3,000 | 30.7080 | 92,124 | 1% | - | 921 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | 407,655 | 30.7080 | 12,518,270 | 1% | ( 125,183) | - |
| USD:RMB | 254,102 | 6.9646 | 7,802,964 | 1% | ( 78,030) | - |

v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to $118,045 and $562,919, respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $3,477 and $98, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $957 and $921, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.

ii. The Group's main interest rate risk arises from long-term borrowings with floating rates, which expose the Group to cash flow interest rate risk, but some of the risks are offset by cash and cash equivalents with variable interest rate. As of December 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by $6,597 and $8,714, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables.

v. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix classified by customers are as follows:

| | Group A | Group B | Group C | Group D | Group E | Group F | Group G | Total |
|---|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | | | |
| Total book value | $3,893,870 | $ 144,547 | $ 528,132 | $ 88,535 | $ 71,369 | $ 66,888 | $ 21,866 | $4,815,207 |
| Allowance for sales returns and discounts | ( 1,416) | - | - | - | - | - | - | ( 1,416) |
| Book value | $3,892,454 | $ 144,547 | $ 528,132 | $ 88,535 | $ 71,369 | $ 66,888 | $ 21,866 | $4,813,791 |
| Expected loss rate | 0.05% | 0.12% | 0.11% | 0.08% | 8.20% | 0.02% | 100.00% | |
| Loss allowance | $ 1,788 | $ 167 | $ 569 | $ 74 | $ 5,854 | $ 16 | $ 21,866 | $ 30,334 |

| | Group A | Group B | Group C | Group D | Group E | Total |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| Total book value | $ 5,034,999 | $ 118,923 | $ 644,994 | $ 170,383 | $ 67,740 | $ 6,037,039 |
| Allowance for sales returns and discounts | ( 741) | - | - | - | - | ( 741) |
| Book value | $ 5,034,258 | $ 118,923 | $ 644,994 | $ 170,383 | $ 67,740 | $ 6,036,298 |
| Expected loss rate | 0.01% | 0.01% | 0.04% | 0.01% | 9.51% | |
| Loss allowance | $ 258 | $ 10 | $ 269 | $ 12 | $ 6,442 | $ 6,991 |

(i) Group A and Group E:

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

(ii) Group F and Group G:

As the categories of the products manufactured and sold by certain subsidiaries were different from those of Group A ~ Group E, accounts receivable is grouped based on the industry of their counterparties.

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Accounts receivable | | Accounts receivable | |
| At January 1 | $ | 6,991 | $ | 396 |
| Provision for impairment loss | | 375 | | 6,595 |
| Acquired from business combinations | | 22,968 | | - |
| At December 31 | $ | 30,334 | $ | 6,991 |

For provisioned loss in 2023 and 2022, the impairment losses arising from customers' contracts are $375 and $6,595, repectively.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, Bonds with repurchase agreements, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2023 and 2022, the Group held money market position of $10,256,339 and $15,392,157, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2023 | Less than 1 year | | Between 1 and 2 years | | Over 2 years | |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | | | |
| Accounts payable | $ | 4,023,701 | $ | - | $ | - |
| Other payables | | 3,446,379 | | - | | - |
| Lease liabilities | | 28,721 | | 18,730 | | 28,296 |
| Bonds payable | | 201,564 | | - | | - |
| Long-term borrowings | | 847,104 | | 846,850 | | 946,472 |
| Derivative financial liabilities: | | | | | | |
| Forward foreign exchange contracts | | 49 | | - | | - |

| December 31, 2022 | Less than 1 year | Between 1 and 2 years | Over 2 years |
|---|---|---|---|
| Non-derivative financial liabilities: | | | |
| Accounts payable | $ 5,319,859 | $ - | $ - |
| Other payables | 5,494,264 | - | - |
| Lease liabilities | 124,910 | 101,618 | 676,896 |
| Bonds payable | 3,359,400 | - | - |
| Long-term borrowings | 847,358 | 847,104 | 1,793,322 |
| Derivative financial liabilities: | | | |
| Put options of convertible bonds | 3,769 | - | - |
| Forward foreign exchange contracts | 15,920 | - | - |

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

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

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other non-current assets"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets"), are approximate to their fair values.

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

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

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 347,736 | $ - | $ - | $ 347,736 |
| Forward foreign exchange contracts | - | 32,931 | - | 32,931 |
| Structured certificates of deposit | - | 1,518,806 | - | 1,518,806 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 95,654 | 95,654 |
| | $ 347,736 | $ 1,551,737 | $ 95,654 | $ 1,995,127 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | $ - | $ 49 | $ - | $ 49 |

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 9,826 | $ - | $ - | $ 9,826 |
| Forward foreign exchange contracts | - | 590 | - | 590 |
| Structured certificates of deposit | - | 881,831 | - | 881,831 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 92,124 | 92,124 |
| | $ 9,826 | $ 882,421 | $ 92,124 | $ 984,371 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Put options of convertible bonds | $ - | $ - | $ 3,769 | $ 3,769 |
| Forward foreign exchange contracts | - | 15,920 | - | 15,920 |
| | $ - | $ 15,920 | $ 3,769 | $ 19,689 |

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

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

| | Listed shares |
|---|---|
| Market quoted price | Closing price |

ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.

iii. Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

iv. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

v. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

| | 2023 | |
|---|---|---|
| | Derivative instruments | Non-derivative equity instruments |
| At January 1 | ($ 3,769) | $ 92,124 |
| Gains recognised in profit or loss (Note) | 225 | - |
| Write-down of repurchase of corporate bonds payable | 3,544 | - |
| Acquired from business combinations | - | 3,530 |
| December 31 | $ - | $ 95,654 |
| Movement of unrealised gain in profit or loss of assets and liabilities held as of December 31, 2023 (Note) | $ 225 | $ - |

| | 2022 | |
|---|---|---|
| | Derivative instruments | Non-derivative equity instruments |
| At January 1 | ($ 13,021) | $ 83,070 |
| Gains recognised in profit or loss (Note) | 9,252 | - |
| Gains recognised in other comprehensive income | - | 9,054 |
| December 31 | ($ 3,769) | $ 92,124 |
| Movement of unrealised gain in profit or loss of assets and liabilities held as of December 31, 2022 (Note) | $ 9,252 | $ - |

Note: Recorded as non-operating income and expenses.

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

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

| | Fair value at December 31, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | $ 95,654 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Hybrid instruments: | | | | | |
| Convertible bonds | ($ 3,769) | Binary tree Convertible bond valuation model | Stock price volatility | 24.08%~29.13% | The higher the stock price volatility, the lower the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | $ 92,124 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | $ 95,654 | ±1% | $ - | $ - | $ 957 | ($ 957) |
| Financial liabilities | | | | | | |
| Hybrid instruments | Stock price volatility | ±5% | $ - | $ - | $ - | $ - |

| | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | $ 92,124 | ±1% | $ - | $ - | $ 921 | ($ 921) |
| Financial liabilities | | | | | | |
| Hybrid instruments | Stock price volatility | ±5% | $ 2,688 | ($ 11,086) | $ - | $ - |

## 13. SUPPLEMENTARY DISCLOSURES

### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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

(4) Major shareholders information

Names of shareholders who hold more than 5% of the Company: None.

14. SEGMENT INFORMATION

(1) General information

The Group operates its business according to product categories and formulates performance evaluation and resource allocation. The Group is divided into two reportable segments.

(i) Printed circuit board segment:

Mainly engaged in the manufacturing, research and development, and trading of flexible printed circuit boards and other related products.

(ii) Other segment

Mainly engaged in the research, design, manufacturing and sales of existing related products for radio frequency integrated circuits and integrated video systems.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss). There is no material inconsistency between the accounting policies of each operating segment and the summary of important accounting policies in Note 4.

(3) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income before tax from continuing operations for the year ended December 31, 2023 is provided as follows:

| Year ended December 31, 2023 | Printed circuit board | Other | Reversal | Consolidated |
|---|---|---|---|---|
| Revenue from external customers | $ 32,667,490 | $ 61,372 | $ - | $ 32,728,862 |
| Inter-segment revenue | 31,763,898 | - | ( 31,763,898) | - |
| Total segment revenue | $ 64,431,388 | $ 61,372 | ($ 31,763,898) | $ 32,728,862 |
| Segment income (loss) | $ 1,649,164 | ($ 11,597) | $ - | 1,637,567 |
| Other non-operating income and expenses | | | | 690,609 |
| Continuing business unit profit before income tax | | | | 2,328,176 |
| Income tax expense | | | | ( 272,453) |
| Profit for the year | | | | $ 2,055,723 |

(4) Information on products and services

Please refer to Note 6(22).

(5) Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2023 and 2022 is shown below:

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Revenue | Non-Current Assets | Revenue | Non-Current Assets |
| Taiwan | $ 1,448,957 | $ 13,922,385 | $ 1,361,057 | $ 12,123,637 |
| China | 2,029,368 | 6,619,212 | 2,825,064 | 7,026,517 |
| Asia (excluding Taiwan and China) | 700,204 | 34 | 1,323,667 | - |
| Europe and America | 28,550,333 | 44 | 34,560,334 | 488 |
| | $ 32,728,862 | $ 20,541,675 | $ 40,070,122 | $ 19,150,642 |

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

(6) Information on major customers

| For the years ended December 31, | | | |
|---|---|---|---|
| 2023 | | 2022 | |
| Company Name | Revenue | Company Name | Revenue |
| A customer | $ 26,355,298 | A customer | $ 33,906,144 |

Flexium Interconnect Inc.

Loans to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2023 | Balance at December 31, 2023 | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral Item | Collateral Value | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Other receivables - related parties | Yes | $ 1,269,610 | $ 1,269,610 | $ - | - | Note 1 | $ - | Company operation | $ - | - | $ - | $ 5,078,439 | $10,156,878 | Note 2、3 |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 2,494,688 | - | - | - | Note 1 | - | Company operation | - | - | - | - | - | Note 2、3 |
| 0 | FLEXIUM INTERCONNECT INC. | Universe Energy Co., Ltd | Other receivables - related parties | Yes | 100,000 | 100,000 | 65,000 | 1.95% | Note 1 | - | Company operation | - | - | - | 5,078,439 | 10,156,878 | Note 2、3 |
| 1 | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 2,022,435 | 1,952,730 | 1,822,568 | 2.80% | Note 1 | - | Company operation | - | - | - | 2,079,341 | 4,158,682 | Note 4、5 |

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed financial statements; limit on loans to a single party with short-term financing is 30% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 4: In accordance with Flexium Interconnect (Kunshan) Incorporation’s procedures for provision of loans, limit on loans granted to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company’s net asset based on the latest financial statements; limit on loans to a single party with short-term financing is 20% of the Company’s net assets based on the latest financial statements.

Note 5: In accordance with Flexium Interconnect (Kunshan) Incorporation’s procedures for provision of loans, ceiling on total loans granted is 40% of the Company’s net asset based on the latest financial statements.

Flexium Interconnect Inc.

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

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer | General ledger account | As of December 31, 2023 | | | | Footnote |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| FLEXIUM INTERCONNECT INC. | Etherdyne Technologies, Inc. | None. | Financial assets at fair value through other comprehensive income - non-current | 2,074,346 | $ 92,124 | 16.90% | $ 92,124 | - |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Mycenax Biotech Inc. (Stock) | None. | Financial assets at fair value through profit or loss - current | 177,577 | 8,284 | Note 2 | 8,284 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Common Shares) | None. | Financial assets at fair value through profit or loss - current | 82,037 | 5,316 | Note 2 | 5,316 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Class B Preferred Share) | None. | Financial assets at fair value through profit or loss - current | 1,952,000 | 116,925 | Note 2 | 116,925 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Class C Preferred Share) | None. | Financial assets at fair value through profit or loss - current | 2,543,262 | 139,879 | Note 2 | 139,879 | - |
| RAFAEL MICROELECTRONICS, INC. | China Development Financial Holding Corp. (Preferred Share B) | None. | Financial assets at fair value through profit or loss - current | 4,830,000 | 34,148 | Note 2 | 34,148 | - |
| RAFAEL MICROELECTRONICS, INC. | CTBC Financial Holding Co., Ltd. (Preferred Share B) | None. | Financial assets at fair value through profit or loss - current | 727,000 | 43,184 | Note 2 | 43,184 | - |
| RAFAEL MICROELECTRONICS, INC. | BKS Tec Corp.(Common Shares ) | None. | Financial assets at fair value through other comprehensive income - non-current | 6,000,000 | 3,530 | 11.07% | 3,530 | - |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'
Note 2: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | | Balance as at January 1, 2023 | | Addition (Note 3) | | Disposal (Note 3) | | | | Balance as at December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Marketable securities (Note 1) | General ledger account | Counterparty (Note 2) | Relationship with the investor (Note2) | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount |
| FLEXIUM INTERCONNECT INC. | Common Shares | Investments accounted for using equity method | RAFAEL MICROELECTRONICS, INC. | Subsidiary | - | $ - | 9,221,976 | $ 1,567,736 | - | $ - | $ - | $ - | 9,221,976 | $ 1,567,736 |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Flexium Interconnect Inc.

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | Land | February 27, 2020 | 774,432 | 774,432 | Kaohsiung City government | Non-related party | - | - | - | - | Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Right-of-use assets | July 18, 2022 | 897,098 | 897,098 | Yupintang Electronic Technology (Suzhou) Co., Ltd. | Non-related party | - | - | - | - | Price comparison and negotiation | Build staff dormitory | None |

Flexium Interconnect Inc.

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

For the year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) Note1 | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | (Sales) | ($ 5,297,204) | 16 | 180 days | Note 2 | Note 2 | $ 2,018,876 | 30 | Note 5 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | (Sales) | ( 28,783,559) | 100 | 90 days | Note 3 | Note 3 | 6,152,475 | 100 | |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | (Sales) | ( 2,980,339) | 99 | 90 days | Note 4 | Note 4 | 671,891 | 99 | |

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 5: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was $5,297,204 for the year ended December 31, 2023.

Flexium Interconnect Inc.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2023 | | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Action taken | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable | $2,018,876 | 2.01 | $ - | - | $ 1,098,782 | $ - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Accounts receivable | $6,152,475 | 3.26 | - | - | 3,082,112 | - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Subsidiary | Other receivables | $1,864,102 | Note | | | - | - |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable | $671,891 | 3.51 | - | - | - | - |

Note: Other receivables, not applicable for calculating of turnover rate.

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT$100 million or 20% of paid-in capital or more are as follows:

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction: General ledger account | Transaction: Amount | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets |
|---|---|---|---|---|---|---|---|
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Sales | $ 5,297,204 | Note 3 | 16 |
| 0 | FLEXIUM INTERCONNECT INC | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Accounts receivable | 2,018,876 | Note 3 | 5 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Sales | 28,783,559 | Note 4 | 88 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Accounts receivable | 6,152,475 | Note 4 | 15 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | 2 | Other receivables | 1,864,102 | Note 5 | 5 |
| 2 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 2,980,339 | Note 6 | 9 |
| 2 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Accounts receivable | 671,891 | Note 6 | 2 |

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

(1) Parent company is "0".

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC. and the collection period is approximately 90 days after the end of each month.

Note 5: The interest was at 2.8% per annum for the year ended December 31, 2023.

Note 6: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.

Information on investees

For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at December 31, 2023 | Initial investment amount: Balance as at December 31, 2022 | Shares held as at December 31, 2023: Number of shares | Shares held as at December 31, 2023: Ownership (%) | Shares held as at December 31, 2023: Book value | Net profit (loss) of the investee for the year ended December 31, 2023 | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | British Virgin Islands | General investments | $ 835,252 | $ 835,252 | 50,000 | 100 | $ 7,631,328 | $ 681,265 | $ 754,380 | Note 1 |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | British Virgin Islands | General investments | 39,711 | 39,711 | 50,000 | 100 | 2,635,916 | 237,966 | 263,509 | Note 1 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Taiwan | General investments | 50,000 | 50,000 | 5,000,000 | 100 | 32,153 | ( 1,892) | ( 1,892) | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,223,310 | 42,295 | 42,295 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | U.S.A | Marketing, customer support and supporting technical services | 8,067 | 8,067 | - | 100 | 4,440 | ( 470) | ( 470) | |
| FLEXIUM INTERCONNECT INC. | Universe Energy Co., Ltd | Taiwan | Renewable energy self-use power generation equipment and energy technology services, etc. | 50,000 | 50,000 | 5,000,000 | 100 | 48,435 | ( 1,556) | ( 1,556) | |
| FLEXIUM INTERCONNECT INC. | RAFAEL MICROELECTRONICS, INC. | Taiwan | Design, manufacturing and sale of radio frequency integrated circuit (RFIC) | 1,567,736 | - | 9,221,976 | 30 | 1,563,026 | ( 6,972) | ( 4,715) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Samoa | General investments | 62,001 | 62,001 | 1,880,578 | 100 | - | ( 56) | - | Note 2 |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Samoa | General investments | 719,042 | 719,042 | 23,510,000 | 100 | 7,734,309 | 681,328 | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Samoa | General investments | - | - | - | 100 | - | ( 23) | - | Note 2 |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,223,310 | 42,295 | - | Note 2 |
| RAFAEL MICROELECTRONICS, INC. | Han Tang Co., Ltd. | Seychelles | General investments | 21,712 | 21,712 | 707,000 | 100 | 19,843 | ( 597) | - | Note 2 |
| RAFAEL MICROELECTRONICS, INC. | Rafael Microelectronics Korea | Korea | Promote RFIC products | 2,730 | 2,730 | 200,000 | 100 | 3,507 | 139 | - | Note 2 |
| Han Tang Co., Ltd. | HONG YU CO., LTD. | Seychelles | General investments | 21,635 | 21,635 | 704,500 | 100 | 20,149 | ( 598) | - | Note 2 |

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2023 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.
Information on investments in Mainland China
For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Net income of investee as of December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2) | Book value of investments in Mainland China as of December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | $ 2,480,649 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | $ 794,469 | $ - | $ - | $ 794,469 | $ 919,342 | 100 | $ 919,342 | $ 10,396,708 | $ - | Note 1、3 |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | 1,075,725 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 1,075,725 | - | - | 1,075,725 | 42,295 | 100 | 42,295 | 1,223,310 | - | Note 1、4 |
| SHENZHEN RAFAEL MICROSYSTEMS,INC. | Design, manufacturing and sale of RFIC | 10,749 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 10,749 | - | - | 10,749 | 882 | 100 | 882 | 13,310 | - | Note 1、5 |
| ALUKSEN HONGXIN TECHNOLOGY CO., LTD. | Design, manufacturing and sale of RFIC | 10,686 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 10,686 | - | - | 10,686 | (3,025) | 49 | (1,482) | 6,239 | - | Note 1、5 |
| RAFAEL SEMICONDUCTORS, INC. | Design, manufacturing and sale of RFIC | 3,896 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 3,896 | - | - | 3,896 | (2) | 100 | (2) | 3,908 | - | Note 1、6 |

Note 1: The financial statements are audited and attested by R.O.C. CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT$30.735 US$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Note 5: Indirectly invests in HONG YU CO., LTD. via investment in Han Tang Co., Ltd. registered in a third region, and HONG YU CO., LTD. invests these 2 companies in China.

Note 6: Indirectly invests in HONG YU CO., LTD. via investment in Han Tang Co., Ltd. registered in a third region, and HONG YU CO., LTD. indirectly invests in ShenZhen Rafael Microsystems, Inc., and ShenZhen Rafael Microsystems, Inc. invests in Rafael Semiconductors, Inc.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | $ 1,895,525 | $ 5,761,229 | $ - |

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2023

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at December 31, 2023 | % | Balance at December 31, 2023 | Purpose | Maximum balance during the year ended December 31, 2023 | Balance at December 31, 2023 | Interest rate | Interest during the year ended December 31, 2023 | Others |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | ($ 28,783,559) | 91 | $ - | - | ($ 6,152,475) | 87 | $ - | - | $ 1,269,610 | 1 ,269,610 | - | $ - | Other expenses $ 58,355 |
| | 5,297,204 | 16 | | | 2,018,876 | 30 | | | | | | | Other income 58,566 |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | - | - | - | - | - | - | - | - | 2,494,688 | - | 0.80% | 1,769 | |

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount was $5,297,204 for the year ended December 31, 2023.

## Attachment 2: 2023 Parent Only Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000456

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

### *Opinion*

We have audited the accompanying balance sheets of Flexium Interconnect, Inc. (the "Company") as at December 31, 2023 and 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to *Other Matter* section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the 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 the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

## Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(8). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(4).

The criteria that the Company uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Company estimates the amounts of allowance for accounts receivable that the Company has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

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

A. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.

B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.

C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

## Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(12). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(5).

The Company is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Company's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

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

A. Obtained an understanding of the Company's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.

B. Understood the Company's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.

C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

## Key audit matter - Investments accounted for using equity method – Business combination transactions

Description

Refer to Note 4(14) for the accounting policies on investments accounted for using equity method, and Note 6(7) for the details of investments accounted for using equity method.

On November 23, 2023, the Company acquired ordinary shares of Rafael Microelectronics, Inc. in the amount of NT$ 1,567,736 thousand through a merger transaction. As the allocation of the acquisition price involved important estimates by the management and the amount of mergers and acquisitions in this year was significant, we considered the business combination transactions of subsidiary as one of the key audit matters.

How our audit addressed the matter

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

A. Obtained an understanding and assessed the internal control procedures over the Company's investment transactions, and reviewed the related documents prepared by the Board of Directors to verify whether the investment was made in accordance with related procedures.

B. Examined the merger and acquisition transaction contract, verified the payment instrument and confirmed the purchase consideration.

C. Obtained the purchase price allocation of the mergers and acquisitions, assessed the independence of the expert appointed by management, reviewed the data used in the report and assessed the appraisal methods and the significant assumptions used in the report to evaluate the reasonableness of the purchase price allocations.

## *Other matter – Reference to the audits of other auditors*

We did not audit the financial statements of certain investments accounted for using equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the financial statements, is based solely on the reports of the other auditors. The balance of these investments accounted for using equity method amounted to NT$1,563,026 thousand, constituting 4% of the total assets as at December 31, 2023, and the comprehensive loss recognised from share of profit of associates and joint ventures accounted for using equity method amounted to NT$4,715 thousand, constituting (0.25%) of the total comprehensive income for the period from November 23, 2023 to December 31, 2023.

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

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

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

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

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

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

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

A. Identify and assess the risks of material misstatement of the 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.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.

E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Liao, A-Shen　　　　　　　　　　Wang, Chun-Kai

For and on behalf of PricewaterhouseCoopers, Taiwan

February 15, 2024

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

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

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 3,983,939 | 10 | $ 11,242,661 | 23 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 7,125 | - | - | - |
| 1136 | Financial assets at amortised cost - current | 6(4) | 2,156,461 | 6 | 1,848,360 | 4 |
| 1170 | Accounts receivable, net | 6(5) | 4,703,971 | 12 | 6,011,340 | 12 |
| 1180 | Accounts receivable due from related parties, net | 6(5) and 7 | 2,018,876 | 5 | 3,245,449 | 7 |
| 1200 | Other receivables | | 73,903 | - | 114,738 | - |
| 1210 | Other receivables due from related parties | 7 | 100,657 | - | 1,245,393 | 3 |
| 1220 | Current tax assets | | 74,503 | - | 620 | - |
| 130X | Inventories | 6(6) | 950,972 | 3 | 1,727,524 | 4 |
| 1410 | Prepayments | | 52,981 | - | 43,936 | - |
| 1470 | Other current assets | | 294 | - | 9 | - |
| 11XX | **Current Assets** | | 14,123,682 | 36 | 25,480,030 | 53 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 92,124 | - | 92,124 | - |
| 1550 | Investments accounted for using equity method | 6(7) | 13,138,608 | 34 | 10,684,984 | 22 |
| 1600 | Property, plant and equipment | 6(8)(11) and 7 | 11,425,863 | 30 | 11,727,404 | 24 |
| 1755 | Right-of-use assets | 6(9) | 24,639 | - | 1,790 | - |
| 1780 | Intangible assets | 6(10) | 20,329 | - | 22,662 | - |
| 1840 | Deferred tax assets | 6(29) | 41,706 | - | 74,327 | - |
| 1900 | Other non-current assets | 6(12) and 8 | 7,078 | - | 371,779 | 1 |
| 15XX | **Non-current assets** | | 24,750,347 | 64 | 22,975,070 | 47 |
| 1XXX | **Total assets** | | $ 38,874,029 | 100 | $ 48,455,100 | 100 |

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | $ - | - | $ 3,769 | - |
| 2170 | Accounts payable | | 895,528 | 2 | 770,909 | 2 |
| 2180 | Accounts payable to related parties | 7 | 6,152,475 | 16 | 11,506,236 | 24 |
| 2200 | Other payables | 6(13) and 7 | 1,095,392 | 3 | 1,706,943 | 3 |
| 2230 | Current income tax liabilities | | 977,586 | 2 | 1,202,936 | 2 |
| 2280 | Current lease liabilities | | 5,891 | - | 1,708 | - |
| 2320 | Long-term liabilities, current portion | 6(14)(15) | 1,047,888 | 3 | 4,183,228 | 9 |
| 2399 | Other current liabilities, others | | 29,564 | - | 24,473 | - |
| 21XX | **Current Liabilities** | | 10,204,324 | 26 | 19,400,202 | 40 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(15) | 1,792,559 | 5 | 2,638,988 | 6 |
| 2570 | Deferred tax liabilities | 6(29) | 1,445,715 | 4 | 1,446,418 | 3 |
| 2580 | Non-current lease liabilities | | 18,843 | - | 118 | - |
| 2600 | Other non-current liabilities | 6(16) | 20,393 | - | 22,494 | - |
| 25XX | **Non-current liabilities** | | 3,277,510 | 9 | 4,108,018 | 9 |
| 2XXX | **Total Liabilities** | | 13,481,834 | 35 | 23,508,220 | 49 |
| | **Equity** | | | | | |
| | Share capital | 6(14)(17)(18) | | | | |
| 3110 | Share capital - common stock | | 3,225,010 | 8 | 3,227,909 | 7 |
| | Capital surplus | 6(14)(19) | | | | |
| 3200 | Capital surplus | | 778,955 | 2 | 1,579,870 | 3 |
| | Retained earnings | 6(20) | | | | |
| 3310 | Legal reserve | | 2,708,045 | 7 | 2,609,073 | 5 |
| 3320 | Special reserve | | 328,092 | 1 | 477,174 | 1 |
| 3350 | Unappropriated retained earnings | | 18,866,116 | 48 | 17,548,594 | 36 |
| | Other equity interest | 6(21) | | | | |
| 3400 | Other equity interest | | ( 514,023) | ( 1) | ( 495,740) | ( 1) |
| 3XXX | **Total equity** | | 25,392,195 | 65 | 24,946,880 | 51 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 38,874,029 | 100 | $ 48,455,100 | 100 |

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

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

| | Items | Notes | 2023 AMOUNT | 2023 % | 2022 AMOUNT | 2022 % |
|---|---|---|---|---|---|---|
| 4000 | Sales revenue | 6(22) and 7 | $ 32,613,577 | 100 | $ 40,001,113 | 100 |
| 5000 | Operating costs | 6(6)(10)(27)(28) and 7 | ( 30,403,764) | ( 93) | ( 36,607,903) | ( 92) |
| 5900 | Net operating margin | | 2,209,813 | 7 | 3,393,210 | 8 |
| | Operating expenses | 6(10)(27)(28) and 7 | | | | |
| 6100 | Selling expenses | | ( 102,342) | - | ( 128,919) | - |
| 6200 | General and administrative expenses | | ( 521,078) | ( 2) | ( 488,733) | ( 1) |
| 6300 | Research and development expenses | | ( 766,700) | ( 2) | ( 699,783) | ( 2) |
| 6450 | Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 | 12(2) | ( 1,450) | - | ( 6,595) | - |
| 6000 | Total operating expenses | | ( 1,391,570) | ( 4) | ( 1,324,030) | ( 3) |
| 6900 | Operating profit | | 818,243 | 3 | 2,069,180 | 5 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(4)(23) and 7 | 236,892 | 1 | 139,683 | - |
| 7010 | Other income | 6(24) and 7 | 103,943 | - | 106,099 | - |
| 7020 | Other gains and losses | 6(2)(11)(25) | 75,229 | - | 639,481 | 2 |
| 7050 | Finance costs | 6(26) | ( 20,526) | - | ( 27,847) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 6(7) | 1,051,551 | 3 | 1,179,933 | 3 |
| 7000 | Total non-operating income and expenses | | 1,447,089 | 4 | 2,037,349 | 5 |
| 7900 | **Profit before income tax** | | 2,265,332 | 7 | 4,106,529 | 10 |
| 7950 | Income tax expense | 6(29) | ( 198,607) | ( 1) | ( 584,972) | ( 1) |
| 8200 | **Profit for the year** | | $ 2,066,725 | 6 | $ 3,521,557 | 9 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial losses on defined benefit plans | 6(16) | $ 590 | - | $ 6,779 | - |
| 8316 | Unrealised income from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(21) | - | - | 9,054 | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(21) | ( 185,885) | - | 140,028 | - |
| 8300 | **Total other comprehensive (loss) income** | | ($ 185,295) | - | $ 155,861 | - |
| 8500 | **Total comprehensive income** | | $ 1,881,430 | 6 | $ 3,677,418 | 9 |
| | Earnings per share | 6(30) | | | | |
| 9750 | Basic earnings per share | | $ | 6.45 | $ | 10.83 |
| 9850 | Diluted earnings per share | | $ | 6.37 | $ | 9.94 |

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

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Share capital-common stock | Capital surplus | Retained Earnings: Legal reserve | Retained Earnings: Special reserve | Retained Earnings: Unappropriated retained earnings | Other equity interest | Treasury stocks | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Year ended December 31, 2022 | | | | | | | | | |
| Balance at January 1, 2022 | | $ 3,513,309 | $ 3,048,710 | $2,417,676 | $ 428,325 | $ 16,799,119 | ($ 522,685) | $ - | $ 25,684,454 |
| Profit for the year | | - | - | - | - | 3,521,557 | - | - | 3,521,557 |
| Other comprehensive income | 6(16)(21) | - | - | - | - | 6,779 | 149,082 | - | 155,861 |
| Total comprehensive income | | - | - | - | - | 3,528,336 | 149,082 | - | 3,677,418 |
| Appropriation and distribution of 2021 earnings: | | | | | | | | | |
| Legal reserve | | - | - | 191,397 | - | (191,397) | - | - | - |
| Special reserve | | - | - | - | 48,849 | (48,849) | - | - | - |
| Cash dividends from capital surplus | 6(19) | - | (1,593,170) | - | - | - | - | - | (1,593,170) |
| Share-based payment transactions | 6(17)(18)(19)(21) | 14,600 | 210,160 | - | - | - | (122,137) | - | 102,623 |
| Purchase of treasury share | 6(18) | - | - | - | - | - | - | (2,924,445) | (2,924,445) |
| Retirement of treasury share | 6(18)(19) | (300,000) | (85,830) | - | - | (2,538,615) | - | 2,924,445 | - |
| Balance at December 31, 2022 | | $ 3,227,909 | $ 1,579,870 | $2,609,073 | $ 477,174 | $ 17,548,594 | ($ 495,740) | $ - | $ 24,946,880 |
| Year ended December 31, 2023 | | | | | | | | | |
| Balance at January 1, 2023 | | $ 3,227,909 | $ 1,579,870 | $2,609,073 | $ 477,174 | $ 17,548,594 | ($ 495,740) | $ - | $ 24,946,880 |
| Profit for the year | | - | - | - | - | 2,066,725 | - | - | 2,066,725 |
| Other comprehensive income (loss) | 6(16)(21) | - | - | - | - | 590 | (185,885) | - | (185,295) |
| Total comprehensive income | | - | - | - | - | 2,067,315 | (185,885) | - | 1,881,430 |
| Appropriation and distribution of 2022 earnings: | | | | | | | | | |
| Legal reserve | | - | - | 98,972 | - | (98,972) | - | - | - |
| Special reserve | | - | - | - | (149,082) | 149,082 | - | - | - |
| Cash dividends | 6(20) | - | - | - | - | (799,903) | - | - | (799,903) |
| Cash dividends from capital surplus | 6(19) | - | (799,903) | - | - | - | - | - | (799,903) |
| Share-based payment transactions | 6(17)(18)(19)(21) | (2,899) | (972) | - | - | - | 167,602 | - | 163,731 |
| Return of unclaimed dividends to shareholders | 6(19) | - | (40) | - | - | - | - | - | (40) |
| Balance at December 31, 2023 | | $ 3,225,010 | $ 778,955 | $2,708,045 | $ 328,092 | $ 18,866,116 | ($ 514,023) | $ - | $ 25,392,195 |

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

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31, 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 2,265,332 | $ 4,106,529 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Share-based payments | 6(17) | 163,731 | 102,623 |
| Expected credit loss | 12(2) | 1,450 | 6,595 |
| Depreciation expense | 6(8)(9)(27) | 1,326,721 | 1,337,664 |
| Amortization expense | 6(10)(27) | 15,021 | 10,071 |
| Net profit on valuation of financial assets at fair value through profit or loss | 6(2)(25) | ( 2,418 ) | ( 9,252 ) |
| Interest expense | 6(26) | 20,526 | 27,847 |
| Interest income | 6(23) | ( 236,892 ) | ( 139,683 ) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(7) | ( 1,051,551 ) | ( 1,179,933 ) |
| Losses on repurchase of corporate bonds | 6(25) | 16,072 | - |
| Gain on disposal of property, plant and equipment | 6(25) | ( 541 ) | ( 100 ) |
| Impairment loss on property, plant and equipment | 6(11)(25) | - | 5,030 |
| Unrealized profit from sales | | 61,227 | 81,449 |
| Realized profit on from sales | | ( 81,449 ) | ( 20,666 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Increase in financial assets af fair value-current | | ( 4,932 ) | - |
| (Increase) decrease in financial assets at amortised cost-current | | ( 308,101 ) | 5,477,060 |
| Decrease in notes receivable | | - | 23 |
| Decrease in accounts receivable | | 1,305,919 | 2,558,373 |
| Decrease (increase) in accounts receivable due from related parties | | 1,226,573 | ( 636,252 ) |
| Decrease in other receivable | | 23,043 | 131,079 |
| Decrease in other receivables due from related parties | | 9,760 | 6,815 |
| Decrease in inventories | | 776,552 | 129,998 |
| Increase in prepayments | | ( 9,045 ) | ( 10,517 ) |
| (Increase) decrease in other current assets | | ( 285 ) | 70 |
| Changes in operating liabilities | | | |
| Increase (decrease) in accounts payable | | 124,619 | ( 225,502 ) |
| (Decrease) increase in accounts payable to related parties | | ( 5,353,761 ) | 3,676,534 |
| (Decrease) increase in other payables | | ( 65,418 ) | 104,117 |
| Increase (decrease) in other current liabilities, others | | 5,091 | ( 1,982 ) |
| Cash inflow generated from operations | | 227,244 | 15,537,990 |
| Interest received | | 196,374 | 94,436 |
| Interest paid | | ( 17,611 ) | ( 6,485 ) |
| Income tax paid | | ( 465,922 ) | ( 462,374 ) |
| Net cash flows (used in) from operating activities | | ( 59,915 ) | 15,163,567 |

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease (increase) in other receivables due from related parties | | $ 1,134,976 | ($ 533,052 ) |
| Acquisition of investments accounted for using equity method | | ( 1,567,736 ) | ( 50,000 ) |
| Acquistion of property, plant and equipment (including prepayment for equipment and for land purchases) | 6(31) | ( 1,446,430 ) | ( 4,179,829 ) |
| Proceeds from disposal of property, plant and equipment | | 541 | 4,518 |
| Acquisition of intangible assets | 6(10) | ( 12,688 ) | ( 20,677 ) |
| Decrease in refundable deposits | | 246,189 | 75,379 |
| Interest received | | 58,310 | 24,490 |
| Net cash flows used in investing activities | | ( 1,586,838 ) | ( 4,679,171 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of principal portion of lease liabilities | 6(32) | ( 6,347 ) | ( 8,520 ) |
| Repayments of corporate bonds | 6(32) | ( 3,157,836 ) | - |
| Repayments of long-term borrowings | 6(32) | ( 846,429 ) | ( 414,583 ) |
| Decrease in other non-current liabilities | | ( 1,511 ) | ( 3,511 ) |
| Payments to acquire treasury shares | 6(17)(18) | - | ( 2,924,445 ) |
| Cash dividends and cash dividends from capital surplus | 6(19)(20) | ( 1,599,806 ) | ( 1,593,170 ) |
| Return of unclaimed dividends to shareholders | | ( 40 ) | - |
| Net cash flows used in financing activities | | ( 5,611,969 ) | ( 4,944,229 ) |
| Net (decrease) increase in cash and cash equivalents | | ( 7,258,722 ) | 5,540,167 |
| Cash and cash equivalents at beginning of year | 6(1) | 11,242,661 | 5,702,494 |
| Cash and cash equivalents at end of year | 6(1) | $ 3,983,939 | $ 11,242,661 |

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

FLEXIUM INTERCONNECT, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on February 15, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

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

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2024 |
| Amendments to IAS 1, 'Non-current liabilities with covenants' | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 , 'Supplier finance arrangements' | January 1, 2024 |

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 21, 'Lack of exchangebility' | January 1, 2025 |

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Operating leases (lessor)

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 2 ~ 50 years |
| Machinery equipment | 2 ~ 15 years |
| Transportation equipment | 2 ~ 15 years |
| Office equipment | 3 ~ 10 years |
| Other equipment | 2 ~ 10 years |

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus - stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(25) <u>Non-hedging derivatives</u>

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) <u>Employee benefits</u>

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Employees' and directors' remuneration

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

(27) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(28) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(29) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(30) Dividends

Dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed when they are approved by the Company's shareholders, and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

A. The Company manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Company must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash: | | |
| Cash on hand and revolving funds | $ 376 | $ 566 |
| Demand deposits | 366,137 | 556,925 |
| | 366,513 | 557,491 |
| Cash equivalents: | | |
| Time deposits | 3,400,153 | 8,597,026 |
| Bonds sold under repurchase agreements | 217,273 | 2,088,144 |
| | 3,617,426 | 10,685,170 |
| | $ 3,983,939 | $ 11,242,661 |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others as collateral.

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Forward foreign exchange contracts | $ 7,125 | $ - |
| Current items: | | |
| Financial liabilities designated as at fair value through profit or loss | | |
| Put options of convertible bonds | $ - | $ 3,769 |

A. The Company recognised net gain of $2,418 and $9,252, respectively, for the years ended December 31, 2023 and 2022.

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

| Derivative Financial Assets | December 31, 2023<br>Contract amount (notional principal) | December 31, 2023<br>Contract period |
|---|---|---|
| Current items: | | |
| Forward foreign exchange contracts | USD 10,000 thousand | 2023.12~2024.01 |

C. The Company has no financial assets at fair value through profit or loss pledged to others as collaterals.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 88,215 | $ 88,215 |
| Valuation adjustments | 3,909 | 3,909 |
| | $ 92,124 | $ 92,124 |

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted are both to $92,124, as at December 31, 2023 and 2022.

B. Amounts that the Company recognised in other comprehensive income for the years ended December 31, 2023 and 2022 in relation to the financial assets at fair value through other comprehensive income were $0 and $9,054, respectively.

C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Time deposits maturing in excess of three months | $ 2,156,461 | $ 1,848,360 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Interest income | $ 31,512 | $ 22,341 |

B. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

C. The Company has no financial assets at amortised cost pledged to others as collateral.

(5) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 4,712,410 | $ 6,018,329 |
| Less: Allowance for doubtful accounts | ( 8,439) | ( 6,989) |
| | $ 4,703,971 | $ 6,011,340 |
| Accounts receivable due from related parties | $ 2,018,876 | $ 3,245,449 |

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Up to 90 days | $ 6,706,335 | $ 9,236,032 |
| 91 to 180 days | 215 | 22 |
| 181 to 365 days | - | 3,879 |
| Over one year | 24,736 | 23,845 |
| | $ 6,731,286 | $ 9,263,778 |

The above ageing analysis was based on overdue dates.

B. As of December 31, 2023 and 2022, and January 1, 2022, the balances of receivables (including related parties) from contracts with customers amounted to $6,731,286, $9,263,778 and $11,185,899, respectively.

C. The Company does not hold collateral as security for accounts receivable.

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable ( including related parties) were $6,722,847 and $9,256,789, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Raw materials | $ 159,041 | $ 156,336 |
| Work in process and semi-finished goods | 169,710 | 157,287 |
| Finished goods and merchandise inventory | 622,221 | 1,412,901 |
| | $ 950,972 | $ 1,726,524 |

The cost of inventories recognised as expense for the years ended December 31, 2023 and 2022, was $30,403,764 and $36,607,903, respectively, including the amounts of $121,222 for the years ended December 31, 2023 , that the Company reversed from a previous inventory write-down and accounted for asreduction of cost of goods sold because the related inventory were scrapped or sold, as well as the amount of $141,481 for the year ended December31, 2022, that the Company wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(7) Investments accounted for using equity method

A. Details are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| FLEXIUM INTERCONNECT INC. | $ 7,631,328 | $ 6,984,407 |
| UFLEX TECHNOLOGY CO., LTD. | 2,635,916 | 2,409,971 |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | 32,153 | 34,046 |
| BOOM BUSINESS LIMITED | 1,223,310 | 1,201,655 |
| FLEXIUM INTERCONNECT AMERICA LLC. | 4,440 | 4,913 |
| UNIVERSE ENERGY CO., LTD. | 48,435 | 49,992 |
| RAFAEL MICROELECTRONICS, INC. | 1,563,026 | - |
| | $ 13,138,608 | $ 10,684,984 |

B. Subsidiaries

(a) For the information about the subsidiaries, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023.

(b) For the years ended December 31, 2023 and 2022, gains on investments accounted for using equity method amounted to $1,051,551 and $1,179,933, respectively.

(c) On November 23, 2023, the Company acquired 30% of ordinary shares of Rafael Microelectronics, Inc. by cash in the amount of $1,567,736 through merger and became the single largest shareholder of the company. The Company also directed the relevant activities of the company and thus obtained the control over it. Details are provided in Note 6(31).

## (8) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 5,732,601 | $ 4,949,953 |
| Buildings | 1,506,251 | 1,551,618 |
| Machinery | 4,039,791 | 4,878,766 |
| Transportation equipment | 3,653 | 4,714 |
| Office equipment | 242 | 513 |
| Other equipment | 54,264 | 54,002 |
| Construction in progress and equipment under acceptance | 89,061 | 287,838 |
| | $ 11,425,863 | $ 11,727,404 |

B. Changes in property, plant and equipment are as follows:

| | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| Cost | Opening net book amount | Additions and transfer | Deduction | Closing net book amount |
| Land | $ 4,949,953 | $ 782,648 | $ - | $ 5,732,601 |
| Buildings | 1,851,544 | 14,418 | - | 1,865,962 |
| Machinery | 9,491,914 | 399,339 | ( 21,129) | 9,870,124 |
| Transportation equipment | 12,977 | 567 | ( 1,327) | 12,217 |
| Office equipment | 3,692 | - | - | 3,692 |
| Other equipment | 235,981 | 20,579 | ( 20,213) | 236,347 |
| Construction in progress and equipment under acceptance | 287,838 | ( 198,777) | - | 89,061 |
| | $ 16,833,899 | $ 1,018,774 | ($ 42,669) | $ 17,810,004 |

| Cost | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Opening net book amount | Additions and transfer | Deduction | Closing net book amount |
| Land | $ 2,407,376 | $ 2,542,577 | $ - | $ 4,949,953 |
| Buildings | 1,840,870 | 10,674 | - | 1,851,544 |
| Machinery | 7,327,625 | 2,171,640 | ( 7,351) | 9,491,914 |
| Transportation equipment | 10,766 | 3,060 | ( 849) | 12,977 |
| Office equipment | 3,499 | 193 | - | 3,692 |
| Other equipment | 213,162 | 32,083 | ( 9,264) | 235,981 |
| Construction in progress and equipment under acceptance | 1,601,953 | ( 1,314,115) | - | 287,838 |
| | $ 13,405,251 | $ 3,446,112 | ($ 17,464) | $ 16,833,899 |

| Accumulated depreciation and impairment | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Opening net book amount | Additions | Deduction | Closing net book amount |
| Buildings | $ 299,926 | $ 59,785 | $ - | $ 359,711 |
| Machinery | 4,613,148 | 1,238,314 | ( 21,129) | 5,830,333 |
| Transportation equipment | 8,263 | 1,628 | ( 1,327) | 8,564 |
| Office equipment | 3,179 | 271 | - | 3,450 |
| Other equipment | 181,979 | 20,317 | ( 20,213) | 182,083 |
| | $ 5,106,495 | $ 1,320,315 | ($ 42,669) | $ 6,384,141 |

| Accumulated depreciation and impairment | For the year ended December 31, 2022<br>Opening net book amount | Additions | Deduction | Closing net book amount |
|---|---|---|---|---|
| Buildings | $ 240,305 | $ 59,621 | $ - | $ 299,926 |
| Machinery | 3,361,077 | 1,255,004 | ( 2,933) | 4,613,148 |
| Transportation equipment | 7,462 | 1,650 | ( 849) | 8,263 |
| Office equipment | 2,913 | 266 | - | 3,179 |
| Other equipment | 173,520 | 17,723 | ( 9,264) | 181,979 |
| | $ 3,785,277 | $ 1,334,264 | ($ 13,046) | $ 5,106,495 |

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2023 and 2022.

D. Impairment information about the property, plant and equipment is provided in Note 6(11).

E. The Company did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating lease assets.

(9) Leasing arrangements – lessee

A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.

B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Buildings | $ 24,522 | $ 1,048 |
| Transportation equipment (Business vehicles) | 117 | 742 |
| | $ 24,639 | $ 1,790 |

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | Depreciation charge | Depreciation charge |
| Buildings | $ 5,781 | $ 6,287 |
| Transportation equipment (Business vehicles) | 625 | 2,143 |
| | $ 6,406 | $ 8,430 |

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $29,255 and $350, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

| | For the years ended December 31, | |
|---|---|---|
| Items affecting profit or loss | 2023 | 2022 |
| Interest expense on lease liabilities | $ 140 | $ 73 |
| Expense on short-term lease contracts | 363 | 401 |

F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were $6,850 and $8,994, respectively.

(10) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ 22,662 | $ 12,056 |
| Additions-acquired separately | 12,688 | 20,677 |
| Amortization | ( 15,021) | ( 10,071) |
| At December 31 | $ 20,329 | $ 22,662 |

B. Details of amortization on intangible assets are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Manufacturing expenses | $ - | $ 483 |
| General and administrative expenses | 6,809 | 5,322 |
| Research and development expenses | 8,212 | 4,266 |
| | $ 15,021 | $ 10,071 |

(11) Impairment of non-financial assets

A. In 2022, the changes in product structures and replacement of existing product equipment resulted in an impairment. The Company wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly. As of December 31, 2022, the Company recognised impairment loss amounting to $5,030. The recoverable amount is the fair value of those property, plant and equipment less costs of disposal, estimated in accordance with the income approach. The fair value is classified as a level 3 fair value.

B. Movements in accumulated impairment are as follows:

| | January 1, 2023 | Additions | December 31, 2023 |
|---|---|---|---|
| Machinery and equipment | $ 5,030 | $ - | $ 5,030 |

| | January 1, 2022 | Additions | December 31, 2022 |
|---|---|---|---|
| Machinery and equipment | $ - | $ 5,030 | $ 5,030 |

(12) Other non-current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Prepayment for land purchases | $ - | $ 116,165 |
| Prepayment for equipment | 2,229 | 4,576 |
| Refundable deposits | 4,849 | 251,038 |
| | $ 7,078 | $ 371,779 |

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(13) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Wages and salaries payable | $ 392,454 | $ 378,072 |
| Payables on employees' compensation and remuneration to directors | 100,000 | 125,000 |
| Payables on machinery and equipment | 212,964 | 759,132 |
| Other payables | 389,974 | 444,739 |
| | $ 1,095,392 | $ 1,706,943 |

(14) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Third overseas unsecured convertible bonds | $ - | $ - |
| Fourth overseas unsecured convertible bonds | 201,564 | 3,359,400 |
| Less: Discount on bonds payable | ( 105) | ( 22,601) |
| | 201,459 | 3,336,799 |
| Less: current portion | | |
| (Shown as long-term liabilities, current portion) | ( 201,459) | ( 3,336,799) |
| | $ - | $ - |

A. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US$100 million. Except for the Company’s bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the “bondholders”), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As of January 22, 2022, the bonds with face value in the amount of US$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as ‘Share capital - common stock’ of $397,252 and ‘capital surplus, additional paid-in capital arising from bond conversion’ of $2,767,823).

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As of January 22, 2022, the conversion price was adjusted to NT$75.88 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the "early redemption price for the bondholders"), after two years from the issue date.

(ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the "early redemption amount").

(iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of January 22, 2022, the balance of "capital surplus - share options" after adjusting the amount converted into common stock is $0. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%.

B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US$120 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 25, 2021.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption. As of December 31, 2023, the book value of the convertible corporate bonds redeemed by the Company due to the bondholders exercising put options amounted to US$112,800 thousand.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$136.00 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 27.995 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2023, the conversion price was adjusted to NT$116.84 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium after two years from the issue date.

(ii) If the Company’s common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium (the “early redemption amount”).

(iii) If any changes occurs to the Company’s controlling power as defined in the bond indenture (the “bond indenture”), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders’ requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company’s common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $112,250 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2023, the balance of the account 'capital surplus - share options' was $6,735 due to the bondholders exercising their put options and the account was reversed. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 0.6748%.

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2023 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.55%~2.095% | None | $ 483,333 |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.55%~2.095% | None | 928,572 |
| Unsecured borrowings | Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.55%~2.095% | None | 1,227,083 |
| | | | | 2,638,988 |
| Less: Current portion | | | | ( 846,429) |
| | | | | $ 1,792,559 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2022 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.425%~1.970% | None | $ 683,333 |
| Unsecured borrowings | Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.425%~1.970% | None | 1,100,000 |
| Unsecured borrowings | Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.425%~1.970% | None | 1,702,084 |
| | | | | 3,485,417 |
| Less: Current portion | | | | ( 846,429) |
| | | | | $ 2,638,988 |

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(26).

(16) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | ($ 65,486) | ($ 66,710) |
| Fair value of plan assets | 52,343 | 51,465 |
| Net defined benefit liability (shown as 'Other non-current liabilities') | ($ 13,143) | ($ 15,245) |

(c) Changes in present value of defined benefit obligations are as follows:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| For the year ended December 31, 2023 | | | |
| Balance at January 1 | ($ 66,710) | $ 51,465 | ($ 15,245) |
| Interest (expense) income | ( 834) | 654 | ( 180) |
| | ( 67,544) | 52,119 | ( 15,425) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 450 | 450 |
| Experience adjustments | 140 | - | 140 |
| | 140 | 450 | 590 |
| Pay pension | 1,918 | ( 1,918) | - |
| Pension fund contribution | - | 1,692 | 1,692 |
| Balance at December 31 | ($ 65,486) | $ 52,343 | ($ 13,143) |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| For the year ended December 31, 2022 | | | |
| Balance at January 1 | ($ 70,635) | $ 47,059 | ($ 23,576) |
| Interest (expense) income | ( 459) | 311 | ( 148) |
| | ( 71,094) | 47,370 | ( 23,724) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 3,610 | 3,610 |
| Experience adjustments | 4,384 | ( 1,215) | 3,169 |
| | 4,384 | 2,395 | 6,779 |
| Pension fund contribution | - | 1,700 | 1,700 |
| Balance at December 31 | ($ 66,710) | $ 51,465 | ($ 15,245) |

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

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.25% | 1.25% |
| Future salary increases | 3.00% | 3.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 1% | Decrease 1% |
| December 31, 2023 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,619) | $ 1,678 | $ 7,008 | ($ 6,194) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,933) | $ 2,011 | $ 8,440 | ($ 7,335) |

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

The method and assumptions used for the preparation of sensitivity analysis during 2023 and 2022 are the same.

(f)Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to $1,692.

(g)As of December 31, 2023, the weighted average duration of that retirement plan is 12.5years.

B. Defined contribution plan

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were $73,203 and $71,399, respectively.

(17) Share-based payment

On August 3, 2022, July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

A. Details of the share-based payment arrangements are as follows:

| Type of arrangement | Grant date | Number of shares granted (in thousands) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Restricted stock transferred to employees (Note 1) | 2022.08.03 | 2,500 | 1 years | Service period and performance condition (Note 3) |
| Restricted stock transferred to employees (Note 1) | 2020.07.03 | 1,000 | 3 years | Service period and performance condition (Note 2) |
| Restricted stock transferred to employees (Note 1) | 2019.07.01 | 5,500 | 3 years | Service period and performance condition (Note 2) |

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 30%, 30% and 40%, respectively.

Note 3:For the employees who are currently working in the Company, whose services have reached 1 year since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to100%.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

| | 2023 | 2022 |
|---|---|---|
| Employee restricted shares at January 1 | 2,885 | 2,734 |
| Option issued for the year | - | 2,500 |
| Option retired for the year | ( 290) | ( 1,040) |
| Unrestriction for the year | ( 2,591) | ( 1,309) |
| Employee restricted shares at December 31 | 4 | 2,885 |

C. Expenses incurred on share-based payment transactions amounted to $163,731and $102,623 for the years ended December 31, 2023 and 2022, respectively.

(18) Share capital

A. As of December 31, 2023, the Company's authorized capital was $6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was $3,225,010, consisting of 322,501 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Shares in thousands)

| | 2023 | 2022 |
|---|---|---|
| At January 1 | 322,791 | 351,331 |
| Employee restricted shares | - | 2,500 |
| Employee restricted shares cancellation | ( 290) | ( 1,040) |
| Treasury shares cancellation | - | ( 30,000) |
| At December 31 | 322,501 | 322,791 |

B. The Board of Directors during its meeting on August 3, 2022 adopted a resolution to issue employee restricted ordinary shares (see Note 6(17)) with the effective date set on September 5, 2022. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

C. Treasury shares

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

There was no such transaction as of December 31, 2023 and 2022.

(b)Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(f) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on March 16, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(19) Capital surplus

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Stock option | Donated assets | Employee restricted shares | Others | Total |
| At January 1, 2023 | $ 1,206,805 | $ 112,250 | $ 1,245 | $ 257,799 | $ 1,771 | $ 1,579,870 |
| Return of unclaimed dividends to shareholders | - | - | ( 40) | - | - | ( 40) |
| Employee restricted shares | 256,827 | - | - | ( 257,799) | - | ( 972) |
| Put options of convertible bonds | - | ( 105,515) | - | - | 105,515 | - |
| Cash dividends from capital surplus | ( 799,903) | - | - | - | - | ( 799,903) |
| At December 31, 2023 | $ 663,729 | $ 6,735 | $ 1,205 | $ - | $ 107,286 | $ 778,955 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Stock option | Donated assets | Employee restricted shares | Others | Total |
| At January 1, 2022 | $ 2,595,672 | $ 112,250 | $ 1,245 | $ 337,772 | $ 1,771 | $ 3,048,710 |
| Employee restricted shares | 290,133 | - | - | ( 79,973) | - | 210,160 |
| Treasury shares cancellation | ( 85,830) | - | - | - | - | ( 85,830) |
| Cash dividends from capital surplus | ( 1,593,170) | - | - | - | - | ( 1,593,170) |
| At December 31, 2022 | $ 1,206,805 | $ 112,250 | $ 1,245 | $ 257,799 | $ 1,771 | $ 1,579,870 |

B. On February 9, 2023, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $799,903, at NT$2.5 (in dollars) per share and reported to the shareholders during their meeting on May 30, 2023. On May 4, 2022, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $1,593,170, at NT$5 (in dollars) per share and reported to the shareholders during their meeting on May 31, 2022. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. On February 15, 2024, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of $322,501, at NT$1 (in dollars) per share.

D. For details of capital reserve from stock options, please refer to Note 6(14).

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders' meeting.

B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than $0.1 per share, which will instead be distributed in the form of stocks.

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

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The shareholders of the Company during their meeting on May 30, 2023 resolved to distribute cash dividend from earnings in the amount of $799,903, at NT$2.5 (in dollars) per share. The appropriation of 2021 earnings had been resolved at the shareholders' meeting on May 31, 2022. All distributable earnings have been retained and not distributed as dividends. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. On February 15, 2024, the Board of Directors resolved that the cash dividends for the distribution of earnings was $1,290,004, at NT$4 (in dollars) per share.

(21) Other equity items

| | 2023 | | | |
|---|---|---|---|---|
| | Currency translation | Unearned Compensation | Unrealised gain (losses) on valuation | Total |
| At January 1 | ($ 332,001) | ($ 167,648) | $ 3,909 | ($ 495,740) |
| Currency translation differences: | | | | |
| –Group | ( 185,885) | - | - | ( 185,885) |
| Compensation cost of share-based payment | - | 164,383 | - | 164,383 |
| Valuation adjustments | - | 3,219 | - | 3,219 |
| At December 31 | ($ 517,886) | ($ 46) | $ 3,909 | ($ 514,023) |

| | 2022 | | | |
|---|---|---|---|---|
| | Currency translation | Unearned Compensation | Unrealised gain (losses) on valuation | Total |
| At January 1 | ($ 472,029) | ($ 45,511) | ($ 5,145) | ($ 522,685) |
| Currency translation differences: | | | | |
| –Group | 140,028 | - | - | 140,028 |
| Issuance of employee restricted shares | - | ( 142,600) | - | ( 142,600) |
| Compensation cost of share-based payment | - | 102,623 | - | 102,623 |
| Valuation adjustments | - | ( 82,160) | 9,054 | ( 73,106) |
| At December 31 | ($ 332,001) | ($ 167,648) | $ 3,909 | ($ 495,740) |

(22) Operating revenue

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | Revenue | Revenue |
| Taiwan | $ 1,438,407 | $ 1,360,224 |
| China | 1,940,555 | 2,761,109 |
| Asia (excluding Taiwan and China) | 684,825 | 1,319,446 |
| Europe and America | 28,549,790 | 34,560,334 |
| | $ 32,613,577 | $ 40,001,113 |

(23) Interest income

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 181,678 | $ 100,804 |
| Other interest income | 55,214 | 38,879 |
| | $ 236,892 | $ 139,683 |

(24) Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rent income | $ 2,205 | $ 1,268 |
| Other income | 101,738 | 104,831 |
| | $ 103,943 | $ 106,099 |

(25) Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Gains on disposal of property, plant and equipment | $ 541 | $ 100 |
| Foreign exchange gains | 88,691 | 633,818 |
| Net gain on financial assets/ liabilities at fair value through profit or loss | 2,418 | 9,252 |
| Impairment loss on property and equipment | - | ( 5,030) |
| Losses on repurchase of corporate bonds | ( 16,072) | - |
| Others | ( 349) | 1,341 |
| | $ 75,229 | $ 639,481 |

(26) Finance costs

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | $ 17,490 | $ 7,039 |
| Convertible bonds | 2,880 | 20,727 |
| Imputed interest on deposit | 16 | 8 |
| Interest expense on lease liability | 140 | 73 |
| | $ 20,526 | $ 27,847 |

(27) Expenses by nature

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Employee benefit expense | $ 2,164,919 | $ 2,100,621 |
| Depreciation charge on property, plant and equipment | 1,320,315 | 1,329,234 |
| Depreciation expenses on right-of-use assets | 6,406 | 8,430 |
| Amortisation on intangible assets | 15,021 | 10,071 |

(28) Employee benefit expense

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Wages and salaries | $ 1,688,795 | $ 1,687,526 |
| Employee restricted stock | 163,731 | 102,623 |
| Labor and health insurance fees | 171,924 | 163,170 |
| Pension costs | 73,383 | 71,547 |
| Other personnel expenses | 67,086 | 75,755 |
| | $ 2,164,919 | $ 2,100,621 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued $80,000 and $100,000; while directors' remuneration were $20,000 and $25,000, respectively. The aforementioned amounts were recognised in salary expenses.

   For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash.

   Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

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

(29) Income tax

A. Income tax expense

Components of income tax expense:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Current tax： | | |
| Current tax on profits for the year | $ 213,319 | $ 638,170 |
| Tax on undistributed earnings | 138,927 | 131,756 |
| Overestimation of prior year's income tax | ( 185,557) | ( 135,136) |
| Total current tax | 166,689 | 634,790 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 31,918 | ( 49,818) |
| Income tax expense | $ 198,607 | $ 584,972 |

B. Reconciliation between income tax expense and accounting profit

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Tax calculated based on profit before tax and statutory tax rate | $ 454,009 | $ 821,306 |
| Effect from items adjusted in accordance with tax regulation | ( 208,772) | ( 232,954) |
| Tax on undistributed earnings | 138,927 | 131,756 |
| Overestimation of prior year's income tax | ( 185,557) | ( 135,136) |
| Income tax expense | $ 198,607 | $ 584,972 |

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

| | For the year ended December 31, 2023 | | |
|---|---|---|---|
| | January 1 | Recognised in profit or loss | December 31 |
| Temporary differences: | | | |
| －Deferred tax assets: | | | |
| Allowance for obsolescence and decline in market value of inventories | $ 37,294 | ($ 24,244) | $ 13,050 |
| Unrealised gross profit | 16,290 | ( 4,044) | 12,246 |
| Unrealised compensated absences | 7,567 | 1,005 | 8,572 |
| Cost of bond issuance | 1,064 | ( 982) | 82 |
| Refund liability | 3,591 | - | 3,591 |
| Unrealised estimated expense | 7,430 | ( 4,542) | 2,888 |
| Others | 1,091 | 186 | 1,277 |
| Subtotal | $ 74,327 | ($ 32,621) | $ 41,706 |
| －Deferred tax liabilities: | | | |
| Gain on foreign investment accounted for under equity method | ($ 1,437,902) | $ - | ($ 1,437,902) |
| Pension expense | ( 2,722) | ( 302) | ( 3,024) |
| Unrealised exchange gain | ( 5,794) | 1,005 | ( 4,789) |
| Subtotal | ($ 1,446,418) | $ 703 | ($ 1,445,715) |
| Total | ($ 1,372,091) | ($ 31,918) | ($ 1,404,009) |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | January 1 | Recognised in profit or loss | December 31 |
| Temporary differences: | | | |
| －Deferred tax assets: | | | |
| Allowance for obsolescence and decline in market value of inventories | $ 8,998 | $ 28,296 | $ 37,294 |
| Unrealised gross profit | 4,133 | 12,157 | 16,290 |
| Unrealised compensated absences | 7,495 | 72 | 7,567 |
| Cost of bond issuance | 1,964 | ( 900) | 1,064 |
| Refund liability | 3,591 | - | 3,591 |
| Unrealised estimated expense | 15 | 7,415 | 7,430 |
| Others | 79 | 1,012 | 1,091 |
| Subtotal | $ 26,275 | $ 48,052 | $ 74,327 |
| －Deferred tax liabilities: | | | |
| Gain on foreign investment accounted for under equity method | ($ 1,437,902) | $ - | ($ 1,437,902) |
| Pension expense | ( 2,412) | ( 310) | ( 2,722) |
| Unrealised exchange gain | ( 7,870) | 2,076 | ( 5,794) |
| Subtotal | ($ 1,448,184) | $ 1,766 | ($ 1,446,418) |
| Total | ($ 1,421,909) | $ 49,818 | ($ 1,372,091) |

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were $450,189 and $238,246, respectively.

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(30) Earnings per share

| | For the year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the Company | $ 2,066,725 | 320,451 | $ 6.45 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the Company | $ 2,066,725 | 320,451 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 920 | |
| Convertible bonds | 14,981 | 2,989 | |
| Employee restricted stock | - | 2,255 | |
| Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares | $ 2,081,706 | 326,615 | $ 6.37 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the Company | $ 3,521,557 | 325,213 | $ 10.83 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the Company | $ 3,521,557 | 325,213 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,031 | |
| Convertible bonds | 9,180 | 27,263 | |
| Employee restricted stock | - | 1,586 | |
| Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares | $ 3,530,737 | 355,093 | $ 9.94 |

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Purchase of property, plant and equipment (including prepayments for equipment and for land purchases) | $ 900,262 | $ 3,450,544 |
| Add: Opening balance of other payables (including related parties) | 759,132 | 1,488,417 |
| Less: Ending balance of other payables (including related parties) | ( 212,964) | ( 759,132) |
| Cash paid during the period | $ 1,446,430 | $ 4,179,829 |

B. Investing and financing activities with no cash flow effects:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Prepayment for equipment transferred to property, plant, and equipment | $ 118,512 | $ - |

(32) Changes in liabilities from financing activities

| | 2023 | | | |
|---|---|---|---|---|
| | Lease liability | Bonds payable | Long-term borrowings | Liabilities from financing activities-gross |
| At January 1 | $ 1,826 | $ 3,336,799 | $ 3,485,417 | $ 6,824,042 |
| Changes in cash flow from financing activities | ( 6,347) | - | - | ( 6,347) |
| Changes in other non-cash items | - | 3,544 | - | 3,544 |
| Increase in lease liabilities | 29,255 | - | - | 29,255 |
| Amortisation of discounts on bonds payable | - | 2,880 | - | 2,880 |
| Losses on repurchase of convertible bonds | - | 16,072 | - | 16,072 |
| Repurchase of convertible bonds | - | ( 3,157,836) | - | ( 3,157,836) |
| Repayments of long-term borrowings | - | - | ( 846,429) | ( 846,429) |
| At December 31 | $ 24,734 | $ 201,459 | $ 2,638,988 | $ 2,865,181 |

| | 2022 | | | |
|---|---|---|---|---|
| | Lease liability | Bonds payable | Long-term borrowings | Liabilities from financing activities-gross |
| At January 1 | $ 9,996 | $ 3,316,072 | $ 3,900,000 | $ 7,226,068 |
| Changes in cash flow from financing activities | ( 8,520) | - | ( 414,583) | ( 423,103) |
| Increase in lease liabilities | 350 | - | - | 350 |
| Amortisation of discounts on bonds payable | - | 20,727 | - | 20,727 |
| At December 31 | $ 1,826 | $ 3,336,799 | $ 3,485,417 | $ 6,824,042 |

# 7. RELATED PARTY TRANSACTIONS

## (1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| FLEXIUM INTERCONNECT INC. (“FLEXIUM”) | The Company's wholly-owned subsidiary |
| SUCCESS GLORY INVESTMENTS LTD. (“SUCCESS”) | FLEXIUM's wholly-owned subsidiary |
| GRANDPLUS ENTERPRISES LTD. (“GRANDLUS”) | FLEXIUM's wholly-owned subsidiary |
| UFLEX TECHNOLOGY CO., LTD. (“UFLEX”) | The Company's wholly-owned subsidiary |
| FLEXIUM INTERCONNECT AMERICA LLC (“FLEXIUM USA”) | The Company's wholly-owned subsidiary |
| RAFAEL MICROELECTRONICS, INC. (“RAFAEL MICROELECTRONICS”) | The Company's with 30% ownership subsidiary |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (“FLEXIUM INTERCONNECT(KUNSHAN)”) | Subsidiary held by UFLEX and SUCCESS with 25.89% and 74.11% ownership, respectively. |
| FLEXIUM INTERCONNECT INVESTMENT Co., Ltd. (“FLEXIUM INTERCONNECT INVESTMENT”) | The Company's wholly-owned subsidiary |

| Names of related parties | Relationship with the Company |
|---|---|
| CHOSEN GLORY LIMITED (“CHOSEN”) | GRANDLUS's wholly-owned subsidiary |
| CHAMPION BEYOND LIMITED (“CHAMPION”) | GRANDLUS's wholly-owned subsidiary |
| FOREVER MASTER LIMITED (“FOREVER”) | GRANDLUS's wholly-owned subsidiary |
| BOOM BUSINESS LIMITED (“BOOM”) | The Company's wholly-owned subsidiary |
| CLEAR SUCCESS GLOBAL LIMITED (“CLEAR”) | BOOM's wholly-owned subsidiary |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION (“FLEXIUM TECHNOLOGY (SUZHOU)”) | CLEAR's wholly-owned subsidiary |
| UNIVERSE ENERGY CO., LTD. (UNIVERSE) | The Company's wholly-owned subsidiary |
| QUANTUM Z INC.(QUANTUM Z) | The same chairman |

(2) Significant related party transactions

A. Sales of goods

(a) For the years ended December 31, 2022, the Company’s sales to QUANTUM Z amounted to $183. Goods are sold based on the price lists in force and terms that would be available to third parties. There was no such transaction for the year ended December 31, 2023.

(b) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements. For the years ended December 31, 2023 and 2022, the write-offs amounted to $5,297,204 and $6,139,683, respectively.

(c) Sales of work in progress to the related parties have no comparative transactions. The prices are based on mutual agreement. The prices of materials and supplies are costs plus margin. The credit terms are 180 days for related parties and 45~120 days for regular clients after monthly billing for related parties.

B. Purchases:

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Purchases of goods: | | |
| - FLEXIUM INTERCONNECT(KUNSHAN) | $ 23,486,355 | $ 3,014,026 |

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements.

(b) Prices of purchases from the related parties are the same with those from other suppliers. The payment terms are 90 days to the related parties and 60~90 days to other suppliers after monthly billing.

C. Miscellaneous income

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| SUCCESS | $ 58,566 | $ 69,941 |
| UNIVERSE | 1,038 | - |
| | $ 59,604 | $ 69,941 |

D. Other expenses

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| SUCCESS | $ 58,355 | $ 70,589 |
| FLEXIUM USA | 20,760 | 17,799 |
| | $ 79,115 | $ 88,388 |

E. Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| FLEXIUM INTERCONNECT(KUNSHAN) | $ 2,018,876 | $ 3,245,266 |
| QUANTURM Z | - | 183 |
| | $ 2,018,876 | $ 3,245,449 |

F. Other receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| UNIVERSE | $ 66,878 | $ - |
| SUCCESS | 33,779 | 37,623 |
| FLEXIUM TECHNOLOGY (SUZHOU) | - | 1,200,768 |
| FLEXIUM INTERCONNECT(KUNSHAN) | - | 7,002 |
| | $ 100,657 | $ 1,245,393 |

The financing situation for UNIVERSE and FLEXIUM INTERCONNECT (KUNSHAN), please refer to 7(2)10.

G. Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| FLEXIUM INTERCONNECT(KUNSHAN) | $ 6,152,475 | $ 11,506,326 |

H. Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| SUCCESS | $ 29,316 | $ 33,543 |
| FLEXIUM INTERCONNECT(KUNSHAN) | - | 140 |
| | $ 29,316 | $ 33,683 |

I. Property transactions

Acquisition of property, plant and equipment

| | For the year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| FLEXIUM INTERCONNECT(KUNSHAN) | $ 136 | $ 5,471 |

J. Financing situation

Loans to related parties

(a) Outstanding balance at the end of period

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| FLEXIUM TECHNOLOGY (SUZHOU) | $ - | $ 1,197,612 |
| UNIVERSE | 65,000 | - |
| | $ 65,000 | $ 1,197,612 |

(b) Interest income

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| FLEXIUM TECHNOLOGY (SUZHOU) | $ 2,318 | $ 8,217 |
| UNIVERSE | 792 | - |
| | $ 3,110 | $ 8,217 |

The loans to UNIVERSE are repayable at maturity and carry interest at 1.95% per annum for the years ended December 31, 2023.

The loans to FLEXIUM TECHNOLOGY (SUZHOU) are repayable at maturity and carry interest both at 0.80% per annum for the years ended December 31, 2023 and 2022.

(3) Key management compensation

| | For the years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 71,620 | $ 76,800 |
| Post-employment benefits | 175 | 168 |
| Share-based payments | 38,031 | 21,493 |
| | $ 109,826 | $ 98,461 |

8. PLEDGED ASSETS

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2023 | December 31, 2022 | Purpose |
| Refundable deposits (recorded in "Other non-current assets") | $ 3,500 | $ 247,939 | Guarantee for land bid and gas |

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2023 and 2022, the Company issued promissory notes both amounting to $723,848 for applying loan facilities from the banks to meet the operational needs.

(2) As of December 31, 2023 and 2022, the Company entered into several contracts for construction and acquisition of machinery with total values of $450,959 and $1,315,116, respectively, and the unpaid balance on these contracts amounted to $256,105 and $947,966, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

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

During 2023, the Company's strategy, which was unchanged from 2022, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2023 and 2022 were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Total liabilities | $ 13,481,834 | $ 23,508,220 |
| Total assets | $ 38,874,029 | $ 48,455,100 |
| Gearing ratio | 35 | 49 |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ | 7,125 | $ | - |
| Financial assets at fair value through other comprehensive income | | | | |
| Designation of equity instrument | $ | 92,124 | $ | 92,124 |
| Financial assets at amortised cost | | | | |
| Cash and cash equivalents | $ | 3,983,939 | $ | 11,242,661 |
| Financial assets at amortised cost | | 2,156,461 | | 1,848,360 |
| Accounts receivable (including related parties) | | 6,722,847 | | 9,256,789 |
| Other receivables (including related parties) | | 174,560 | | 1,360,131 |
| Refundable deposits | | 4,849 | | 251,038 |
| | $ | 13,042,656 | $ | 23,958,979 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial liabilities designated at fair value through profit or loss | $ | - | $ | 3,769 |
| Financial liabilities at amortised cost | | | | |
| Accounts payable (including related parties) | $ | 7,048,003 | $ | 12,277,145 |
| Other payables | | 1,095,392 | | 1,706,943 |
| Bonds payable (including current portion) | | 201,459 | | 3,336,799 |
| Long-term borrowings (including current portion) | | 2,638,988 | | 3,485,417 |
| Guarantee deposits received | | 7,250 | | 7,250 |
| | $ | 10,991,092 | $ | 20,813,554 |
| Lease liabilities | $ | 24,734 | $ | 1,826 |

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Company hedges foreign exchange rate by using forward foreign exchange contracts. However, the Company does not adopt hedging accounting and derivative instruments were recorded as financial assets or liabilities at fair value through profit or loss. Please refer to Note 6(2).

iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Foreign currency | | | Sensitivity analysis | | |
| | amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | $ 259,646 | 30.735 | $ 7,980,220 | 1% | $ 79,802 | $ - |
| Non-monetary items | | | | | | |
| USD:NTD | 3,000 | 30.735 | 92,124 | 1% | - | 921 |
| Long-term equity investments accounted for using equity method | | | | | | |
| USD:NTD | 374,003 | 30.735 | 11,494,994 | 1% | - | 114,950 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | 223,851 | 30.735 | 6,880,060 | 1% | ( 68,801) | - |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Foreign currency | | | Sensitivity analysis | | |
| | amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | $ 660,215 | 30.708 | $ 20,273,882 | 1% | $ 202,739 | $ - |
| Non-monetary items | | | | | | |
| USD:NTD | 3,000 | 30.708 | 92,124 | 1% | - | 921 |
| Long-term equity investments accounted for using equity method | | | | | | |
| USD:NTD | 345,218 | 30.708 | 10,600,946 | 1% | - | 106,009 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | 407,655 | 30.708 | 12,518,270 | 1% | ( 125,183) | - |

v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to $88,691 and $633,818, respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2023 and 2022 other components of equity would have both increased/decreased by $921, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.

ii The Company's main interest rate risk arises from long-term borrowings with floating rates, which expose the Company to cash flow interest rate risk, but some of the risks are offset by cash and equivalents with variable interest rate. As of December 31, 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022, would have increased/decreased by $6,597 and $8,714, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables

v. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix classified by customers is as follows:

| | Group A | Group B | Group C | Group D | Group E | Total |
|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | |
| Book value | $ 3,889,067 | $ 144,547 | $ 523,233 | $ 88,535 | $ 67,028 | $ 4,712,410 |
| Expected loss rate | 0.05% | 0.12% | 0.11% | 0.08% | 8.73% | |
| Loss allowance | $ 1,784 | $ 167 | $ 565 | $ 74 | $ 5,849 | $ 8,439 |

| | Group A | Group B | Group C | Group D | Group E | Total |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| Book value | $ 5,023,587 | $ 117,150 | $ 643,166 | $ 170,383 | $ 64,043 | $ 6,018,329 |
| Expected loss rate | 0.01% | 0.01% | 0.04% | 0.01% | 10.06% | |
| Loss allowance | $ 256 | $ 10 | $ 269 | $ 12 | $ 6,442 | $ 6,989 |

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ 6,989 | $ 394 |
| Provision for impairment loss | 1,450 | 6,595 |
| At December 31 | $ 8,439 | $ 6,989 |

For provisioned loss in 2023 and 2022, the impairment losses arising from customers' contracts are $1,450 and $6,595, respectively.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, structured certificates of deposit and bonds sold under repruchase agreement, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2023 and 2022, the Company held money market position of $6,140,024 and $13,090,455, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2023 | Less than 1 year | Between 1 and 2 years | Over 2 years |
|---|---|---|---|
| Non-derivative financial liabilities: | | | |
| Accounts payable(including related parties) | $ 7,048,003 | $ - | $ - |
| Other payables | 1,095,392 | - | - |
| Lease liabilities | 5,964 | 5,846 | 13,183 |
| Bonds payable | 201,564 | - | - |
| Long-term borrowings | 847,104 | 846,850 | 946,472 |

| December 31, 2022 | Less than 1 year | Between 1 and 2 years | Over 2 years |
|---|---|---|---|
| Non-derivative financial liabilities: | | | |
| Accounts payable(including related parties) | $ 12,277,145 | $ - | $ - |
| Other payables | 1,706,943 | - | - |
| Lease liabilities | 1,787 | 118 | - |
| Bonds payable | 3,359,400 | - | - |
| Long-term borrowings | 847,358 | 847,104 | 1,793,322 |
| Derivative financial liabilities: | | | |
| Put options of convertible bonds | 3,769 | - | - |

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in certain derivative instruments is included in Level 2.

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

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other non-current assets"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets"), are approximate to their fair values.

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

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

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | $ - | $ 7,125 | $ - | $ 7,125 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 92,124 | 92,124 |
| | $ - | $ 7,125 | $ 92,124 | $ 99,249 |

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 92,124 | $ 92,124 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Put options of convertible bonds | $ - | $ - | $ 3,769 | $ 3,769 |

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

i. Forward foreign exchange contracts are usually valued based on the current forward foreign exchange rate.

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.

iii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

| | 2023 | |
|---|---|---|
| | Derivative instruments | Non-derivative equity instruments |
| At January 1 | ($ 3,769) | $ 92,124 |
| Gains recognised in profit or loss (Note) | 225 | - |
| Gains on repurchase of corporate bonds | 3,544 | - |
| December 31 | $ - | $ 92,124 |
| Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2023 (Note) | $ 225 | $ - |

| | 2022 | |
|---|---|---|
| | Derivative instruments | Non-derivative equity instruments |
| At January 1 | ($ 13,021) | $ 83,070 |
| Gains recognised in profit or loss (Note) | 9,252 | - |
| Gains recognised in other comprehensive income | - | 9,054 |
| December 31 | ($ 3,769) | $ 92,124 |
| Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2022 (Note) | $ 9,252 | $ - |

Note: Recorded as non-operating income and expenses.

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

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

| | Fair value at December 31, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | $ 92,124 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Hybrid instruments: | | | | | |
| Convertible bonds | ($ 3,769) | Binary tree Convertible bond valuation model | Stock price volatility | 24.08%~29.13% | The higher the stock price volatility, the higher the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | $ 92,124 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | $ 92,124 | ±1% | $ - | $ - | $ 921 | ($ 921) |
| Hybrid instruments | Stock price volatility | ±5% | $ - | $ - | $ - | $ - |

| | Input | Change | December 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | $ 92,124 | ±1% | $ - | $ - | $ 921 | ($ 921) |
| Hybrid instruments | Stock price volatility | ±5% | $ 2,688 | ($ 11,086) | $ - | $ - |

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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

(4) Major shareholders information

Names of shareholders who hold more than 5% of the Company: None.

14. Segment Information

None.

FLEXIUM INTERCONNECT, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount |
|---|---|---|
| Cash on hand and revolving funds | | $ 376 |
| Demand deposits | NTD | 237,270 |
| | USD (US$4,127 thousand at exchange rate of 30.735) | 126,852 |
| | Other foreign currency | 2,015 |
| Cash equivalents | | |
| Time deposits | USD (US$23,500 thousand at exchange rate of 30.735) | 722,273 |
| | Interest rate range: 5.71% ~ 5.77% | |
| | Expiration date: From January 17, 2024 to January 26, 2024 | |
| | NTD | 2,677,880 |
| | Interest rate range:1.10% ~ 1.40% | |
| | Expiration date: From January 5, 2024 to March 29, 2024 | |
| Bonds sold under the repurchase agreement | USD (US$7,069 thousand at exchange rate of 30.735) | |
| | Interest rate range:5.57% ~ 5.65% | |
| | Expiration date: From January 17, 2024 | 217,273 |
| | | $ 3,983,939 |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Name | Summary | Contract period | Amount | Interest rate | Note |
|---|---|---|---|---|---|
| E.Sun Commercial Bank, Ltd. | NTD time deposits | 2023.07 ~ 2024.03 | $ 1,000,000 | 1.40% | Fixed interest rate |
| DBS Bank Ltd. | NTD time deposits | 2023.07 ~ 2024.06 | 476,800 | 1.25% | Fixed interest rate |
| Hua Nan Commercial Bank | NTD time deposits | 2023.01 ~ 2024.01 | 5,980 | 1.57% | Flexible interest rate |
| Far Eastern International Bank | NTD time deposits | 2023.07 ~ 2024.11 | 168,600 | 1.31%~1.50% | Fixed interest rate |
| Taishin Internation Bank | NTD time deposits | 2023.08 ~ 2024.08 | 166,996 | 1.25% | Fixed interest rate |
| Mizuho Corporate Bank Ltd. | USD time deposits | 2023.08 ~ 2024.02 | 153,675 | 5.73% | Fixed interest rate |
| Bank SinoPac Company Ltd. | USD time deposits | 2023.08 ~ 2024.02 | 184,410 | 5.73% | Fixed interest rate |
| | | | $ 2,156,461 | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Customer name | Summary | Amount | Note |
|---|---|---|---|
| Non-related parties: | | | |
| A Company | Sales revenue | $ 3,007,428 | |
| B Company | Sales revenue | 321,063 | |
| Others (minor amount less than 5%) | Sales revenue | 1,383,919 | |
| | | 4,712,410 | |
| Less: Allowance for uncollectible accounts | | ( 8,439) | |
| | | $ 4,703,971 | |
| Related parties: | | | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Sales revenue | $ 2,018,876 | |

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# FLEXIUM INTERCONNECT, INC.
## STATEMENT OF INVENTORIES
## DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount | | Note |
|---|---|---|---|---|
| | | Cost | Net realisable value | |
| Materials and supplies | | $ 169,252 | $ 169,252 | Use the net realizable value as the market price |
| Work in progress and semi-finished goods | | 183,977 | 268,329 | Use the net realizable value as the market price |
| Finished goods and merchandise inventory | | 662,995 | 644,543 | Use the net realizable value as the market price |
| | | 1,016,224 | $ 1,082,124 | |
| Less: Allowance for inventory valuation losses | | ( 65,252) | | |
| | | $ 950,972 | | |

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# FLEXIUM INTERCONNECT, INC.
## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
## FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| | Opening balance | | Additions (Note) | | Reductions (Note) | | Ending balance | | | Market price or net value per share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Number of shares (per thousand share) | Amount | Number of shares (per thousand share) | Amount | Number of shares (per thousand share) | Amount | Number of shares (per thousand share) | % Ownership | Amount | Price (in dollar) | Total price | Collateral or pledged | Note |
| FLEXIUM INTERCONNECT INC. | 50 | $ 6,984,407 | - | $ 646,921 | - | $ - | 50 | 100% | $ 7,631,328 | $ 154,686.22 | $ 7,734,311 | None | |
| UFLEX TECHNOLOGY CO., LTD. | 50 | 2,409,971 | - | 225,945 | - | - | 50 | 100% | 2,635,916 | 53,437.82 | 2,671,891 | None | |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | 5,000 | 34,046 | - | - | - | ( 1,893) | 5,000 | 100% | 32,153 | 6.43 | 32,153 | None | |
| BOOM BUSINESS LIMITED | 35,000 | 1,201,655 | - | 21,655 | - | - | 35,000 | 100% | 1,223,310 | 34.95 | 1,223,310 | None | |
| FLEXIUM INTERCONNECT AMERICA LLC. | - | 4,913 | - | - | - | ( 473) | - | 100% | 4,440 | - | 4,440 | None | |
| UNIVERSE ENERGY CO., LTD. | 50,000 | 49,992 | - | - | - | ( 1,557) | 5,000 | 100% | 48,435 | 9.69 | 48,435 | None | |
| RAFAEL MICROELECTRONICS, INC. | - | - | 9,222 | 1,563,026 | | - | 9,222 | 30% | 1,563,026 | 159.50 | 1,563,026 | None | |
| | | $ 10,684,984 | | $ 2,457,547 | | ($ 3,923) | | | $ 13,138,608 | | $ 13,277,566 | | |

Note: Including net income (losses) of the investee, realised (unrealised) gain (loss) and financial statements translation differences of foreign operations.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

The information on ‘Property, plant and equipment’ is provided in Note 6(8).

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

The information on 'Property, plant and equipment' is provided in Note 6(8).

Please refer to Note 4(15), for the information of depreciation methods and useful lives.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Vendor name | Summary | Amount | Note |
|---|---|---|---|
| Non-related parties: | | | |
| A supplier | Purchases | $ 116,459 | |
| B supplier | Purchases | 108,349 | |
| D supplier | Purchases | 68,044 | |
| E supplier | Purchases | 50,115 | |
| Others (minor amount less than 5%) | Purchases | 552,561 | |
| | | $ 895,528 | |
| Related parties: | | | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Purchases | $ 6,152,475 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

The information on ‘Other Payables’ is provided in Note 6(13) and Note 7(2)H.

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# FLEXIUM INTERCONNECT, INC.
# STATEMENT OF BONDS PAYABLE
# DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Name of Bond | Guarantor | Period | Date of interest payment | Interest rate | Total issued amount | Repayment | Balance at December 31, 2023 | Balance at December 31, 2023 (NTD) | Unamortised premium (discount) | Book value | Repayment method | Collateral or pledged | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fourth overseas unsecured convertible bonds | KGI Securities Co. Ltd - Department of Trusts | 2021.01.25 | Note | Note | USD 120,000 thousand | USD 112,800 thousand | USD 7,200 thousand | $ 201,564 | ($ 105) | $ 201,459 | Note | None | The bonds were traded in the Singapore Exchange Limited |
| | | | | | | | | Less: Current portion | | ( 201,459) | | | |
| | | | | | | | | | | $ - | | | |

Note: Please refer to Note 6(14) for details.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Creditor | Summary | Amount | Contract period | Interest rate | Collateral or pledged | Note |
|---|---|---|---|---|---|---|
| CTBC Bank | Unsecured borrowings | $ 483,333 | 2019.05~2026.05 | 0.55% ~ 2.095% | None | |
| CTBC Bank | Unsecured borrowings | 928,572 | 2019.05~2029.05 | 0.55% ~ 2.095% | None | |
| E. Sun Commercial Bank, Ltd. | Unsecured borrowings | 1,227,083 | 2019.07~2026.07 | 0.55% ~ 2.095% | None | |
| | | 2,638,988 | | | | |
| | Less: Current portion | ( 846,429) | | | | |
| | | $ 1,792,559 | | | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Quantity | Amount | Note |
| --- | --- | --- | --- |
| Flexible printed circuit board | 1,044,725 thousand PCS | $ 32,223,366 | |
| Other | | 575,259 | |
| | | 32,798,625 | |
| Less: Sales returns | | ( 23,321) | |
| Sales discounts | | ( 161,727) | |
| | | $ 32,613,577 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Amount |
|---|---|
| Opening merchandise inventory | $ 1,553,555 |
| Add: Purchased during the year | 23,504,340 |
| Less: Goods transfer | ( 750,374) |
| Ending merchandise inventory | ( 646,754) |
| Scrapping of merchandises | ( 218,194) |
| Reclassified to expenses | ( 246) |
| Cost of goods manufactured and sold | 23,442,327 |
| Opening balance of raw materials | 170,098 |
| Add: Purchased during the year | 2,747,663 |
| Less: Ending balance of raw materials | ( 169,252) |
| Scrapping of raw materials | ( 874) |
| Reclassified to expenses | ( 624,493) |
| Raw materials for sale | ( 30,468) |
| Raw materials consumption | 2,092,674 |
| Direct labours | 800,054 |
| Manufacturing expenses | 3,360,719 |
| Manufacturing costs | 6,253,447 |
| Add: Opening work in progress and semi-finished goods | 172,531 |
| Purchased during the year | 61,456 |
| Finished goods and merchandise inventory | 769,070 |
| Less: Ending work in progress and semi-finished goods | ( 183,977) |
| Scrapped work in progress | ( 547) |
| Reclassified to expenses | ( 285,631) |
| Work in progress for sale | ( 4,125,054) |
| Cost of finished goods | 2,661,295 |
| Add: Opening finished goods | 17,814 |
| Purchased during the year | 63,395 |
| Less: Ending finished goods | ( 16,241) |
| Scrapping finished goods | ( 2,318) |
| Finished product transfer | ( 18,696) |
| Reclassified to expenses | ( 45) |
| Production and marketing costs | 2,705,204 |
| Other operating costs- raw materials for sale | 30,468 |
| Other operating costs- work in progress for sale | 4,125,054 |
| Gain from price recovery of inventory | ( 121,222) |
| Loss on srapping of inventories | 221,933 |
| Cost of sales | $ 30,403,764 |

FLEXIUM INTERCONNECT, INC.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount | Note |
|---|---|---|---|
| Depreciation | | $ 1,216,174 | |
| Wages and salaries | | 588,593 | |
| Spent material | | 473,572 | |
| Repairs and maintenance expense | | 342,346 | |
| Utilities expense | | 348,923 | |
| Others (minor amount less than 5%) | | 391,111 | |
| | | $ 3,360,719 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 45,159 | |
| Export expenses | | 24,350 | |
| Freight | | 10,368 | |
| Others (minor amount less than 5%) | | 22,465 | |
| | | $ 102,342 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 287,167 | |
| Depreciation | | 62,517 | |
| Employee benefits/welfare | | 28,572 | |
| Professional service fee | | 30,171 | |
| Others (minor amount less than 5%) | | 112,651 | |
| | | $ 521,078 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Items | Summary | Amount | Note |
|---|---|---|---|
| Research and development expense | | $ 256,952 | |
| Wages and salaries | | 299,090 | |
| Molding expense | | 74,406 | |
| Depreciation | | 47,693 | |
| Others (minor amount less than 5%) | | 88,559 | |
| | | $ 766,700 | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF NET AMOUNT OF OTHER REVENUES AND GAINS AND EXPENSES AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

The information on ‘Net Amount of Other Revenues and Gains and Expenses and Losses’ is provided in Note 6(25).

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

The information on ‘Finance Cost’ is provided in Note 6(26).

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FLEXIUM INTERCONNECT, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

| By function / By nature | Years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense (Note) | | | | | | |
| Salary and bonus | $ 1,195,836 | $ 471,929 | $ 1,667,765 | $ 1,223,082 | $ 438,344 | $ 1,661,426 |
| Employee restricted shares | 47,400 | 116,331 | 163,731 | 27,708 | 74,915 | 102,623 |
| Labour and health insurance fees | 126,080 | 45,844 | 171,924 | 122,342 | 40,828 | 163,170 |
| Pension costs | 51,257 | 22,126 | 73,383 | 51,725 | 19,822 | 71,547 |
| Directors' remuneration | - | 21,030 | 21,030 | - | 26,100 | 26,100 |
| Others | 27,057 | 40,029 | 67,086 | 28,531 | 47,224 | 75,755 |
| Depreciation | 1,216,174 | 110,548 | 1,326,722 | 1,237,669 | 99,995 | 1,337,664 |
| Amortisation | - | 15,021 | 15,021 | 483 | 9,588 | 10,071 |
| Total | $ 2,663,804 | $ 842,858 | $ 3,506,662 | $ 2,691,540 | $ 756,816 | $ 3,448,356 |

Note1：As of December 31, 2023 and 2022, the numbers of employees of the Company were 2,438 and 2,442, respectively, including the numbers of directors who were not employees were both 8.

Note2: (a) Average employee benefit expense in current year was $882; average employee benefit expense in previous year was $852.

(b) Average employee salaries in current year were $686; average employee salaries in previous year was $683.

(c) Adjustments of average employee salaries were 0.44%.

(d) The Company has established an audit committee to replace supervisors, therefore no supervisors' remuneration was accrued.

(e) The Company's salary and remuneration policy : Directors' remuneration is not higher than 2% in accordance with Article 29-1 of the Company's Articles of Incorporation. A reasonable remuneration of directors is granted taking into consideration the Company's operating result and directors' contribution to the Company's performance. General managers', vice general managers' and managers' remuneration are determined based on the Company's payment standard of salary and their education and experience and operating performance. The assessment standard of employees' salary is determined based on their education and experience, skill, job responsibilities and dangerous degree of environment. Also, the Company's salary and remuneration policy is conducted in compliance with the Company's Management for Employee Remuneration and Management Measures for Performance Assessment.

Flexium Interconnect Inc.

Loans to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2023 | Balance at December 31, 2023 | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Other receivables - related parties | Yes | $ 1,269,610 | $ 1,269,610 | $ - | - | Note 1 | $ - | Company operation | $ - | - | $ - | $ 5,078,439 | $10,156,878 | Note 2、3 |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 2,494,688 | - | - | - | Note 1 | - | Company operation | - | - | - | - | - | Note 2、3 |
| 0 | FLEXIUM INTERCONNECT INC. | Universe Energy Co., Ltd | Other receivables - related parties | Yes | 100,000 | 100,000 | 65,000 | 1.95% | Note 1 | - | Company operation | - | - | - | 5,078,439 | 10,156,878 | Note 2、3 |
| 1 | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 2,022,435 | 1,952,730 | 1,822,568 | 2.80% | Note 1 | - | Company operation | - | - | - | 2,079,341 | 4,158,682 | Note 4、5 |

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed financial statements; limit on loans to a single party with short-term financing is 30% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 4: In accordance with Flexium Interconnect (Kunshan) Incorporation’s procedures for provision of loans, limit on loans granted to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company’s net asset based on the latest financial statements; limit on loans to a single party with short-term financing is 20% of the Company’s net assets based on the latest financial statements.

Note 5: In accordance with Flexium Interconnect (Kunshan) Incorporation’s procedures for provision of loans, ceiling on total loans granted is 40% of the Company’s net asset based on the latest financial statements.

Flexium Interconnect Inc.

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

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer | General ledger account | As of December 31, 2023 | | | | Footnote |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| FLEXIUM INTERCONNECT INC. | Etherdyne Technologies, Inc. | None. | Financial assets at fair value through other comprehensive income - non-current | 2,074,346 | $ 92,124 | 16.90% | $ 92,124 | - |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Mycenax Biotech Inc. (Stock) | None. | Financial assets at fair value through profit or loss - current | 177,577 | 8,284 | Note 2 | 8,284 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Common Shares) | None. | Financial assets at fair value through profit or loss - current | 82,037 | 5,316 | Note 2 | 5,316 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Class B Preferred Share) | None. | Financial assets at fair value through profit or loss - current | 1,952,000 | 116,925 | Note 2 | 116,925 | - |
| RAFAEL MICROELECTRONICS, INC. | Fubon Financial Holdings Co., Ltd. (Class C Preferred Share) | None. | Financial assets at fair value through profit or loss - current | 2,543,262 | 139,879 | Note 2 | 139,879 | - |
| RAFAEL MICROELECTRONICS, INC. | China Development Financial Holding Corp. (Preferred Share B) | None. | Financial assets at fair value through profit or loss - current | 4,830,000 | 34,148 | Note 2 | 34,148 | - |
| RAFAEL MICROELECTRONICS, INC. | CTBC Financial Holding Co., Ltd. (Preferred Share B) | None. | Financial assets at fair value through profit or loss - current | 727,000 | 43,184 | Note 2 | 43,184 | - |
| RAFAEL MICROELECTRONICS, INC. | BKS Tec Corp.(Common Shares ) | None. | Financial assets at fair value through other comprehensive income - non-current | 6,000,000 | 3,530 | 11.07% | 3,530 | - |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'
Note 2: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | | Balance as at January 1, 2023 | | Addition (Note 3) | | Disposal (Note 3) | | | | Balance as at December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Marketable securities (Note 1) | General ledger account | Counterparty (Note 2) | Relationship with the investor (Note2) | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount |
| FLEXIUM INTERCONNECT INC. | Common Shares | Investments accounted for using equity method | RAFAEL MICROELECTRONICS, INC. | Subsidiary | - | $ - | 9,221,976 | $ 1,567,736 | - | $ - | $ - | $ - | 9,221,976 | $ 1,567,736 |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | Land | February 27, 2020 | 774,432 | 774,432 | Kaohsiung City government | Non-related party | - | - | - | - | Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Right-of-use assets | July 18, 2022 | 897,098 | 897,098 | Yupintang Electronic Technology (Suzhou) Co., Ltd. | Non-related party | - | - | - | - | Price comparison and negotiation | Build staff dormitory | None |

Flexium Interconnect Inc.

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

For the year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) Note1 | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | (Sales) | ($ 5,297,204) | 16 | 180 days | Note 2 | Note 2 | $ 2,018,876 | 30 | Note 5 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | (Sales) | ( 28,783,559) | 100 | 90 days | Note 3 | Note 3 | 6,152,475 | 100 | |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | (Sales) | ( 2,980,339) | 99 | 90 days | Note 4 | Note 4 | 671,891 | 99 | |

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 5: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was $5,297,204 for the year ended December 31, 2023.

Flexium Interconnect Inc.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2023 | | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Action taken | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable | $2,018,876 | 2.01 | $ - | - | $ 1,098,782 | $ - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Accounts receivable | $6,152,475 | 3.26 | - | - | 3,082,112 | - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Subsidiary | Other receivables | $1,864,102 | Note | | | - | - |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable | $671,891 | 3.51 | - | - | - | - |

Note: Other receivables, not applicable for calculating of turnover rate.

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT$100 million or 20% of paid-in capital or more are as follows:

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction: General ledger account | Transaction: Amount | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets |
|---|---|---|---|---|---|---|---|
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Sales | $ 5,297,204 | Note 3 | 16 |
| 0 | FLEXIUM INTERCONNECT INC | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Accounts receivable | 2,018,876 | Note 3 | 5 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Sales | 28,783,559 | Note 4 | 88 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Accounts receivable | 6,152,475 | Note 4 | 15 |
| 1 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | 2 | Other receivables | 1,864,102 | Note 5 | 5 |
| 2 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 2,980,339 | Note 6 | 9 |
| 2 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Accounts receivable | 671,891 | Note 6 | 2 |

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

(1) Parent company is "0".

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC. and the collection period is approximately 90 days after the end of each month.

Note 5: The interest was at 2.8% per annum for the year ended December 31, 2023.

Note 6: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.

Information on investees

For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at December 31, 2023 | Initial investment amount: Balance as at December 31, 2022 | Shares held as at December 31, 2023: Number of shares | Shares held as at December 31, 2023: Ownership (%) | Shares held as at December 31, 2023: Book value | Net profit (loss) of the investee for the year ended December 31, 2023 | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | British Virgin Islands | General investments | $ 835,252 | $ 835,252 | 50,000 | 100 | $ 7,631,328 | $ 681,265 | $ 754,380 | Note 1 |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | British Virgin Islands | General investments | 39,711 | 39,711 | 50,000 | 100 | 2,635,916 | 237,966 | 263,509 | Note 1 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Taiwan | General investments | 50,000 | 50,000 | 5,000,000 | 100 | 32,153 | ( 1,892) | ( 1,892) | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,223,310 | 42,295 | 42,295 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | U.S.A | Marketing, customer support and supporting technical services | 8,067 | 8,067 | - | 100 | 4,440 | ( 470) | ( 470) | |
| FLEXIUM INTERCONNECT INC. | Universe Energy Co., Ltd | Taiwan | Renewable energy self-use power generation equipment and energy technology services, etc. | 50,000 | 50,000 | 5,000,000 | 100 | 48,435 | ( 1,556) | ( 1,556) | |
| FLEXIUM INTERCONNECT INC. | RAFAEL MICROELECTRONICS, INC. | Taiwan | Design, manufacturing and sale of radio frequency integrated circuit (RFIC) | 1,567,736 | - | 9,221,976 | 30 | 1,563,026 | ( 6,972) | ( 4,715) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Samoa | General investments | 62,001 | 62,001 | 1,880,578 | 100 | - | ( 56) | - | Note 2 |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Samoa | General investments | 719,042 | 719,042 | 23,510,000 | 100 | 7,734,309 | 681,328 | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Samoa | General investments | - | - | - | 100 | - | ( 23) | - | Note 2 |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,223,310 | 42,295 | - | Note 2 |
| RAFAEL MICROELECTRONICS, INC. | Han Tang Co., Ltd. | Seychelles | General investments | 21,712 | 21,712 | 707,000 | 100 | 19,843 | ( 597) | - | Note 2 |
| RAFAEL MICROELECTRONICS, INC. | Rafael Microelectronics Korea | Korea | Promote RFIC products | 2,730 | 2,730 | 200,000 | 100 | 3,507 | 139 | - | Note 2 |
| Han Tang Co., Ltd. | HONG YU CO., LTD. | Seychelles | General investments | 21,635 | 21,635 | 704,500 | 100 | 20,149 | ( 598) | - | Note 2 |

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2023 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.

Information on investments in Mainland China

For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023: Remitted to Mainland China | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023: Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Net income of investee as of December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2) | Book value of investments in Mainland China as of December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | $ 2,480,649 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | $ 794,469 | $ - | $ - | $ 794,469 | $ 919,342 | 100 | $ 919,342 | $ 10,396,708 | $ - | Note 1、3 |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | 1,075,725 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 1,075,725 | - | - | 1,075,725 | 42,295 | 100 | 42,295 | 1,223,310 | - | Note 1、4 |
| SHENZHEN RAFAEL MICROSYSTEMS,INC. | Design, manufacturing and sale of RFIC | 10,749 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 10,749 | - | - | 10,749 | 882 | 100 | 882 | 13,310 | - | Note 1、5 |
| ALUKSEN HONGXIN TECHNOLOGY CO., LTD. | Design, manufacturing and sale of RFIC | 10,686 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 10,686 | - | - | 10,686 | (3,025) | 49 | (1,482) | 6,239 | - | Note 1、5 |
| RAFAEL SEMICONDUCTORS, INC. | Design, manufacturing and sale of RFIC | 3,896 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 3,896 | - | - | 3,896 | (2) | 100 | (2) | 3,908 | - | Note 1、6 |

Note 1: The financial statements are audited and attested by R.O.C. CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT$30.735 US$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Note 5: Indirectly invests in HONG YU CO., LTD. via investment in Han Tang Co., Ltd. registered in a third region, and HONG YU CO., LTD. invests these 2 companies in China.

Note 6: Indirectly invests in HONG YU CO., LTD. via investment in Han Tang Co., Ltd. registered in a third region, and HONG YU CO., LTD. indirectly invests in ShenZhen Rafael Microsystems, Inc., and ShenZhen Rafael Microsystems, Inc. invests in Rafael Semiconductors, Inc.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| FLEXIUM INTERCONNECT INC. | $ 1,895,525 | $ 5,761,229 | $ - |

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2023

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at December 31, 2023 | % | Balance at December 31, 2023 | Purpose | Maximum balance during the year ended December 31, 2023 | Balance at December 31, 2023 | Interest rate | Interest during the year ended December 31, 2023 | Others |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | ($ 28,783,559) | 91 | $ - | - | ($ 6,152,475) | 87 | $ - | - | $ 1,269,610 | 1 ,269,610 | - | $ - | Other expenses $ 58,355 |
| | 5,297,204 | 16 | | | 2,018,876 | 30 | | | | | | | Other income 58,566 |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | - | - | - | - | - | - | - | - | 2,494,688 | - | 0.80% | 1,769 | |

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount was $5,297,204 for the year ended December 31, 2023.