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Chang Wah Technology Co., Ltd.

Chang Wah Technology Co., Ltd.

2023

Annual Report

(Translation)

Printed on April 1, 2024

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2. Headquarters, Branches and Plant:

Address of Headquarters: No. 24, Kaifa Rd., Nanzi Dist., Kaohsiung City

Tel: (07)962-8202

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Address: 3F, No. 17, Po'ai Rd., Taipei City

Tel: (02)2381-6288

Website: <https://www.sinotrade.com.tw/>

4. The Names of the CPA for the Financial Statements of the Most Recent Fiscal Year, Name of Accounting Firm, Address, Website and Tel:

Name of CPA: CPA Lee-Yuan Kuo, CPA Hung-Ju Liao

Name of the Accounting Firm: Deloitte & Touche

Address: 3F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City

Tel: (07)530-1888

Website: <https://www.deloitte.com.tw/>

5. The name of the trading venue where the overseas securities are listed for trading and the method for inquiring the information of the overseas securities: None

6. Corporate Website: <https://www.cwtcglobal.com/>

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I. Letter to Shareholders

Dear Shareholders,

Thank you shareholders for taking your time to participate in the 2024 Shareholders Meeting. The operation of 2023 is reported as follows:

1. Operating Performance in 2023

(1) Business Result

(Consolidated)

Item	2023		2022		2021	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	11,581,245	100%	14,431,284	100%	12,792,169	100%
Operating cost	8,980,738	78%	10,045,698	69%	9,386,479	74%
Gross profit	2,600,507	22%	4,385,586	31%	3,405,690	26%
Gross profit margin	22%	—	31%	—	26%	—
Operating profit	1,448,284	12%	3,121,660	22%	2,210,299	17%
Net profit before tax	1,970,188	17%	3,634,255	25%	2,249,184	18%
Net profit after tax	1,597,147	14%	2,844,969	20%	1,738,645	14%

(Parent Company Only)

Item	2023		2022		2021	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	6,625,391	100%	8,760,470	100%	4,817,610	100%
Operating cost	5,617,689	85%	6,709,432	77%	4,184,502	87%
Gross profit	1,007,702	15%	2,051,038	23%	633,108	13%
Gross profit margin	15%	—	23%	—	13%	—
Operating profit	520,549	8%	1,570,497	18%	421,294	9%
Net profit before tax	1,717,276	26%	3,259,904	37%	1,846,595	39%
Net profit after tax	1,564,512	24%	2,815,901	32%	1,714,378	36%

(2) Budget Implementation: The Company did not disclose the financial forecast in 2023.

(3) Analysis of financial structure, solvency and profitability:

(Consolidated)

Item	Year			
	2023	2022	2021	
Financial structure				
Debt asset ratio	48%	46%	43%	
Long-term capital to property, plant and equipment	354%	367%	425%	
Net asset value per share (Note)	10.57	10.49	8.89	
Solvency				
Current ratio	198%	216%	233%	
Quick ratio	134%	161%	179%	
Profitability				
Return on total assets	9%	17%	13%	
Return on equity	16%	31%	25%	
Net Margin	14%	20%	14%	
Earnings per share(Note)	1.67	3.01	1.92	

Note: The change of par value was completed in September 2022. After the split, the par value equaled NT\$0.4 per share. The net asset value per share and the earnings per share were retrospectively adjusted for the comparative periods.

(Parent Company Only)

Item	Year			
	2023	2022	2021	
Financial structure				
Debt asset ratio	48%	45%	39%	
Long-term capital to property, plant and equipment	481%	562%	1245%	
Net asset value per share(Note)	10.57	10.49	8.89	
Solvency				
Current ratio	101%	118%	154%	
Quick ratio	83%	92%	140%	
Profitability				
Return on total assets	9%	18%	14%	
Return on equity	16%	31%	25%	
Net Margin	24%	32%	36%	
Earnings per share(Note)	1.67	3.01	1.92	

Note: The change of par value was completed in September 2022. After the split, the par value equaled NT\$0.4 per share. The net asset value per share and the earnings per share were retrospectively adjusted for the comparative periods.

(4) Research and development status:

The rise of emerging technologies such as 5G, AI, and IoT prompts continuous growth in consumer and automotive electronics markets, and brings about new business opportunities for display applications. Devices are shifting toward being lighter and smaller or high value-added, or with high-end specifications. We apply different processes to QFNs to produce differentiated products and enter the niche market of lead frames for Mini LED and automotive power management.

2. Business Plan for 2024

The rise of emerging technologies such as 5G, AI, and IoT prompts continuous growth in consumer and automotive electronics markets, and brings about new business opportunities for display applications. Devices are shifting toward being lighter and smaller or high value-added, or with high-end specifications. We apply different processes to QFNs to produce differentiated products and enter the niche market of lead frames for Mini LED and automotive power management.

With respect to the Company's performance in 2023, 3C applications accounted for 41% of our revenue while automotives accounted for 34%.

Based on our operating results, market supply, demand conditions and marketing policies, we estimate that our major sales volume in 2024 will increase by 3~5% compared to 2023.

Production and Marketing Strategies

1. Develop high added-value products according to the trend of market development and establish a leading position in the market.
2. Continue to develop advanced application markets, improve customer satisfaction, and strengthen partnerships with major international manufacturers.
3. Introduce intelligent manufacturing to improve production capacity and increase market share.
4. Strengthen customer service and continue to enhance the quality of products.

3. Strategy of Future Development

The Industry, Science and Technology International Strategy Center of the Industrial Technology Research Institute points out that the output value of Taiwan's semiconductor industry is expected to hit NT\$4.9 trillion in 2024, a surge of 14.1% compared to NT\$4.3 trillion in 2023. Of the six major semiconductor applications, i.e., industrial, AI computing, aerospace, military, consumer, and automotive semiconductors, automotive semiconductor market will become the main driver of semiconductor growth in the next few years, registering a compound annual growth rate (CAGR) of 12.7% over the next five years. Advanced driver assistance system (ADAS) and in-vehicle infotainment system will be the two major driving forces for the automotive semiconductors developments. Despite limited growth in the car market, the trends of smart and electrical vehicles are clear and stand to be the key growth engines of the future semiconductor market. ADAS enjoys the largest share of the

automotive semiconductor market with an estimated CAGR of 19.8% by 2027, accounting for 30% of the market by then. Driven by automotive intelligence and connectivity, in-vehicle infotainment system ranks second with a projected CAGR of 14.6% in 2027, accounting for 20% of the market in that year.

IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

In response to changes in the environment, besides adjusting and revising corporate governance related information in accordance with the new regulations promulgated by the securities authorities, the Company will strive to strengthen supply chain integration, increase product self-manufacture, improve production processes to reduce production costs, and pay close attention to the future development trend of products and work with customers to develop superior products with high added value, in order to increase revenue and improve overall profitability with an aim to respond to changes in the overall environment, and move towards sustainable operation.

Chairperson: Canon, Huang

President: Hung, Chuen-Sing

II. Company Profile

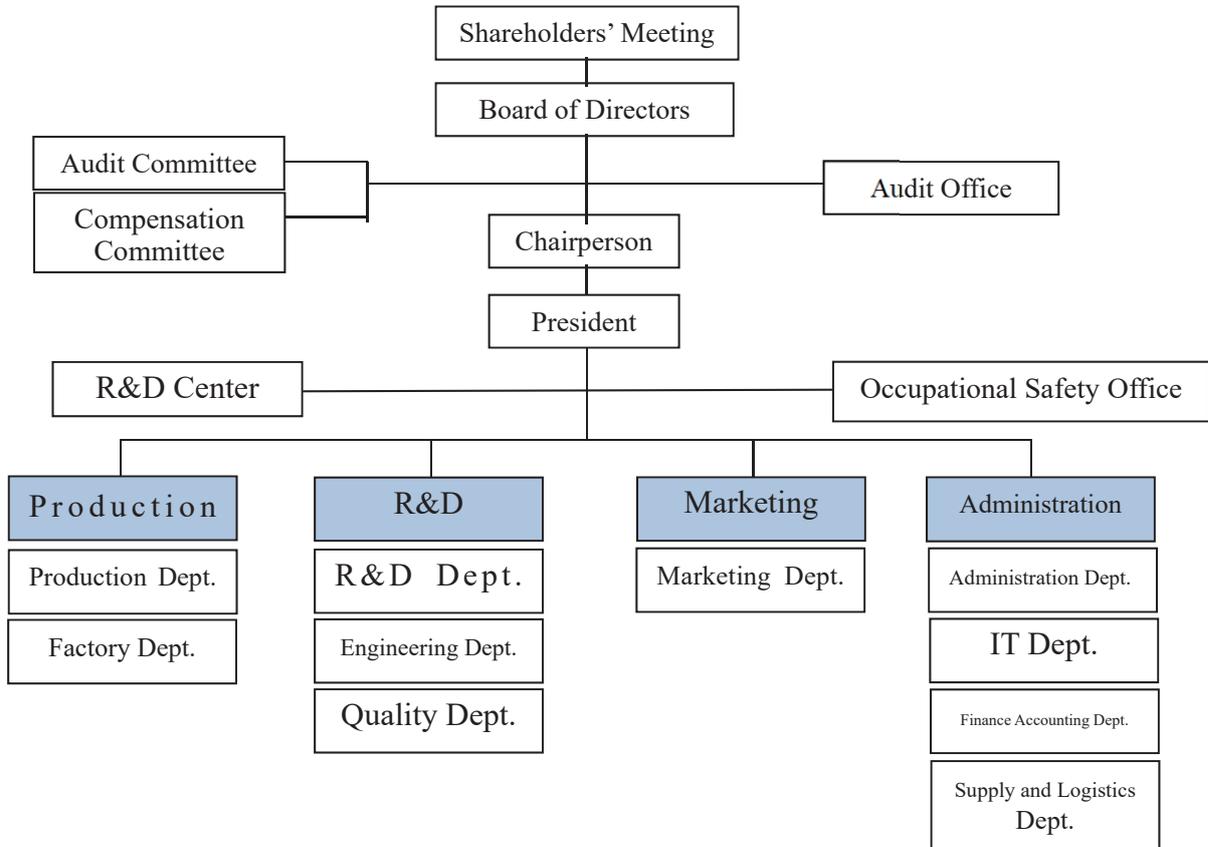
1. Date of Incorporation: December 24, 2009.
2. Company History (in the most recent year and by the print date of the annual report):

Year	Major Event
2022	<ol style="list-style-type: none"> 1. In March, the board of directors resolved to acquire land and plants with NT\$450 million for future operational needs and capacity expansion. In March, the board of directors resolved to amend the par value stated in the Articles of Incorporation to NT\$0.4 per share. The total number of issued shares was 960,496,700 shares after the amendment. The resolution was submitted to the 2022 annual shareholders' meeting for discussion. 2. In June, the Ministry of Economic Affairs approved the change of par value to NT\$0.4 per share and the total number of issued shares was 960,496,700 shares. 3. In August, the board of directors resolved to set a record date of the replacement issue for par value changes and the replacement procedures. 4. In September, the Company's par value of share changed from NT\$1 to NT\$0.4. New shares were listed for trading on the TPEX while old shares were delisted. 5. In November, the board of directors resolved to acquired 100% of Malaysian SH Electronics Sdn. Bhd. with US\$18,700,415.81 from the subsidiary, SH Asia Pacific Pte. Ltd.
2023	<ol style="list-style-type: none"> 1. In July, the Company cancelled treasury shares to reduce capital by NT\$6,353,200. The paid-in capital equaled NT\$380,215,480 after the capital reduction.

III. Corporate Governance Report

1. Organization:

(1) Organizational Chart of the Company:



(2) Major Corporate Functions:

Department	Main Duties
Audit Office	Performance of internal audit and risk assessment, planning and implementation of internal control system, measurement of operational efficiency, provision of system improvement suggestions and implementation of supervision of group subsidiaries.
President	Planning and execution of the Company's overall operation, development and execution of the Company's medium and long-term operational strategies, establishment and supervision of the organization and operation of various departments and systems.
R&D Center	Research and development of the company's future short, medium and long-term products and technologies.
Marketing Dept.	Market development and sales, customer services and consulting, business resource planning, management and utilization, industry data investigation and collection.
R&D Dept.	Market survey of new products, research and development and production of new technologies and molds, initial business activities and customer service of new products.
Engineering Dept.	Process yield rate control and quality yield rate improvement, project development for products, test mass production for new product introduction, sample delivery planning and sample shipment control, estimation of composition and loss of original equipment in the plant.
Quality Dept.	Establishment and maintenance of quality systems, supplier audit management, incoming material and process quality control, response and improvement activities to internal and external customer audit, product reliability testing assurance, maintenance of instrument calibration system, handling and tracking of customer complaints and exceptions.

Department	Main Duties
Production Dept.	Planning of production line operation mode and production process, control of production schedule and planning of production targets.
Factory Dept.	Development of safety operation standards, inspection and coordination of the elimination of risk factors, training of labor laws and regulations, labor safety and hygiene, operation environmental protection equipment, treatment of sewage, administration of plants and maintenance of water and electric facilities.
Supply and Logistics Dept.	Arrangement of production capacity, control of delivery time, production and sales coordination, material planning and control of production cost, management of outsourcing production and warehouse control.
Finance Accounting Dept.	Accounting management, fund scheduling, tax management and investor relations, etc.
Administration Dept.	Human resource planning, various education courses, integrated company operation management and general affairs, etc.
IT Dept.	Establishment, introduction and maintenance of software and hardware information systems and development of smart technology applications.

2. Information of Director, President, Vice President, Senior Manager, and Head of Departments:
(1) Directors:

April 2, 2023

Title	Nationality / Country of Origin	Name	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship		Remark (Note 4)	
							Shares	% (Note 1)	Shares (Note 2)	% (Note 3)	Shares	% (Note 3)	Shares	% (Note 3)			Title	Name		Relation
Chairperson	ROC	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	Male/61 ~70	2021.07.22	3	2021.07.22	6,397,000	1.76%	35,695,000	3.76%	0	0%	0	0%	Department of Mechanical Engineering, Chung Yuan Christian University Design engineer at Yang Iron Precision Corp. Process engineer at ASE Electronics Inc. Product engineer at Orient Semiconductor Electronics Ltd. Assistant Manager at Wah Lee Industrial Corp.	President and representative of juristic person director of Chang Wah Electromaterials Inc. Chairperson and concurrently CEO of Chang Wah Technology Co., Ltd. Representative of juristic person director, JMC Electronics Co., Ltd. Chairperson of Chang Wah Energy Technology Co., Ltd Representative of juristic person director, Elite Semiconductor Microelectronics Technology Inc. Representative of juristic person director, Vizionfocus Inc. Chairperson of SH Asia Pacific Pte.Ltd. Representative of juristic person director, WSP Electromaterials Ltd. Director of CWE Holding Co., Ltd. Director of Broadwell Worldwide Ltd. Chairperson of Silver Connection Co., Ltd. Representative of juristic person director, Silver Contacts Co., Ltd. Representative of juristic person director, Silver Tat Co., Ltd.	None	None	None	None
Director	HK	Chang Wah Electromaterials Inc. Representative: Hung, Chuen- Sing	Male/51 ~60	2021.07.22	3	2009.12.21	194,738,970	53.48%	452,375,925	47.59%	0	0%	0	0%	Hong Kong Polytechnic University General manager of Posschl Electronics Hong Kong Ltd. General manager of Sumiko Precision Mold Taiwan Co., Ltd. General manager of Sumiko Electronics Taiwan Co., Ltd. General manager of SH Electronics Taiwan Co., Ltd.	Chairperson of Chang Wah Electromaterials Inc. President and representative of juristic person director of Chang Wah Technology Co., Ltd. Representative of juristic person director, JMC Electronics Co., Ltd. Representative of juristic person director, Advanced Echem Materials Company Limited Director of SH Electronics Suzhou Co., Ltd. Director of SH Electronics Chengdu Co., Ltd. Director of SH Precision Chengdu Co., Ltd. Chairperson of Malaysian SH Electronics Sdn. Bhd. Director of SH Asia Pacific Pte. Ltd. Representative of juristic person director, Silver Connection Co., Ltd.	None	None	None	None
Director	ROC	Chang Wah Electromaterials Inc. Representative: Tsay, Rong- Dong	Male	2021.07.22	3	2009.12.21	194,738,970	53.48%	452,375,925	47.59%	0	0%	0	0%	MBA, Indiana University General manager and consultant, Ta Chong Commercial Bank General manager, Taishin International Bank	Representative of juristic person director, Gold Circuit Electronics Ltd. Representative of juristic person director, Chang Wah Technology Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of ALI Corporation	None	None	None	None

Title	Nationality / Country of Origin	Name	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship		Remark (Note 4)
							Shares	% (Note 1)	Shares	% (Note 3)	Shares	% (Note 3)	Shares	% (Note 3)			Title	Relation	
Director	ROC	Chang Wah Electromaterials Inc. Representative: Angus, Shih	Male	2023.01.03	3	2023.01.03	194,738,970	53.48%	452,375,925	47.59%	0	0%	0	0%	Ph.D. in Electrical Engineering, National Taiwan University Assistant Manager of R&D Dep., Tong Bao Technology Co., Ltd. Director of R&D Division, Imolux Corporation	President and Director of Vizionfocus Inc.	None	None	None
Independent Director	ROC	Lin, Yi-Jing	Female /41~50	2021.07.22	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Department of Accounting, Tunghai University Vice general manager, Deloitte & Touche Assistant manager, Deloitte & Touche Supervisor of An Wei International Co., Ltd. Supervisor of Ken Sean Industries Co., Ltd. Supervisor of Ken Sean Investment Co., Ltd. Independent Director of Drewloong Precision Inc.	Certified public accountant, Ching Cheng Accounting Firm Responsible person, Ching Cheng Management Consultants Co., Ltd. Independent Director of Control Technology Co., Ltd. Independent Director of Sun Rise E&T Corporation Independent Director of Revivegen Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None
Independent Director	ROC	Lin, Ren-Lin	Male/61~70	2021.07.22	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Master of Information Management, the City University of New York General manager, Konlin Digital Technology Co., Ltd. Vice general manager, Hanyu Electronic Technology Co., Ltd. Manager, Walsin Lihva Corporation	General manager, Hsin Yi Recreation Enterprise Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None
Independent Director	ROC	Ou, Jia-Ruey	Male/61~70	2021.07.22	3	2021.07.22	0	0%	0	0%	0	0%	0	0%	Doctor of Philosophy, Institute of Transportation, National Chiao Tung University Chairperson of CPC Corporation, Taiwan Director of China Steel Corporation President of Dayeh University Director-general of Bureau of Energy Ministry of Economic Affairs Head of the Export Processing Zone Administration, Ministry of Economic Affairs	Chairman, Sustainable & Circular Economy Development Association Director of Shinfox Energy Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None

Note 1: The shareholding ratio is calculated based on 364,131,050 shares.

Note 2: The change of par value to NT\$0.4 per share was approved by the Official Letter No. MOEA-Processing-III-Commerce-1110006264 on June 22, 2022 with the number of shares issued being 960,496,700 shares. Shares were replaced on September 5, 2022.

Note 3: The shareholding ratio is calculated based on 950,538,700 shares.

Note 4: Chairperson and President or person of equivalent position (top manager) are the same person, are spouse or first-degree relative to each other: None.

Major shareholders of the institutional shareholders

April 1, 2024

Name of Institutional Shareholders	Major Shareholders (Note)
Chang Wah Electromaterials Inc.	Wah Lee Industrial Corp. (28.70%) ; Shin Shin Investment Co., Ltd. (8.29%) ; Yuan Yao Energy Technology Co., Ltd. (6.28%) ; Chang Wah Technology Co., Ltd. (5.11%) ; Fubon Life Insurance Co., Ltd. (4.67%) ; Besjie Investment Co., Ltd. (3.15%) ; Citibank custody of the Singapore government fund account (2.61%) ; JMC Electronics Co., Ltd. (2.09%) ; JPMorgan Chase Bank N.A. in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.85%) ; JPMorgan Chase Bank N.A. in custody for Emerging Markets Fund Managed under the Vanguard Group (0.83%)

Note: Please fill in the names of the major shareholders of the corporation (the top ten in terms of shareholding) and their shareholdings.

Major shareholders of the institutional shareholders of which the major shareholders are juristic persons

April 1, 2024

Name of Institutional Shareholders	Major Shareholders (Note)
Wah Lee Industries Co., Ltd.	Kang Tai Investment Co., Ltd. (7.98%) ; Fuhsih Investment Co., Ltd. (6.38%) ; Deh Wei Investment Co., Ltd. (5.08%) ; Dingbao Corp. (3.32%) ; Jing Zan Insurance Co., Ltd. (2.80%) ; Wah Hong Industrial Corp. (2.52%) ; Dian-Jiang-Jia Investment Co., Ltd. (2.31%) ; Chang, Jui-chin (2.30%) ; Property trust account of employee stock ownership union of Wah Lee Industries Co., Ltd. entrusted to the China Trust Commercial Bank (2.30%) ; Investment account of Norges Bank entrusted to Citibank Taiwan (1.37%)
Shin Shin Investment Co., Ltd.	Canon, Huang (99.095%) ; Huang Si-ying(0.30) ; Huang, Pei-mei (0.30%) ; Huang, Yu-chieh (0.30%) ; Huang, Chiun-chieh (0.005%)
Yuan Yao Energy Technology Co., Ltd.	Canon, Huang (98.50%) ; Huang, Hsing-lan (0.86%) ; Liao, Fang-lu (0.64%)
Chang Wah Technology Co., Ltd.	Chang Wah Electromaterials Inc. (47.59%) ; Fubon Life Insurance Co., Ltd. (4.96%) ; Yuan Yao Energy Technology Co., Ltd. (3.76%) ; Besjie Investment Co., Ltd. (3.72%) ; Huang, Siou-Cyuan (2.98%) ; Shing Zheng Investment Co., Ltd. (1.67%) ; Tai, Sung-Chi (1.45%) ; Jin Chiao Li Co., Ltd. (1.35%) ; Shin Shin Investment Co., Ltd. (1.29%) ; JMC Electronics Co., Ltd. (1.24%)
Fubon Life Insurance Co., Ltd	Fubon Financial Holding Co., Ltd. (100%)
Besjie Investment Co., Ltd.	Chang, Shu-hui (82.58%) ; Huang Si-ying(6.19%) ; Huang, Pei-mei (6.19%) ; Huang, Yu-chieh (5.05%)
Citibank custody of the Singapore government fund account	Non-corporate, NA

Name of Institutional Shareholders	Major Shareholders (Note)
JMC Electronics Co., Ltd.	Chang Wah Electromaterials Inc. (42.81%) ; ChipMO Technologies Inc. (10.00%) ; Canon, Huang (2.96%) ; AsusTek Computer Inc. (1.00%) ; Li, Sheng-Che(0.94%) ; Hung, Tien-Tsai (0.60%) ; Li, Wan-shia (0.59%) ; Huang, Mei-hsueh (0.50%) ; Li, Mei-Lien (0.43%) ; Hsieh, Wen-Lung (0.36%)
JPMorgan Chase Bank N.A. in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Non-corporate, NA
JPMorgan Chase Bank N.A. in custody for Emerging Markets Fund Managed under the Vanguard Group	Non-corporate, NA

Note: Fill in the name of the main shareholder of the legal person (their shareholding ratio accounts for the top ten) and their shareholding ratios.

Professional qualifications of Directors and independence of Independent Directors

April 1, 2024

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	He graduated from the Department of Mechanical Engineering in Chung Yuan Christian University. Once served as an assistant vice president at several multinational corporations such as ASE Electronics Inc., Orient Semiconductor Electronics Ltd., and Wah Lee Industrial Corp., he has been involved in the operation and strategic management of semiconductor industry for more than 30 years. Besides being the Chairperson of CWE Group (including Chang Wah Electromaterials Inc., the Company and JMC Electronics Co., Ltd.), he is a director in companies within the electronic technology industry chain with expertise in governance. Thus, he has experience in marketing, industry know-how, leadership, decision-making and business management. He is not a person of any conditions defined in Article 30 of the Company Act.	—	0	
Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	He graduated from Hong Kong Polytechnic University. Once served as president of Possehl Electronics Hong Kong Ltd., Sumiko Precision Mold Taiwan Co., Ltd. and Sumiko Electronics Taiwan Co., Ltd., he has been involved in the operation and strategic management of semiconductor industry for more than 30 years. He is now the President of the Company and a Director in entities of the CWE Group. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	—	0	

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	He graduated from Indiana University with an MBA. Once served as president of Ta Chong Commercial Bank and Taishin International Bank, he has been involved in the operation and strategic management of finance industry for more than 30 years. He is now the independent directors of companies including Elite Material Co., Ltd and Mecuries Life Insurance Co., Ltd. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making, business management as well as accounting and financial analysis to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	—	2	
Chang Wah Electromaterials Inc. Representative: Angus, Shih	He graduated with a Ph.D. in Electrical Engineering at the National Taiwan University. Once served as a R&D assistant manager/director at several multinational corporations such as Tong Bao Technology Co., Ltd. and Innolux Corporation, he has been involved in the high-tech industry for more than 20 years and is now the president and director of Vizionfocus Inc. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management. He is not a person of any conditions defined in Article 30 of the Company Act.	—	0	
Lin, Yi-Jing	She graduated from the Department of Accounting in Tunghai University. She passed the Senior Examinations for Certified Public Accountants and has a CPA license. She was an assistant vice president of Deloitte & Touche, specializing in corporate finance and accounting. Serving as independent director in several companies including Contrel Technology Co., Ltd. and Sun Rise E&T Corporation, she has vast experience in business management as well as accounting and finance analysis to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. She is not a person of any conditions defined in Article 30 of the Company Act.	She satisfies the independence criteria after verified against independence elements set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission.	3	

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lin, Ren-Lin	He graduated from the City University of New York with a Master of Information Management. Once served as vice president of Hanyu Electronic Technology Co., Ltd. and president of Konlin Digital Technology Co., Ltd., he has been involved in the operation and strategic management of electronics industry for more than 20 years. He is now the president of Hsin Yi Recreation Enterprise Co., Ltd. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	He satisfies the independence criteria after verified against independence elements set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission.	0	
Ou, Jia-Ruey	He graduated from the Institute of Transportation of National Chiao Tung University with a PhD. He has been the Director-general of Bureau of Energy, Ministry of Economic Affairs, President of Dayeh University, and chairperson of CPC Corporation, and accumulated vast experience in the industry, government and academy. He is now the chairperson of Sino-Arabian Cultural and Economic Association. He has vast experience in corporate governance, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	He satisfies the independence criteria after verified against independence elements set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission.	0	

Note 1: Professional qualifications and experiences: Describe the professional qualifications and experiences of individual Director and Supervisor. For Audit Committee members with accounting or finance expertise, relevant background and work experience shall be stated. Also, clarify if conditions defined in Article 30 of the Company Act exist.

Note 2: The independence of Independent Directors shall be described. Relevant criteria include but not limited to whether the Independent Director, his/her spouse, and relatives within the second degree of kinship are directors, supervisors or employees of the Company or any of its affiliates; the number of the Company’s shares held by the Independent Director, his/her spouse, and relatives within the second degree of kinship (or by nominee arrangement) and the percentages, whether they are directors, supervisors or employees of companies having specific relationship with the Company (please refer to Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) and the amount of compensation for provision of commerce, law, finance, accounting or related services to the Company or its affiliates in the past two years.

Diversity of the Board of Directors

(1) Board diversity policy

The Board diversity policy is set out in Chapter III “Enhancement of Board Function” of the Company’s “Guidelines for Corporate Governance”.

The Board shall govern corporate strategies, supervise the management and be responsible to the Company and the shareholders’ meetings. Procedures and arrangements of the corporate governance system shall ensure the Board would exercise its authority pursuant to applicable laws and regulations, the Articles of Incorporation or the resolutions of the shareholders’ meeting.

The Company’s Board shall have seven to nine Directors based on its business scale, shareholdings of major shareholders as well as the needs of practical operation.

The concept of diversity shall be incorporated in the composition of Board members. Besides banning Directors who are also managers of the Company on taking up more than one-third of Director seats, appropriate diversity guidelines are formulated based on operations, business types and developments. These guidelines shall include but not limited to the standards of the following two aspects:

1. Fundamental conditions and values: Gender, age, nationality, culture, etc. and female Directors are advised to account for one-third of all Directors.
2. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, industry experience, etc.

Board members shall generally possess the knowledge, skills and understanding required to fulfill their mandates. To achieve the ideal goal of corporate governance, the Board as a whole shall possess the following capabilities:

1. Business judgement
2. Accounting and finance analysis
3. Business management
4. Crisis management
5. Industry knowledge
6. Global market perspective
7. Leadership
8. Decision-making

(2) Specific management goals of Board diversity

Board diversity facilitates an effective operation of the Board. The Company’s nomination and selection of Board members comply with the Articles of Incorporation and adopt the candidate nomination system to ensure the diversity and independence of Board members. Besides banning Directors who are also managers of the Company on taking up more than one-third of Director seats, more than one female Director candidates can be invited and nominated, and Directors with different professional knowledge are selected to give ideas and contributions of different dimensions, thereby further strengthening the Board function.

(3) Implementation of Board diversity

Based on the management goals of banning Directors who are also managers of the Company on taking up more than one-third of Director seats, having at least one female Director and encompassing corporate strategy, accounting, taxation, finance, law, administration and production management in the expertise of the Board, the Company sets up seven seats of Directors (including three Independent Directors) for the fifth Board elected in July 2021. There is one female Director and the professional backgrounds of Board members range from the industry, accounting, technology to management. Directors have the knowledge, skills and understanding required to fulfill their mandates and their industry experience and competence are diverse and complementary.

In addition, Directors who are also employees of the Company account for 28.57% of all Directors while Independent Directors and the female Director account for 42.86% and 14.29%, respectively. The average tenure of Independent Director is three years and the seniority of Independent Director Ou, Jia-Ruey is one year while the seniority of Independent Directors Lin, Yi-Jing and Lin, Ren-Lin is four years. All Independent Directors have not been served consecutively for more than three terms. The Board members of current term have achieved all specific management goals of Board diversity.

Diverse backgrounds of Board members are as follows:

April 1, 2024

Diversified Core Competency Name		Basics									Professional Knowledge and Skills				
		Nationality	Gender	Employees	Age			Independent Director Term and Experience			Industry Operation	Marketing Management	Technology R&D	Risk Management	Accounting and Finance Analysis
					Less than 60 years old	61-70 years old	More than 71 years old	Less than 3 years	3-9 years	More than 9 years					
Chairperson	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	ROC	Male	V	V						V	V	V	V	
Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	HK	Male	V	V						V	V	V	V	
Director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	ROC	Male		V						V	V		V	V
Director	Chang Wah Electromaterials Inc. Representative: Angus, Shih	ROC	Male		V						V	V	V	V	
Independent Director	Lin, Yi-Jing	ROC	Female		V				V					V	V
Independent Director	Lin, Ren-Lin	ROC	Male		V				V		V	V		V	
Independent Director	Ou, Jia-Ruey	ROC	Male		V		V				V	V		V	

(2) Information of President, Vice President, Senior Manager, Head of Departments:

April 1, 2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		Acquisition of Employee Stock Options by Managers (Note 5)	Remark (Note 5)
					Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name Relation		
President	HK	Hung, Chuen-Sing	Male	Mar. 17, 2017	6,613,975	0.70%	39,000	0%	0	0%	Hong Kong Polytechnic University General manager of Possehl Electronics Hong Kong Ltd. General manager of Sumiko Precision Mold Taiwan Co., Ltd. General manager of Sumiko Electronics Taiwan Co., Ltd.	Chairperson of Chang Wah Electromaterials Inc. Representative of juristic person director, JMC Electronics Co., Ltd. Representative of juristic person director, Advanced Echem Materials Company Limited Director of SH Electronics Suzhou Co., Ltd. Chairperson of SH Electronics Chengdu Co., Ltd. Chairperson of SH Precision Chengdu Co., Ltd. Chairperson of Malaysian SH Electronics Sdn.Bhd. Director of SH Asia Pacific Pte. Ltd. Representative of juristic person director, Silver Connection Co., Ltd.	None	None	None	None
Vice President	ROC	Li, Jih-Hong	Male	Jul. 1, 2017	41,000	0%	0	0%	0	0%	Dept. of Electrical Engineering, National Yunlin University of Science and Technology VQA/Leader, Projector Leader and Testing Manager of Philips Electronics Manager of Chang Wah Electromaterials Inc. Project Manager of Siliconware Precision Industries Co., Ltd.	None	None	None	None	None
Vice President	ROC	Lu, Hung-Chin	Female	Jan. 1, 2022	169,950	0.02%	0	0%	0	0%	Dept. of Chemical Engineering, Chung Yuan University Senior Process Manager of Sumiko Electronics Taiwan Co., Ltd. Senior Process Manager of SH Electronics Taiwan Co., Ltd. Vice President of Process of SH Electronics Taiwan Co., Ltd.	None	None	None	None	None
Vice President	ROC	Wen, Wen-Yu	Male	Jan. 1, 2022	40,000	0%	0	0%	0	0%	Master of Industrial Engineering and Management, Chung Hua University Administrative Director of Wellstech Optical Co., Ltd. Manager of Administration Dept. of Chang Wah Electromaterials Inc.	None	None	None	None	None
Vice President	ROC	Yang, Chung-Chi	Male	July 1, 2022	796,000	0.08%	0	0%	0	0%	Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences Manager of Taiwan IC Packaging Corporation Section Chief of OSE	None	None	None	None	None

Vice President	ROC	Lin, Huang-Chieh	Male	July 1, 2022	46,000	0%	0	0%	0	0%	0	0%	0	None	None	None	None	None
Senior Manager	ROC	Hsu, Pai-Hsiang	Male	Jun. 19, 2014	1,133,000	0.12%	0	0%	0	0%	0	0%	0	None	Director of Malaysian SH Electronics Sdn. Bhd.	None	None	None
Senior Manager	ROC	Pai, Pang-Chieh	Male	July 1, 2022	0	0%	0	0%	0	0%	0	0%	0	None	None	None	None	None
Senior Manager	ROC	Lin, Chun-Chi	Male	Mar. 17, 2017	0	0%	0	0%	0	0%	0	0%	0	None	None	None	None	None
Accounting Manager	ROC	Kung, Yu-Ting (Note 4)	Female	Dec. 21, 2023	18,000	0%	0	0%	0	0%	0	0%	0	None	None	None	None	None
Financial manager	ROC	Yan, Shu-Ping	Female	Apr. 30, 2015	1,186,100	0.12%	0	0%	0	0%	0	0%	0	None	Corporate governance supervisor of Chang Wah Electromaterials Inc.	None	None	None
Audit Supervisor	ROC	Hsu, Liang-Fang	Female	Mar. 1, 2017	975,000	0.10%	0	0%	0	0%	0	0%	0	None	Supervisor of SH Electronics Suzhou Co., Ltd. Supervisor of SH Electronics Chengdu Co., Ltd. Supervisor of SH Precision Chengdu Co., Ltd. Supervisor of CWTC (Shanghai) Inc. Supervisor of Shanghai Chang Wah Electromaterials Inc. Director of Shing Zheng Investment Co., Ltd.	None	None	None

Note 1: The change of par value to NT\$0.4 per share was approved by the Official Letter No. MOEA-Processing-III-Commerce-1110006264 on June 22, 2022 with the number of shares issued being 960,496,700 shares. Shares were replaced on September 5, 2022.

Note 2: The shareholding ratio is calculated based on 966,421,700 shares.

Note 3: The first (2013) employee stock option certificates issued by the Company expired on June 18, 2008, and there are no unexecuted share subscriptions.

Note 4: As the former accounting supervisor applied for unpaid leave, manager Yu-Ting Kung took office on December 21, 2023.

Note 5: Chairperson and President or person of equivalent position (top manager) are the same person, are spouse or first-degree relative to each other: None.

3. Remuneration of Directors, President, and Vice President in the Most Recent Fiscal Year:
(1) Remuneration of Directors and Independent Directors:

December 31, 2023 /Unit: NT\$ thousands, %

	Remuneration of Directors (Note 1)						Total of A, B, C and D and as a % of Net Income				Relevant Remuneration Received by Directors Who are Also Employees Salary, Bonuses, and Allowances (E)				Total of A, B, C, D, E, F and G and as a % of Net Income				Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
	Base Compensation (A)		Severance Pay (B)		Bonuses to Directors (C)		Allowances (D)		Companies in the consolidated financial statements		Companies in the consolidated financial statements		Employee Bonus (G)		The Company		Companies in the consolidated financial statements			
	The Company		The Company		The Company		The Company		The Company		The Company		The Company		The Company		The Company			
	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock		
Chairperson	Canon, Huang (Note 2)		0		1,000		18		15,902		6,207		0		7,225		22,109		45,281	
	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang (Note 2)		14,884		1,000		18		15,902		6,207		0		7,225		22,109		45,281	
Juristic Person Director	Chang Wah Electromaterials Inc.		0		0		0		0		0		0		0		0		0	
	Representative: Hung, Chuen-Sing		3,257		3,000		24		3,072		41,200		134		0		40,667		47,663	
Independent Director	Lin, Yi-ling		600		0		24		624		0		0		624		0		624	
	Representative: Lin, Ren-Lin		600		0		24		624		0		0		624		0		624	
Independent Director	Ou, Jia-Ruey		600		0		24		624		0		0		624		0		624	
	Representative: Huang, Stou-Cyuan		1,800		4,000		162		5,962		43,668		134		49,764		71,644		82,401	
Total		1,800		4,000		162		5,962		43,668		134		49,764		71,644		82,401		

1. Please state the policy, system, standard and structure of remuneration payment to the Independent Director and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors.
According to the "Director Remuneration Management Measures" of the Company, when an Independent Director performs his/her duties in the company, regardless of the Company's operating profit or loss, the Company may pay each Independent Director NT\$10,000 to NT\$50,000 per month; Article 5 of "Rules Governing the Steps of Powers of Independent Directors", Independent Director do not participate in the company's surplus distribution.

2. Except as disclosed in the above table, the remuneration received by the director of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: none

Note: Handled in accordance with the Company's articles of association and the Rules Governing the Remuneration Directors.

(2) Remuneration of the President and Vice President:

December 31, 2023 /Unit: NT\$ thousands, %

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)		Total of A, B, C and D and as a % of Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		The Company		The Company		The Company		The Company		The Company		The Company	
		Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock
		%	%	%	%	%	%	%	%	%	%	%	%
President	Hung, Chuen-Sing												
Vice President	Li, Jihb-Hong												
Vice President	Lau, Hung-Chin	45,964		634		16,105		0		62,703		17,789	
Vice President	Wen, Wen-Yu	49,703		634		16,105		0		66,442		4,16%	
Vice President	Yang, Chang-Chi												
Vice President	Lin, Huang-Chieh												

Compensation Paid to Presidents and Vice Presidents

Ranges	Names of Presidents and Vice Presidents	
	The Company	Parent company and affiliates
Under NT\$1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	Wen, Wen-Yu	Wen, Wen-Yu
NT\$3,500,000 ~ NT\$4,999,999	Li, Jhith-Hong	Li, Jhith-Hong
NT\$5,000,000 ~ NT\$9,999,999	Lu, Hung-Chin, Yang, Chung-Chi, Lin, Huang-Chieh	Lu, Hung-Chin, Yang, Chung-Chi, Lin, Huang-Chieh
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999	Hung, Chuen-Sing	Hung, Chuen-Sing
NT\$50,000,000 ~ NT\$99,999,999		
NT\$100,000,000 and above		
Total	6	6

(3) Name of the Managers Who Distribute the Employee Bonus and the Situation of Distribution:

FY2023; Unit: 1,000 shares NT\$ thousands; %

	Title (Note 1)	Name (Note 1)	Employee Bonus - in Stock	Employee Bonus - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Hung, Chuen- Sing	0	0	0	0%
	Vice President	Li, Jhih-Hong				
	Vice President	Lu, Hung-Chin				
	Vice President	Wen, Wen-Yu				
	Vice President	Yang, Chung-Chi				
	Vice President	Lin, Huang-Chieh				
	Senior Manager	Hsu, Pai-Hsiang				
	Senior Manager	Pai, Pang-Chieh				
	Senior Manager	Lin, Jun-Chi				
	Financial manager	Yan, Shu-Ping				
	Accounting Manager	Kung, Yu-Ting				
	CEO	Canon, Huang				

Note 1: Individual names and titles shall be disclosed, however, the profit distribution may be disclosed in summary.

Note 2: The employees remuneration in 2023 was approved by the board of directors on March 12, 2024.

Note 3: As the former accounting supervisor applied for unpaid leave, manager Yu-Ting Kung took office on December 21, 2023.

Note 4: The scope of application of managers, as stipulated in Letter Taitsaizhengsanzi No.0920001301 dated Mar. 27, 2003, is as follows:

- (1) President and the person of equivalent level
- (2) Vice President and the person of equivalent level
- (3) Senior Manager and the person of equivalent level
- (4) Financial department supervisor
- (5) Accounting department supervisor
- (6) Other persons who have to right to manage the affairs of the company and sign documents on behalf of the company

(4) Compare and explain the analysis of the total remuneration paid to the Director, President and Vice President of the Company in the most recent two years by the Company and all companies in the consolidated statement as a percentage of the net profit after tax in the individual financial reports, and explain the policy, standard, combination, and the procedure of setting remuneration and their correlation with business performance and future risks:

1. Analysis of the proportion of the total remuneration paid by the Company and all companies in the consolidated statements to the company's Directors, President and Vice Presidents in the net profit after tax in the individual financial reports in the most recent two years:

Unit: NT\$ thousands; %

Title	2022				2023			
	The Company		All companies in the consolidated financial statements		The Company		All companies in the consolidated financial statements	
	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)
Director, President and Vice Presidents	34,413	1.22%	51,078	1.80%	74,872	4.79%	96,752	6.06%

2. The Company's remuneration policies, standards and combinations, procedures for determining remuneration, and their relationship with operating performance and future risks:

(1) Remuneration policies, standards and packages:

- A. Directors: Remuneration of Directors comprises compensation to Directors and travel allowance. Compensation to Directors is determined pursuant to Article 19-2 of the Articles of Incorporation which stipulates that the Company shall distribute compensation to directors at no more than 1.5% of the Company's net income before tax and compensation to employees and directors. For a Directors who is a representative of a juristic person, the compensation belongs to the juristic person. As for travel allowance, it is paid based on the Director's attendance at the Board meetings.
- B. Independent Directors: Remuneration comprises monthly compensation and travel allowance, but does not include compensation to Directors. As for travel allowance, it is paid based on the Independent Director's attendance at the Board meetings.
- C. President and Vice Presidents: Compensation package includes salary, severance pay and pensions, bonuses, and employee compensation.

(2) Procedures for determining the remuneration:

In addition to the Company's Articles of Incorporation, remunerations to Directors, the President and Vice Presidents take into account not only business performance, contributions to the Company and industry standards, but also the results of Directors' performance evaluation, results of executives' individual performance evaluation and future risks of the Company, in order to provide reasonable compensations. Relevant compensations are reviewed and approved by the Compensation Committee and the Board of Directors. The

scope of executives' evaluation covers the performance targets of main duties, i.e., operational safety management, supervision over the implementation of financial plans, revenue management, internal control enhancement, and quality assurance and management.

(3) Correlation with operating performance and future risks:

- A. The payment standards and systems within the Company's remuneration policy are reviewed in consideration of the Company's overall operating status, and the payment standards are set based on the performance target achievement rate and contribution level so as to enhance the effectiveness of the Board of Directors and the management team. The compensation standard of the industry is also taken into consideration to ensure the packages of our management team remain competitive in order to retain outstanding management personnel.
- B. The performance targets of the Company's executives are tied in with "risk control" for the management and prevention of possible risks within their scope of responsibility, and the performance evaluation results are linked to relevant human resources as well as payroll and compensation policies. Important decisions are made by the management team after considering various risk factors. As the consequences of such decisions are reflected in the Company's profitability, the compensation of the management team is linked to risk performance.
- C. Remuneration to the Presidents and Vice Presidents of the Company and its subsidiaries includes long-term compensation in the form of stock. The said compensation is not paid in full in the year of earnings, and its actual value is related to future stock prices, i.e., these executives bear the future operating risks with the Company.

4. Implementation of Corporate Governance:

(1) Board of Directors:

A total of 8 (A) Board meetings were held between January 1, 2023 and December 31, 2023. The attendances of Directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Chairperson	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	6	0	75%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	8	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	8	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Angus, Shih	8	0	100%	None
Independent Director	Lin, Yi-Jing	8	0	100%	None
Independent Director	Lin, Ren-Lin	8	0	100%	None
Independent Director	Ou, Jia-Ruey	8	0	100%	None

Note: The actual attendance rate (or as a nonvoting delegate) (%) is calculated on the basis of the number of Board meetings held and the actual number of attendances during the term of office.

Other mentionable items:

1.If the operation of the board is in one of the following circumstances, the date of Board of Directors Meeting, the period, the content of the motion, opinions of all the Independent Directors and the company's handling of Independent Directors' opinions should be stated:

- (1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee. Article 14-3 of the Securities and Exchange Act is no longer applicable pursuant to Article 14-5 of the same Act.
- (2) In addition to the aforesaid matters, other board meeting decisions that have been opposed or reserved by independent directors with records or written statements: The company did not have the above-mentioned situations.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
Feb. 21, 2023	Chang Wah Electromaterials Inc. Representative: Angus, Shih	Release of Mr. Angus Shih, the representative of the juristic person director, from non-compete restrictions	Being the Director	Except where the Director Angus, Shih recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Feb. 21, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Mar. 16, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
May 5, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
May 31, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	Approval of the first-time transfer of repurchased shares to employees.	Being the Director	Except where the Chairperson Canon Huang and Director Chuen-Sing Hung recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
May 31, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Aug. 8, 2023	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	Signing of a plant leasing contract with JMC Electronics Co., Ltd.	Director Chuen-Sing Hung is also a director of JMC Electronics Co., Ltd.	Except where the Director Hung, Chuen-Sing recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Aug. 8, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Aug. 8, 2023	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Details and date for the distribution of remuneration of Directors.	Being the Director	This motion, except for the non-participation of the directors in the discussion and voting due to avoidance of conflict of interests in accordance with the law, was passed unanimously by the remaining present directors. (As the motion was about their own interests of remuneration distribution, the directors were absent from the discussion and voting on their own remuneration in accordance with the law.)

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
Nov. 7, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Signing of a contract for the construction of solar power systems with Chang Wah Energy Technology Co., Ltd.	Chang Wah Energy Technology Co., Ltd. is a 100%-owned subsidiary of Chang Wah Electromaterials Inc. Chairperson Canon Huang is a director of Chang Wah Electromaterials Inc. Director Chuen-Sing Hung, Director Rong-Dong Tsai and Director Angus Shih are representatives of Chang Wah Electromaterials Inc.	Except where the Chairperson Canon Huang, Director Chuen-Sing Hung, Director Rong-Dong Tsai and Director Angus Shih recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Nov. 7, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Dec. 21, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Angus, Shih	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Dec. 21, 2023	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	2023 performance bonus and 2024 salary for the managers.	Being the Director	Except where the Chairperson Canon Huang and Director Chuen-Sing Hung recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.

3. The implementation of the Board of Directors' evaluation shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self (or peer) evaluation.

(1) The board of directors approve the "Board of Directors Performance Evaluation Measures" on December 18, 2020. Internal performance evaluations on the board and board members shall be conducted at least once every year. Evaluations by external independent institutions or experts on the board shall be carried out at a minimum of every three years.

(2) In 2022, the Company commissioned the Taiwan Association of Board Governance, an external independent assessment institution, to evaluate the efficiency of the board of directors. The evaluation encompassed eight aspects: the board's composition, guidance, authorization, supervision, communication, self-discipline, internal control and risk management. Evaluation methods covered online self-assessment, document reviews as well as on-site visits in January 2023. Parties involved included the Chairperson, President, three Independent Directors, finance officer and internal audit officer. The evaluation results were reported to the board of directors on February 21, 2023.

(3) The Company completed the 2023 Board performance evaluation in December 2023 and reported the outcome in the Board meeting on February 21, 2024 for review and improvement. The average scores of self-evaluation on Board performance and individual Board members were 4.76 and 4.76 (out of 5), respectively, indicating a sound operation of the Board. The average score of self-evaluation on Remuneration Committee and Audit Committee was 4.89 (out of 5), showing the Committees operate smoothly and comply with corporate governance, thereby effectively enhancing the Board functions.

(4) Details of execution:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
Once every three years	From 2022/01/01 to 2022/12/31	Board efficiency	Document reviews and on-site visits by external independent institution	<ol style="list-style-type: none"> 1. Composition and structure of the board 2. Election and continuing education of directors 3. Participation in the operation of the Company 4. Improvement of the quality of board decision-making 5. Internal control 6. Environmental, social and corporate governance 7. Value creation
Once a year	From 2023/01/01 to 2023/12/31	Entire Board of Directors	Self-evaluation (Directors and Independent Directors perform evaluation)	<ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of the quality of board decision-making 3. The composition and structure of the board of directors 4. Director selection and continuing education 5. Internal control
		Individual Directors	Self-evaluation (Directors and Independent Directors perform evaluation)	<ol style="list-style-type: none"> 1. Comprehension of company goals and tasks 2. Perception of Directors' Responsibility 3. Degree of participation in the company's operations 4. Internal relationship management

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
				and communication 5. Directors' professional and continuing education 6. Internal control
		Functional Committees	Self-evaluation (Directors and Independent Directors perform evaluation)	1. Participation in the operation of the company 2. Perception of the responsibilities of functional committees 3. Improve the decision-making quality of functional committees 4. Composition of functional committees and member selection 5. Internal control

4.The objectives of strengthening the functions of the Board of Directors in the current and most recent year (such as setting up an audit committee, enhancing information transparency, etc.) and evaluation of the implementation:

Strengthening the functional objectives of the Board of Directors	Evaluation of Implementation
1. Continue to improve information transparency	The Company appoints dedicated personnel to be responsible for the disclosure of company information and the update of company website information according to laws and regulations.
2. Actively establish communication with stakeholders	1. The Company has spokespersons and acting spokespersons serving as the communication channel for stakeholders or they can go to the stakeholder section of the company's website to ask questions and give suggestions online. 2. Every year, the shareholders' meeting accepts shareholder proposals according to the schedule. Shareholders with the right to propose can apply to the Company during the acceptance period, and the Company will convene a Board of Directors meeting to review it according to regulations.
3.Improve the operational efficiency and decision-making ability of the Board of Directors	The Board of Directors of the Company has established "Rules and Procedures for Shareholders Meetings" in accordance with the "Measures for Board Meetings of Public Offering Companies", and the operation of the Board of Directors is handled in accordance with "Rules and Procedures for Board of Directors Meetings".
4. Strengthen supervisory capabilities	The Company has set a "Scope of Powers of Independent Directors" and established a Remuneration Committee and an Audit Committee to strengthen the corporate governance functions of the Board of Directors.
5. Strengthen professional knowledge	The Company provides the Directors with information on training courses every month and encourages them to participate in the courses in order to meet the requirements of Directors' training hours.
6.Purchase liability insurance for directors and managers	The Company has renewed director and manager liability insurance, and reported to the Board of Directors on December 21, 2023.

(2) Audit Committee:

In accordance with Article 14-4 of the Securities and Exchange Act, the Company has established the Audit Committee, which is composed of all Independent Directors of the Company.

1. Professional qualifications and experiences of Audit Committee members

Title (Note 1)	Conditions	Professional Qualification and Experience	Remarks
	Name		
Independent director (Convener)	Lin, Yi-Jing	Please refer to the professional qualifications of Directors and independence of Independent Directors section in “III. Corporate Governance Report” (page 12 to 14) for details.	None
Independent director	Lin, Ren-Lin		None
Independent director	Ou, Jia-Ruey		None

Note: Please fill in Independent Director or Others. (Please identify the convener where appropriate.)

2. The Audit Committee is responsible for the fair presentation of the Company’s financial statements; the appointment (discharge), independence and performance of the Company’s CPAs; the effective implementation of internal controls; regulatory compliance; and controls over existing or potential risks of the Company. Its main powers are listed as follows:

- (a) To formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (b) To assess the effectiveness of the internal control system.
- (c) To formulate or amend procedures for material financial or business activities pursuant to Article 36-1 of the Securities and Exchange Act; for example, acquisition or disposal of assets, derivatives transactions, loans to other parties, and provision of endorsements or guarantees to other parties.
- (d) Matters involving Directors’ personal interests.
- (e) Material asset or derivatives transactions.
- (f) Material loans to other parties or provision of endorsement or guarantees.
- (g) Offering, issuance, or private placement of equity-type marketable securities.
- (h) Appointment and discharge of CPAs or their compensation.
- (i) Appointment or discharge of a financial, accounting, or internal audit officer.
- (j) Annual and semi-annual financial reports.
- (k) Other material matters stipulated by the Company or the competent authorities.

3. Review financial reports

The Board has prepared the Company’s 2022 business report, consolidated and parent company only financial statements and earnings distribution proposal. The consolidated and parent company only financial statements were audited by independent auditors, CPAs Kuo, Li-Yuan and Liao, Hung-Ju, of Deloitte & Touche with independent auditors’ reports issued. The above-mentioned business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee.

4. Assess the effectiveness of internal controls

The Audit Committee assessed the internal control system of the Company as of December 31, 2023. The assessment covered the level of achievement concerning the effectiveness and efficiency of operations; the reliability, timeliness and transparency of the financial reporting; and compliance with applicable laws and regulations. The design and execution of internal control systems were found to be effective.

5. CPAs

Audit Committee is responsible for assessing the independence of the Company's accounting firm to ensure the impartiality of financial reports. The Company's Financial Department had completed the independence evaluation of CPAs using the "Accountant Independence Evaluation Form" (which is in reference with No. 10 of the "Professional Ethics Bulletin" and Article 47 of the "Accountants Act"). The outcome was submitted to the Audit Committee before reporting to the Board on the same day of December 20, 2022 to approve the independence of CPAs Kuo, Li-Yuan and Liao, Hung-Ju of Deloitte & Touche, as they both met the Company's standards for independence. They were qualified to be the Company's CPAs in 2023.

6. A total of 7 (A) Audit Committee meetings were held between January 1, 2023 and December 31, 2023. The attendances of Independent Directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Independent director	Lin, Yi-Jing	7	0	100%	None
Independent director	Lin, Ren-Lin	7	0	100%	None
Independent director	Ou, Jia-Ruey	7	0	100%	None

Note: The actual attendance rate (or as a nonvoting delegate) (%) is calculated on the basis of the number of Audit Committee meetings held and the actual number of attendances during the term of office.

7. Other mentionable items:

(1) If there is any of the circumstances in the operation of the Audit Committee that are listed below, then the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

A. Circumstances referred to in Article 14-5 of the Securities and Exchange Act.

Date of Audit Committee Meeting	Period	Motion	Opinion or Major Recommendation of Independent Director	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Feb. 21, 2023	12 th Time, 3 rd Session	Additions and amendments to various rules of the Company.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	None		
Mar. 15, 2023	13 th Time, 3 rd Session	The Company's 2022 IFRSs financial report.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's 2022 operation report.	None		
		The Company's Statement on Internal Control.	None		
		Ratification of obtaining and disposal of securities.	None		
May 4, 2023	14 th Time, 3 rd Session	2023 donations.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	None		
May 31, 2023	15 th Time, 3 rd Session	First-time transfer of repurchased shares to employees.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	None		

Date of Audit Committee Meeting	Period	Motion	Opinion or Major Recommendation of Independent Director	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Aug. 7, 2022	16 th Time, 3 rd Session	Amendments to the internal control system, auditing standards, and various rules.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Signing of a plant leasing contract with JMC Electronics Co., Ltd.	None		
		Ratification of obtaining and disposal of securities.	None		
Nov. 6, 2023	17 th Time, 3 rd Session	The 2024 audit plan.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Signing of a contract for the construction of solar power systems with Chang Wah Energy Technology Co., Ltd.	None		
		Ratification of obtaining and disposal of securities.	None		
Dec. 21, 2023	18 th Time, 3 rd Session	Appointment and remuneration of accountants in 2024.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Revision of the Company's measures.	None		
		Appointment of the new accounting supervisor.	None		
		Ratification of obtaining and disposal of securities.	None		

B. Other than the abovementioned matters, the resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors: None.

- (2) If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
- (3) Communications between the independent directors, the Company's chief internal auditor and CPA (e.g. the items, methods and results of audits of corporate finance or operations, etc.):

A. Communication methods of independent directors with internal audit supervisor and accountants:

- (A) The Company established an audit committee on December 10, 2015. The shareholders' meeting re-elected three independent directors for the 3rd term on July 22, 2022.
- (B) The accountant shall explain to the independent directors in the Audit Committee meeting at least once every six months on the results of the audit or review of the Company's financial statements and the impact of the revision and release of IFRSs on the Company.
- (C) The audit unit of the Company regularly submits various internal audit reports to the independent directors, and irregularly talks with them; since the establishment of the audit committee, the audit unit has had regular talks with the members of the Audit Committee at least once a quarter.
- (D) The audit supervisor, accountant and independent directors usually communicate directly through emails, phones or meetings as needed.

B. Summary of the communication between independent directors (Audit Committee) and accountants at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Mar. 16, 2023	2022 IFRSs financial report.	None
Dec. 21, 2023	1. The key audit items of the accountant's audit report in new form in FY 2023. 2. Appointment and remuneration of accountants in FY 2024.	None
Mar. 11, 2024	2023 IFRSs financial report.	None

C. Summary of the communication between independent directors and internal audit supervisors at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Mar. 16, 2023	1. Execution status of 2022 Q4 Audit Plan. 2. Passed the review of the Company's Statement on Internal Control.	None
May 5, 2023	Execution status of 2023 Q1 Audit Plan.	None
Aug. 8, 2023	Execution status of 2023 Q2 Audit Plan.	None
Nov. 7, 2023	1. Execution status of 2023 Q3 Audit Plan. 2. 2024 Audit Plan.	None
Mar. 12, 2024	1. Execution status of 2023 Q4 Audit Plan. 2. Passed the review of the Company's Statement on Internal Control.	None

(3) Composition, Responsibilities and Operations of the Remuneration Committee:

1. Composition of Operation of the Remuneration Committee

Title (Note 1)	Conditions	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
	Name				
Independent Director (Convener)	Lin, Ren-Lin	Please refer to the professional qualifications of Directors and independence of Independent Directors section in "III. Corporate Governance Report" (page 12 to 14) for details.		0	None
Independent Director	Lin, Yi-Jing			3	None
Independent Director	Ou, Jia-Ruey			0	None

Note : Please fill in Independent Director or Others. (Please identify the convener where appropriate.)

2. Responsibilities of the Remuneration Committee:

- (1) Formulate and regularly review managers' performance evaluation and the policies, systems, standards and structures of directors and remuneration.
- (2) Regularly evaluate and determine the remuneration of directors and managers.

3. Operation of the Remuneration Committee:

(1) There are 3 members of our Remuneration Committee.

(2) Tenure of the fourth Remuneration Committee: July 22, 2021 to July 21, 2024.

A total of 4 (A) Remuneration Committee meetings were held between January 1, 2023 and December 31, 2023. The attendances were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Lin, Ren-Lin	4	0	100%	None
Committee Member	Lin, Yi-Jing	4	0	100%	None
Committee Member	Ou, Jia-Ruey	4	0	100%	None

Note: Attendance rate (%) is calculated based on the number of meetings of the Audit Committee during their tenure and the number of actual attendance.

Other mentionable items:

1. The date and period of the most recent Remuneration Committee meeting, the content of the motion, the results of the resolution, and the Company's handling of the Compensation Committee's opinion.

Date of Remuneration Committee meeting	Period	Motion	Resolution	Company's handling of the resolution
Mar. 15, 2023	7 th Time, 4 th Session	2022 employee compensation distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2022 bonus to the directors distribution ratios and total provision		
May 31, 2023	8 th Time, 4 th Session	First-time transfer of repurchased shares to employees.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Aug. 7, 2023	9 th Time, 4 th Session	Details and date of distribution of bonus to the Directors.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Dec. 21, 2023	10 th Time, 4 th Session	Approved the promotion of Yu-Ting Kung to be the accounting supervisor and adjustments to her monthly salary.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2023 performance bonus to the Managers and 2024 salaries.		
		2024 work plans of the Remuneration Committee.		

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- 3 Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(4) Implementation of Corporate Governance and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company has formulated the "Pragmatic Guidelines for Corporate Governance" and disclosed the operation status on the Company's website and the Market Observation Post System. No material difference was found.	No material difference was found.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		1. For issues such as shareholders' suggestions or questions or disputes, in addition to the spokespersons and proxy spokespersons, the Company appoints a stock transfer agent to handle them. (2) The company reports on the Market Observation Post System in accordance with the monthly shareholding change notifications of insiders (directors, supervisors, managers and major shareholders holding more than 10% of the shares), and assigns a stock transfer agency to handle stock affairs in accordance with the law. The Company has control over the list of major shareholders and the ultimate controllers of major shareholders in most cases.	(1) No material difference was found. (2) No material difference was found.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has formulated relevant operating procedures in the internal control system in accordance to law. In addition to the "Measures for Group Enterprises, Specific Companies Transacting with Related Persons", the auditors regularly supervise the implementation of the procedures.	(3) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company regularly evaluate the independence of CPA	✓		<p>(4) The Company’s Audit Committee assesses the independence of CPAs retained by the Company annually and submits the assessment result to the board of directors. The latest assessment was approved by the Audit Committee on December 21, 2023 and resolved by the board of directors on the same date. The board of directors and the Audit Committee conduct comprehensive assessments based on the declarations of independence issued by the CPAs and relevant rules. Key items of the assessment are as follows:</p> <ol style="list-style-type: none"> 1. Whether the non-audit services provided by CPAs would impair their independence regarding the audits. 2. Whether the accounting firm has established a code of independence requiring the firms, personnel of the firm and persons subject to the code of independence to maintain their independence pursuant to the CPA code of professional ethics. Insider trading, misuse of internal information and misleading conduct in the securities or capital markets are strictly prohibited. 3. Whether engagement partners and CPAs are regularly rotated in accordance with the pre-defined period. 4. The Company obtained data related to the 13 Audit Quality Indicators (AQI) from the accounting firm and assessed the firm and audit quality of the audit team based on the “Guidance on the Interpretation of Audit Quality Indicators by Audit Committee” issued by the competent authority. The assessment results were as 	(4) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>follows: CPAs are independent of the Company as required by the Certified Public Accountant Act, CPA Code of Professional Ethics and relevant regulations. CPAs engaged by the Company have been regularly rotated according to the prescribed period. Regarding AQIs with greater discrepancies from the peers, the Audit Committee had obtained an explanation concerning reasons for such discrepancies from the accounting firm by December 21, 2023. The direction and timeframe for improvement and reinforcement, where necessary, had been confirmed. The Committee will continue to track the improvement progress in the following year.</p>	
4. Does the listed or company allocate appropriate number of competent corporate governance personnel, and appoint a supervisor of corporate governance to be responsible for corporate governance related matters (including but not limited to providing information required by Directors and Supervisors for business execution, assisting Directors and Supervisors in complying with laws and regulations, and handling matters related to the meetings of the Board of Directors meeting and the shareholders meeting, and prepare the minutes of	✓		<p>The Board of Directors approved the appointment of finance supervisor Shu-Ping Yan as the corporate governance supervisor on May 5, 2023, to manage the supervision and planning of corporate governance affairs. Her credential meets the requirements stipulated in Paragraph 1, Article 3-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies. Duties of a corporate governance supervisor include: to provide the Directors and the Audit Committee with information required for the execution of their duties and the latest regulatory developments related to the operation of the Company, to assist the Directors and the Audit Committee in regulatory compliance, to report corporate governance implementation to the Corporate Governance Committee and the Board of Directors on a regular basis each</p>	No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
the shareholders meeting and the shareholders meeting, etc.)?)			<p>year, to manage matters related to the Board of Directors' and shareholders' meetings in accordance with the laws and regulations, to prepare minutes of the Board of Directors' and shareholders' meetings, and to assist the Directors and the Audit Committee with assuming office and taking continuing education. The executions are carried out by the Finance Department.</p> <p>Highlights of the corporate governance implementation are as follows:</p> <ol style="list-style-type: none"> 1. In 2023, eight Board meetings, seven Audit Committee meetings, and four Compensation Committee meetings were held. 2. In 2023, the Company held one regular shareholders' meeting. 3. All Board members had completed at least six credits of continuing education or 12 credits of education for newly-elected members. 4. The Company has purchased liability insurance for directors and key personnel, and reported to the Board of Directors once the insurance policy is renewed. 5. The internal performance evaluation of the Board of Directors and functional committees was conducted. The Board of Directors, the Audit Committee, the Compensation Committee, and the Corporate Governance Committee as well as their individual members all delivered above-standard scores. 6. External performance evaluation of the Board of Directors is conducted every three years. Please refer to page 28 for related information. 7. The corporate governance supervisor took 18 hours of continuing education in 2023. Please refer to page 46 for complete course information. 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has set up the official website to include relevant financial business and product information to provide reference for interested parties; the Company has spokespersons and acting spokespersons to handle external communication matters and makes proper use of the public information system; the Company’s stakeholders are all You can contact us through our website. Once we receive any questions or suggestions from interested parties, we will reply as soon as possible (Website: https://www.cwtcglobal.com/) Please refer to Note for details of the identity of the stakeholders, issues of concern, communication channels and response methods.	No material difference was found.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company appointed the Stock Service Department of the SinoPac Securities Co., Ltd. to handle the affairs of the shareholders meeting.	No material difference was found.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up a website, and financial business and corporate governance information are disclosed in accordance with regulations "Company Official Website-Investor Section" (Website: https://www.cwtcglobal.com/) and “Market Observation Post System” (Website: https://mops.twse.com.tw/) in accordance with the regulations.	(1) No material difference was found.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman	✓		(2) The Company has dedicated personnel responsible for the disclosure of the its major information and enters such information on the Market Observation Post System and the Company's website on time, and also implements the spokesperson system in accordance with the regulations;	(2) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>system, webcasting investor conferences)?</p> <p>(3) Does the company announce and report annual financial reports within two months after the end of the fiscal year, and publish the financial reports for the first, second and third quarters and the operating conditions of each month before the prescribed deadline?</p>		✓	<p>and uploads audiovisual information such as the investor conference on the company's website.</p> <p>(3) The Company currently publishes the annual financial report and the financial report for the first, second and third quarters and the operation of each month in accordance with the "Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities".</p>	(3) Same as abstract explanation.
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	✓		<p>1. The company has formulated the "Rules Governing the Terms of Reference of Independent Directors" to improve the Company's corporate governance system, and purchase the Director liability insurance in accordance with the rules: each compensation request and the cumulative compensation limit during the insurance period is US\$5 million.</p> <p>2. Employees' rights and interests: The company protects the rights and interests of employees in accordance with the Labor Standards Act.</p> <p>3. Employee care: The Company upholds the employees as its company's most important asset. It maintains a harmonious atmosphere through self-management by employees and mutual respect, and establishes various rules and systems to ensure the rights and interests of both the Company and employees. In addition, through the welfare committee and administrative organizations, various welfare benefits and care can be provided to employees in a timely manner for them work in a care-free manner.</p> <p>4. Investor relations: A spokesperson</p>	No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>and acting spokesperson system has been established and stock transfer agencies and stock service staff are in place to handle shareholder questions and suggestions.</p> <p>5. Supplier relations: The Company regularly evaluates suppliers and adequately communicate with them to maintain a good relationship.</p> <p>6. Stakeholder's rights: Stakeholders of the Company can contact us through the Company's website. Once we receive questions or suggestions from interested parties, we will reply as soon as possible (Website: https://www.cwtcglobal.com/)</p> <p>7. Implementation of risk management policies and risk measurement standards: The company conducts various risk management and evaluations in accordance with the regulations of the competent authority.</p> <p>8. Customer policy and implementation: The company regularly investigates customer satisfaction and has a customer complaint handling system to maintain a good and stable relationship with customers.</p> <p>9. Purchase of liability insurance for Directors and Supervisors by the Company: The Company has purchased liability insurance for the Directors and reports in the Board of Director meeting after signing a new insurance contract every year.</p> <p>10. For the training and education of the directors in 2023 and up to the publication of the annual report, please refer to page 46.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
9. Please explain the improvement regarding the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose efforts to be strengthened in the first priority and measures for the areas which have not yet improved: (1) The improvement: 1. Improve disclosures on the board of directors’ annual CPA independence assessment and describe the assessment procedures in detail within the annual report. 2. Improve disclosures on the relevance between performance assessments and compensation of Directors and managerial officers. (2) Efforts and measures requiring strengthening in the first priority: 1. To report on the remuneration of Directors at the regular shareholders’ meeting, including the remuneration policies and the details and amount of remuneration to individuals. 2. To establish functional committees not required by the law, such as the Sustainable Development Committee.				

Note: The status of stakeholders, issues of concern, communication channels and response methods in 2023.

Status of stakeholders	Issues of concern	Communication channels, response methods and communication frequency	Communication with stakeholders in 2023
Shareholders and Investors	<ul style="list-style-type: none"> ◆Corporate governance ◆Dividend policy ◆Operational performance 	<ul style="list-style-type: none"> ◆Market Observation Post System: The media or the Market Observation Post System immediately disclose important information, such as corporate governance, operating performance, and other relevant information that shareholders and investors are concerned about. ◆Stakeholder section of the company website ◆Convene shareholders' meeting once a year and publish the annual report ◆Investor conference ◆Consulting spokesperson ◆Set up concierges of service and stakeholders for two-way communication <p>Stock service agent concierge information: Contact: Stock Service Department, SinoPac Securities Co., Ltd. Tel:(02)2381-6288</p> <p>Stakeholder concierge information: Contact: Ms. Hsu Tel: (07)36222663 ext.210 Email: michelle.hsu@cwtcglobal.com</p>	<ul style="list-style-type: none"> ◆Real-time important information is published on the Market Observation Post System and the company website ◆The Company has set up a special section for stakeholders on the company's website for shareholders and investors to ask questions and make suggestions. ◆The regular shareholders meeting was held and the annual report was published on May 31, 2023. ◆The Company was invited to participate in the investor conference on February 23, March 15, March 23, April 27, April 28, July 26, October 27, and October 31, 2023.

Employee	<ul style="list-style-type: none"> ◆Employee benefits ◆Labor Relations ◆Complaint mechanism and channels 	<ul style="list-style-type: none"> ◆Internal website or internal e-mail announcement: Various welfare matters (employee health check), Welfare Committee information (festival activities, dinner parties, lucky draws and employee travel, etc.), employee welfare plans, education and training courses, etc. ◆Labor-management conference ◆Stakeholder section of company website 	<ul style="list-style-type: none"> ◆Announcements are regularly updated on the internal website or through the internal e-mails ◆Annual health check once a year ◆Hold a dinner party and departmental dinners ◆In order to improve internal benefits and reward employees for financial planning, the employee stock ownership trust service was launched in 2020. ◆Employee travel reimbursement ◆Regularly arrange education and training courses for employees ◆Convene labor-management meetings on a regular basis, inviting employees to participate in activities such as discussing labor conditions and labor benefits. ◆The Company has set up a special section for stakeholders on the company's website for employees to ask questions and make suggestions.
Customer	◆Customer service	◆Dedicated customer service personnel	◆Immediate response to customers

The trainings received by the Company's Directors in the most recent year and as of the publication date of the annual report:

Title	Name	Date	Course	Number of Hours
Chairperson	Canon, Huang	May 4, 2023	Merger and Acquisition Practices and Its Impact on Financial Statements	3
		Jun. 7, 2023	2023 TPEX ESG Seminar	3
		Sep. 4, 2022	Understand Global Economic Situation and Technology Pulse - Key Issues for Enterprises	3
Representative of juristic person director	Hung, Chuan-Sing	Jun. 9, 2023	2023 Seminar on Prevention of Insider Trading	3
		Jul. 4, 2023	2023 Cathay Sustainable Finance and Climate Change Summit	6
Representative of juristic person director	Tsai, Rong-Dong	Apr. 13, 2023	Business Opportunities and Challenges under the Net-Zero Boom	3
		Apr. 27, 2023	Global Anti-Corruption and Whistleblower Protection Practices and Money Laundering Prevention	3
Representative of juristic person director	Angus, Shih	May 4, 2023	Merger and Acquisition Practices and Its Impact on Financial Statements	3
		Jun. 2, 2023	2023 Taishin Net Zero Summit	3
		Sep. 25, 2023	Corporate Governance and Securities Regulations	3
		Dec. 4, 2023	Risk Management Perspectives of Digital Transformation and Information Security	3
Independent Director	Lin, Yi-Jing	Jul. 4, 2023	2023 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Lin, Ren-Lin	Apr. 18, 2022	Corporate Growth Strategy and Open Innovation	3
		Dec. 1, 2023	An Era of Stringent Data Protection Regulation	3
Independent Director	Ou, Jia-Ruey	May 24, 2023	Insider Trading Prevention and Countermeasures	3
		Aug. 8, 2023	Legal Issues for the Boards in Overseeing the Companies: Beware of Red Lines in Joint Conduct	3

The trainings received by the Company's Manager in the most recent year and as of the publication date of the annual report:

Title	Name	Date	Course	Number of Hours
Corporate governance supervisor	Yan, Shu-Ping	May 22, 2023	Seminar on Sustainable Development Action Plans for Listed Companies	3
		Sep. 6, 2023	Seminar on Insider Shareholding for TPEX and Emerging Stock Board Companies - Kaohsiung Session	3
		Oct. 26, 2023~ Oct. 27, 2023	Sustainable Governance Training Course [Southern Taiwan] - Carbon Governance and Sustainable Ecosystem	9
		Nov. 29, 2023	2023 Seminar on Legal Compliance for Insider Share Trading	3
Accounting Supervisor	Kung, Yu-Ting	Mar. 18, 2024~ Mar. 19, 2024 Mar. 25, 2024~ Mar. 27, 2024	Professional Development Courses for Newly-appointed Accounting Officer of Issuers, Securities Firms, and Securities Exchanges	30

(5) Implementation of Corporate Social Responsibility and the Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish a governance structure for sustainability developments and set up an exclusively (or concurrently) dedicated sustainability unit with senior management authorized by the board to handle relevant issues under the supervision of the board?	✓		In the Company’s structure for sustainability development, the President is designated as the convener and the President Office is responsible for coordinating and managing relevant matters. The Board of Directors would supervise and give guidance on environmental, social and corporate governance issues within the sustainability development. The management team had reported to the board of directors on the outcome of actions taken and corporate strategies on March 16, August 8 and December 21 in 2023 and March 12 in 2024. In addition to monitoring the progress of strategies, the Board would urge the management team to make necessary adjustments. Please refer to page 55 for details on sustainability developments.	No material difference was found.
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		The Company has established the “Code of Practice for Sustainable Development” (formerly the Code of Practice for Corporate Social Responsibility) and disclosed it on the corporate website. The Code clearly states that our corporate social responsibility (CSR) policy is to implement corporate governance, develop a sustainable environment, maintain social welfare schemes, and enhance CSR disclosures as well as sets out potential risks and countermeasures. Please refer to page 55 Rfor details on our promotion of sustainable developments.	No material difference was found.
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓ ✓		(1) In response to international trends and customer requirements, the Company has established an environmental management system and obtained ISO 14001:2015 certification, which is valid until November 23, 2025. (2) The Company conducts waste treatment and recycling control based on the internal control of scraped products entering and exiting the warehouse; the raw materials used in the company’s products all comply with EU regulations and customer requirements for environmentally prohibited substances, namely the "Environmental Restricted Substance Control Standard" such as Restriction of Hazardous Substances (ROHS), halogen-free (HF), EU chemical policy (REACH), etc., and customer requirements for environmentally prohibited substances; and focus on the improvement of product efficiency to achieve the purpose of low power consumption and reduction of environmental impact.	(1) No material difference was found. (2) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																		
	Yes	No	Abstract Illustration																			
(3) Does the Company assess the potential risks and opportunities of climate change to businesses now and in the future, and take measures to respond to climate-related issues?		✓	(3) The Company has not yet assessed the current and future potential risks and opportunities to businesses in respect of climate change. Nor has it adopted measures to respond to climate-related issues, which will be included in the discussion in the future.	(3) Same as abstract explanation.																		
(4) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?	✓		<p>(4) 1. The Company’s energy saving and carbon reduction strategy is to promote various energy saving measures and continue to improve the energy efficiency of plant facilities and production equipment. The three focuses are operational efficiency optimization and parameter settings of production equipment, as well as adoption of energy-saving lighting. In order to save water resources, each plant has established a “water reclamation system” to recycle and reuse process water above a certain quality level. The system is mainly for cleaning and electroplating processes where a large volume of water is required. The recycling and treating of secondary water bring our internal water cycle to a certain standard, thereby reducing raw water supply and achieving the goal of a significant reduction in water consumption. In addition, we have introduced precious metal recycling techniques and set up in-house treatment systems to reduce waste emissions.</p> <p>2. The Company measures greenhouse gas (GHG) emissions, water consumption and total waste weight every year. For 2023, GHG emissions were 51,173 MT CO₂e, water consumption was 1,135,949 MT, and total waste weight was 13,443 MT, representing an decrease of 9.76%, a decrease of 14.15%, and a decrease of 25.01% compared to 2022, respectively.</p> <p>(1) GHG emissions in the last two years (Boundary - 2022: Plants in Taiwan, China and Malaysia; 2023: Operation sites of the Group)</p> <p style="text-align: right;">Unit: MT CO₂e</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>2,427</td> <td>54,279</td> <td>56,706</td> </tr> <tr> <td>2023</td> <td>3,585</td> <td>47,588</td> <td>51,173</td> </tr> </tbody> </table> <p>(2) Water consumption in the last two years (plants in Taiwan, China and Malaysia)</p> <p style="text-align: right;">Unit: MT</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>Water consumption</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>1,323,211</td> </tr> <tr> <td>2023</td> <td>1,135,949</td> </tr> </tbody> </table>	Year	Scope 1	Scope 2	Total	2022	2,427	54,279	56,706	2023	3,585	47,588	51,173	Year	Water consumption	2022	1,323,211	2023	1,135,949	(4) No material difference was found.
Year	Scope 1	Scope 2	Total																			
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Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Illustration													
			<p>(3) Waste volume in the last two years (plants in Taiwan, China and Malaysia) Unit: MT</p> <table border="1"> <thead> <tr> <th>Year</th> <th>General waste</th> <th>Hazardous waste</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>5,698</td> <td>12,229</td> <td>17,927</td> </tr> <tr> <td>2023</td> <td>4,431</td> <td>9,012</td> <td>13,443</td> </tr> </tbody> </table> <p>3. All of our Taiwan plants have obtained ISO14064-1:2018 certification. Relevant certifications can be found on our corporate website - About CWTC - About CWTC.</p> <p>4. For the latest information on GHG emissions, water consumption and total waste weight, please refer to the corporate website - CSR.</p>	Year	General waste	Hazardous waste	Total	2022	5,698	12,229	17,927	2023	4,431	9,012	13,443	
Year	General waste	Hazardous waste	Total													
2022	5,698	12,229	17,927													
2023	4,431	9,012	13,443													
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) 1. Human right policy: The Company supports and respects international conventions on human rights including the “Universal Declaration of Human Rights”, the “Guiding Principles on Business and Human Rights” and the “Global Compact” of the United Nations as well as the “Declaration on Fundamental Principles and Rights at Work” of the International Labour Organization. It respects internationally-recognized fundamental policies and management schemes:</p> <p>(1) Diversity, inclusiveness and equal opportunity</p> <p>(2) Prohibition of forced labor and child labor</p> <p>(3) Provision of fair and reasonable salaries and working conditions</p> <p>(4) Provision of a safe, hygienic and healthy working environment</p> <p>(5) Respect employees’ right to freedom of assembly and association</p> <p>2. Management measures concerning human rights risk: The Company carries out the human rights due diligence with reference to international standards and practices. It identifies potential human rights risk objects and issues, identifies parties liable and reviews the existing measures for mitigating human rights risk with employees being the focus.</p> <table border="1"> <thead> <tr> <th>Human Rights Issue</th> <th>Management Measure</th> </tr> </thead> <tbody> <tr> <td>Safe work place with an emphasis on the mental and physical well-being of employees.</td> <td> <p>(1) Adopted the ISO 45001 Occupational health and safety management systems.</p> <p>(2) Implement Occupational health and safety plans.</p> <p>(3) Set up an employee lounge.</p> </td> </tr> </tbody> </table>	Human Rights Issue	Management Measure	Safe work place with an emphasis on the mental and physical well-being of employees.	<p>(1) Adopted the ISO 45001 Occupational health and safety management systems.</p> <p>(2) Implement Occupational health and safety plans.</p> <p>(3) Set up an employee lounge.</p>	(1) No material difference was found.								
Human Rights Issue	Management Measure															
Safe work place with an emphasis on the mental and physical well-being of employees.	<p>(1) Adopted the ISO 45001 Occupational health and safety management systems.</p> <p>(2) Implement Occupational health and safety plans.</p> <p>(3) Set up an employee lounge.</p>															

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(4) Encourage fitness clubs such as jogging and health activities.</p>	
			<p>Fair and reasonable compensation</p> <p>(1) Provide compensation packages which are superior to the minimum requirements pursuant to local laws and regulations.</p> <p>(2) Continually adjust salaries based the macro environment and performance of employees.</p> <p>(3) Provide group insurance and travel insurance for employees on business trips.</p> <p>(4) Establish legal and reasonable rules and systems. Regularly monitor and manage employee attendance.</p>	
			<p>Promotion of gender equality</p> <p>The human rights policy is implemented throughout the processes of talent selection, recruitment, nurturing and retention without gender discrimination.</p>	
			<p>Prohibition of sexual harassment</p> <p>(1) The Company has established “Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures”.</p> <p>(2) The Company has established a sexual harassment complaint channel.</p>	
			<p>Protection of employee privacy</p> <p>(1) Employee information is kept confidential and managed by dedicated personnel.</p> <p>(2) Approval is required for information to be accessed by different departments.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Abstract Illustration			
(2) Does the Company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.) and appropriately reflect operating performance or results in employee compensation?	✓		<table border="1"> <tr> <td>Prohibition of child and forced labor</td> <td> (1) Child labor is banned in accordance with local laws and regulations concerning minimum age of employment. (2) Monthly review on the overtime of each department and sent out reminders. (3) The human resource unit organizes regular talks with employees. </td> </tr> </table> <p>3. Feedback and complaint channels: The Company respects the opinions and ideas of all parties and provides open and transparent communication channels, including complaint hotline/mailbox, annual labor-management meeting and interviews with employees after the probationary period. Employees can voice issues of organizational system and work environment, which demonstrates the Company’s emphasis on diverse opinions.</p>	Prohibition of child and forced labor	(1) Child labor is banned in accordance with local laws and regulations concerning minimum age of employment. (2) Monthly review on the overtime of each department and sent out reminders. (3) The human resource unit organizes regular talks with employees.	(1) No material difference was found.
Prohibition of child and forced labor	(1) Child labor is banned in accordance with local laws and regulations concerning minimum age of employment. (2) Monthly review on the overtime of each department and sent out reminders. (3) The human resource unit organizes regular talks with employees.					
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>(2) The Company has formulated working rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension payments, labor and health insurance payments, occupational accident compensation, etc. of the employees hired by the company, all in compliance with the relevant provisions of the Labor Standards Act. The Employee Welfare Committee has been established with the members elected by the employees to handle various welfare issues; the Company's remuneration policy is based on personal ability, contribution to the company, performance and has a positive correlation with operating performance.</p> <p>(3) The company attaches great importance to the health of colleagues. For mental health, there are unobstructed communication channels, employee interviews, gender equality complaint mailboxes and president mailboxes, as well as health seminars held irregularly; for physical health, it conducts new employee and annual physical examinations as a way to 2) The provide the employees with information on health management; for work health, in addition to maintaining a safe working environment, work safety-related training is held every year, disaster prevention and emergency response twice a year; training on chemicals safety and</p>	(1) No material difference was found.		

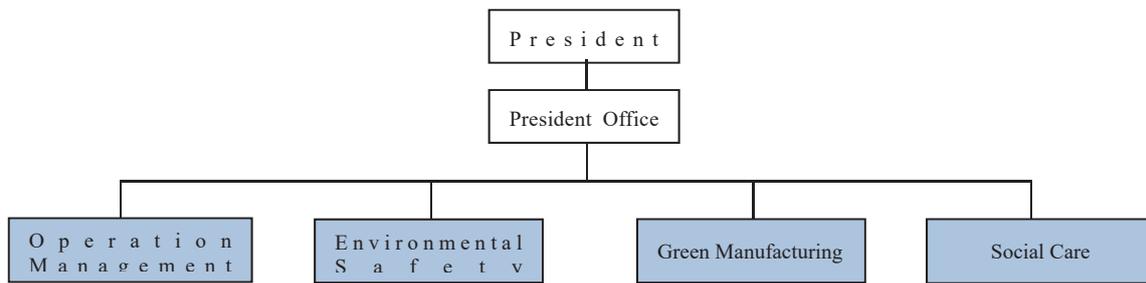
Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			emergency response exercise are held once a year to enhance employees' safety awareness and strengthen their emergency response capabilities.	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) The Company will provide appropriate job titles, salary, grades to the employees based on their work level, personal ability, performance, etc. for them to fully deliver their abilities and create maximum profits; for employees whose performance does not meet the requirements, in addition to strengthening on-the-job training , the department supervisors should give appropriate care and guidance in order for them to catch up; for employees with good performance, in addition to being placed in greater roles according to their ability and willingness, they will be rewarded with promotion and provided with further training and development opportunities according to their career plans.	(1) No material difference was found.
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the Company follow relevant laws and international standards, and formulate relevant consumer protection policies and complaint procedures?	✓		(5) For the Company’s product marketing and labeling, product labeling and delivery specifications are established and implemented in accordance with customer requirements; import and export operations are implemented in accordance with government regulations and import and export and bonded operation specifications. The Company has set up a complaint mechanism and channel for interested parties, and maintains a good communication channel with customers, provides transparent and effective customer complaint handling procedures for products and services. The customer complaint handling procedures contain steps for handling customer complaints and goods return and replacement procedures to protect the rights of customers in using the products. The company purchases product liability insurance for products which are in direct contact with consumers in order to protect them.	(2) No material difference was found.
(6) Does the Company formulate supplier management policies which require suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor human rights, and the implementation?	✓		(6)The Company has set up a "Supplier Management Program". When purchasing, environmental safety and social impact are listed as evaluation items. The liability clauses in the proposed new version of the supplier contract will be included in the relevant provisions. The Company conducts regular supplier evaluations on suppliers as a reference basis for the procurement unit to carry out procurement operations.	(3) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Does the Company refer to the internationally accepted standards or guidelines for compiling reports to prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information? Has the aforesaid report obtained the validation or assurance opinion of the third-party certification body?		✓	The Company has established the “Code of Practice for Sustainable Development” and compiles sustainability reports pursuant to the GRI standards issued by the Global Reporting Initiative annually. The independent third party, DNV Business Assurance Co., Ltd., was commissioned to undertake assurance over the 2022 Sustainability Report in accordance with the GRI Standards and the moderate level assurance requirements of DNV VeriSustain Protocol. Information is available on the corporate website. The latest sustainability report is scheduled to be released in August 2024 with the third-party verification.	Same as abstract explanation.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No material difference was found.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices (Such as the systems and measures adopted by the Company for environmental protection, community participation, social contribution, social services, social benefits, consumer rights, human rights, safety and health, and other social responsibility activities and implementation status): (1) For environmental protection: The Company implements control in accordance with the laws and regulations regarding environmental protection, and promotes the ISO14001 environmental management system. (2) For consumer rights: The Company has dedicated personnel responsible for handling customer complaints for protection of consumer rights. (3) For human rights, safety and health: The Company upholds internationally recognized labor rights, such as freedom of association, collective bargaining rights, care for disadvantaged groups, prohibition of child labor, elimination of various forms of forced labor, elimination of hiring and employment discrimination, etc., and ensures our personnel policies are free of differential treatment based on gender, race, socio-economic class, age, marital and family status, etc. for equal and fair employment, recruitment terms, salary, benefits, training, evaluation and promotion opportunities. We also comply with international human rights treaties, including the “United Nations Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Rights” and “International Labor Organization” to prevent any infringement or violation of human rights. For situations which jeopardize labor rights, the Company provides an effective and appropriate complaint mechanism to ensure a fair and transparent complaint process. The company strictly complies with local government labor laws and regulations, establishes appropriate management methods and procedures, and communicates and promotes them internally. The Company pays attention to the following human rights based on its operating projects and characteristics and proposes corresponding policies to facilitate the promotion of relevant internal action plans: 1. Compliance with international human rights and legal requirements: The Company does not allow any violation of human rights, such as appointing children under the age of 16 for labor, and regularly inspects, controls and promotes the efforts in complying with such requirements. 2. Provision of a fair working environment: The Company provides employees with fair employment opportunities, a good working environment and reasonable benefits in accordance with the Labor Standards Act, and ensures that the employees are not subject to any discrimination, harassment or any unfair treatment based on race, nationality, gender, religious beliefs, age, political positions, etc. 3. Provision of a safe working environment: The Company has security personnel 24 hours a day a to help maintain the safety of the plant especially during night time. Its monitoring system, access control system, fire protection system and various machinery and equipment are regularly entrusted to professional companies for maintenance and inspection work once a month; disaster prevention and emergency response twice a year, training on chemical safety and emergency response exercise once a year; in accordance with the provisions of the Occupational Safety and Health Law, the Company appoints government-recognized agencies and professionals to implement operating environment monitoring operations twice a year to understand the actual state of exposure of the staff to the hazard factors in the factory. According to the law, on 2020.1.1, the Company appoints physicians and nurses from professional medical institutions to enter the plant to conduct employee health management for the prevention of				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Illustration									
<p>human musculoskeletal hazards, protection of maternal health, prevention of diseases caused by abnormal workloads, etc., for safeguarding the physical and mental health of employees. The plant promotes 6S and disciplinary management, and the audit team members take turns to audit the 6S in the factory once a week, in order to beautify the working environment, strengthen the safety of the plant area, and improve work efficiency. In addition, work instructions for preventing illegal infringements in the workplace are established in accordance with the law, and a written statement prohibiting workplace violence in the workplace is posted on the bulletin to achieve a workplace with zero violence in the workplace.</p> <p>In addition, the Company has labor safety and health management personnel to implement management and control in accordance with government laws and regulations. Through regular labor-management meetings and various employee communication channels, communication between management and employees is established to fulfill the responsibility of respecting employees' human rights and protecting their rights.</p> <p>(4) Other social responsibility activities: In response to the recruitment and training program of Bureau of Labor, the company provides job opportunities for students under poverty line and senior job-seekers through recruitment.</p> <p>(5) Product certification: The Company has obtained ISO9001, IATF 16949 and ISO14001 certifications.</p> <table border="1" data-bbox="245 855 1442 1057"> <thead> <tr> <th>Certification</th> <th>Effective Period</th> </tr> </thead> <tbody> <tr> <td>ISO 9001: 2015</td> <td>Apr. 4, 2023~ Apr. 3, 2026</td> </tr> <tr> <td>IATF 16949: 2016</td> <td>Apr. 4, 2023~ Apr. 3, 2026</td> </tr> <tr> <td>ISO14001: 2015</td> <td>Nov. 29, 2022~Nov. 23, 2025</td> </tr> </tbody> </table>					Certification	Effective Period	ISO 9001: 2015	Apr. 4, 2023~ Apr. 3, 2026	IATF 16949: 2016	Apr. 4, 2023~ Apr. 3, 2026	ISO14001: 2015	Nov. 29, 2022~Nov. 23, 2025
Certification	Effective Period											
ISO 9001: 2015	Apr. 4, 2023~ Apr. 3, 2026											
IATF 16949: 2016	Apr. 4, 2023~ Apr. 3, 2026											
ISO14001: 2015	Nov. 29, 2022~Nov. 23, 2025											

Promotion of Sustainable Development:

1. Structure for Promotion of Sustainable Development



2. Governance for Promotion of Sustainable Development

- (1) President Office: Align with corporate governance trends and comply with laws and regulations.
- (2) Environmental Management and Factory Unit: Draw up safety operation standards, examine and eliminate risk factors, operate environmental protection equipment, and treat sewage.
- (3) Group-level Environmental Safety Unit: Maintain labor relations, employee health and safety, and arrange various educational courses.

3. Risk Assessment for Promotion of Sustainable Development

Material Issues	Risk Evaluation Items	Risk Management Policies or Measures
Environmental	Environmental protection Climate change	Push for a reduction in process water consumption, build wastewater recycling facilities, and improve wastewater treatment efficiency with the target of increasing the recycling volume by 10% each year.
		Commit to energy saving and carbon reduction, carry out greenhouse gas inventory annually and set the goal of reducing carbon dioxide emissions each year.
Social	Workplace safety Employee recruitment and training	Conduct at least two plant-wide disaster prevention drills and emergency responses every year, covering earthquakes, fires, chemical leakage, etc. and incorporating scenario setting based on operation characteristics and hazard types.
		Give priority to locals in terms of recruitment and hiring. The Company’s training courses include orientation and on-the-job training. Courses are assessed with effectiveness evaluated to motivate employees and obtain appropriate authorization.
Corporate Governance	Regulatory Compliance	Ensure regulatory compliance of all personnel and operations by establishing a governance organization and implementing internal control mechanisms.

Climate-related Information:

1 Risks and Opportunities of Climate Change to the Company and Related Measures Taken by the Company

Item	Execution				
1.State the Board's managers oversight and governance of climate related risks and opportunities.	The Board of Directors is the highest decision-making and oversight body of the Company for climate change issues. The President is appointed to be the convener with the Group ESG Team coordinating and overseeing climate change matters. The Team is responsible for formulating and implementing measures addressing climate change-related issues. It holds regular meetings to review the progress and the target achievement level.				
2.Describe how the identified climate risks and opportunities affect the business, strategy, and finance (short-term, medium-term and long-term) of the enterprise.	The Company has identified six major climate-related risks and three significant climate-related opportunities in 2023 after conducting assessments under the TCFD framework.				
	Type	Content	Time	Potential Financial Impact	Measures Taken
	Transition risks	GHG emission cap control and carbon taxes and carbon fee	short-term	1. Carbon fee increases the operating costs. 2. Purchases of National Renewable Energy Certification increase the costs. 3. Violations of laws and regulations result in penalties.	Achieve energy efficiency and invest in green energy facilities.
	Transition risks	Tightening of renewable energy regulations	medium-term		
	Transition risks	Net zero trend	long-term	Installation and operation of carbon reduction facilities increase the costs.	Continue to execute GHG reduction measures.
Physical risk	Increasing severity of extreme weather events, such as typhoons and floods	short-term	1. Plant shutdown leads to decreased revenue. 2. Damage to machinery and	1. Formulate natural disaster contingency measures and water rationing contingency	

	Physical risk	Drought	medium-term	equipment results in property loss.	plans. 2.Evaluate the risk of natural disasters at the plants, and develop and implement risk mitigation measures.
	Physical risk	Rising GHG in average	long-term	1.Increasing power consumption leads to increased operating expenses. 2.Save electricity to reduce cost.	1.Acquire energy-saving equipment. 2.Install energy management systems to track energy consumption.
	Opportunity	Reduce water consumption	short-term	1.Water conservation charge imposed by the government increases operating costs. 2.Saving water to reduce cost.	1.Increase the use of reclaimed water. 2.Introduce water-saving management measures as well as technology for recycling process water.
	Opportunity	Improve resource efficiency	medium-term	1.Plant shutdown leads to decreased revenue. 2.Damage to machinery and equipment results in property loss.	1.Acquire energy-saving equipment. 2.Track energy consumption through energy management system.
	Opportunity	Enhance corporate reputation	long-term	Increase the availability of fund raising and reduce the cost of capital.	1.Strengthen corporate governance; and identify and implement climate-related issues concerned by the Company. 2.Improve sustainability ratings to build a positive image.

<p>3. Describe the financial impacts of extreme weather events and transformational actions.</p>	<p>Water resources are indispensable to the Company as our main processes include etching and plating. Since the impact of water resources on our plants in Taiwan is minimum under the RCP 8.5 scenario, the effect on estimates of financial loss is not significant. Transition action is the net zero action plan promoted by the Company. Please refer to Item 2 table for details.</p>
<p>4. Describe how the climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p>	<p>The Company conducts materiality analyses through sustainability questionnaires, and the results indicate that the climate change issue is a material issue. Therefore, the Company incorporates climate change risk into management scope pursuant to the “Risk Management Policy” for further risk assessment and management. In terms of process, the Company identifies climate change risks and opportunities with reference to the TCFD framework. The heads of relevant departments then customize specific, feasible, and effective climate change risk management policies for significant risk items with consideration to the Company's current operating status and available resources.</p>
<p>5. If situational analysis is used to assess the resilience to climate change risks, describe the contexts, parameters, assumptions, analysis factors, and key financial implications.</p>	<p>Transition risk refers to the assessment and reports of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) on emission roadmaps. Physical risk refers to the estimates under RCP2.6, RCP4.5, and RCP8.5 scenarios of the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), where operating costs will account for an additional 0.01%, 1.2%, and 1.39% of annual revenue, respectively.</p>
<p>6. If there is a transformation plan for managing climate related risks, describe the plan and the metrics and targets used to identify and manage physical and transformation risks.</p>	<p>The Company actively promotes carbon neutrality to mitigate climate change, and urges all production sites to gradually achieve net zero emissions by 2050. We also set climate-related targets, including a 20% reduction in GHG emissions by 2027, and an increase in water recycling rate every year.</p>

<p>7.If internal carbon pricing is used as a planning tool, the basis for the pricing should be described.</p>	<p>The company currently has no plans for internal carbon pricing.</p>
<p>8.If climate related targets are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be stated; and if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and quantity of carbon credits to be offset or the quantity of renewable energy certificates (RECs) should be stated.</p>	<p>Please refer to “3 Greenhouse Gas Reduction Targets, Strategy and Concrete Action Plan”.</p>
<p>9.Greenhouse Gas Inventory and Confirmation .</p>	<p>Please refer to “2 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years”.</p>

2 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

(1) Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

With reference to the updated version of ISO14064-1:2018, the Company establishes a standard mechanism for GHG inventory by adopting the operational control approach to aggregate the GHG amounts, and promotes carbon inventory both within and outside the organization. In addition to scope 1 (direct GHG emissions) and scope 2 (indirect GHG emissions from energy usage), the Company also conducts Scope 3 (other indirect emissions) inventory.

In 2022, the Company and Malaysian SH Electronics Sdn. Bhd. took the lead in conducting voluntary GHG inventory and acquired third-party assurance statements. In 2023, we completed external verification of Group-wide GHG inventory in order to have a complete picture on GHG emissions and to implement carbon management.

Emission data for the past two years are summarized below:

Year	2022	2023
Scope 1	2,427	3,585
Scope 2	54,279	47,588
Total	56,706	51,173
Emissions Intensity	3.929	4.419
Scope 3	9,564	52,235

*Note :

1. Unit : tCO₂e

2. Emissions Intensity = Scope 1 and Scope 2 emissions of GHG(tCO₂e)/Revenue(in million NTD)

3. The boundary of 2022 data was the Company, SH Electronics Suzhou Co., Ltd., SH Electronics Chengdu Co., Ltd., SH Precision Chengdu Co., Ltd., and Malaysian SH Electronics Sdn. Bhd. The boundary of 2023 data was all operation sites of the Group.

(2) Greenhouse Assurance Status Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of the assurance, assurance institutions, assurance standards and assurance opinion.

2023			
Company	Scope	Assurance Organization	Description of Assurance Status
The Company	Scope 1 Scope 2 Scope 3	DNV GL Business Assurance Co., Ltd.	Assurance process is scheduled to be completed by May 2024.
SH Electronics Suzhou Co., Ltd.		Centre Testing International Group Co., Ltd.	Obtained reasonable assurance from assurance agency under ISO14064-3:2019.
SH Electronics Chengdu Co., Ltd.			
SH Precision Chengdu Co., Ltd.			
Shanghai Chang Wah Electromaterials Inc.			
CWTC (Shanghai) Inc.		TÜV SÜD PSB Pte Ltd	Obtained reasonable assurance from assurance agency under ISO14064-3:2019.
SH Asia Pacific Pte. Ltd.			
Malaysian SH Electronics Sdn. Bhd.	Bureau Veritas Certification (M) Sdn. Bhd	Obtained reasonable assurance from assurance agency under ISO14064-3:2019.	
2022			
Company	Scope	Assurance Organization	Description of Assurance Status
The Company	Scope 1 Scope 2 Scope 3	DNV GL Business Assurance Co., Ltd.	Obtained reasonable assurance from assurance agency under ISO14064-3:2019.
Malaysian SH Electronics Sdn. Bhd.		Bureau Veritas Certification (M) Sdn. Bhd	Obtained reasonable assurance from assurance agency under ISO14064-3:2019.

3 Greenhouse Gas Reduction Targets, Strategy and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.
The Company adopts a progressive approach as well as the SBTi's science-based targets for carbon reduction in line with the policy. With the GHG emissions (24,091 MT) in 2022 being the base year, we set absolute targets for short, medium, and long-term GHG emissions, i.e., to reduce emissions to 19,273 MT by 2027 (short-term), to cut emissions by 40% in 2037 compared to the base year (medium-term), and to achieve the goal of carbon neutrality by 2050 (long-term).

(6) Implementation of Ethical Corporate Management and Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company established the ethical corporate management policies approved by the Board and declare the policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	✓		(1) The Company has formulated the "Code of Business Integrity Management", "Code of Ethical Conduct", "Business Integrity Procedures and Behavior Guidance" to specifically regulate the matters that directors, managers and employees of the Company should pay attention to when performing business.	(1) No material difference was found.
<p>(2) Does the company establish assessment mechanism for the risk of unethical conducts, regularly analyze and assess the operating activities with higher risk of unethical conducts in its business scope, establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for</p>	✓		(2) The Company has established work rules and employee assessment and management methods, clearly specifying relevant rewards and punishment methods, and clearly stipulated the relevant operating procedures in the "Business Integrity Procedures and Behavior Guide", and the material violations of integrity will be subject to discharge or dismissal and the information such as the name of the violating	(2) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	✓		<p>person , date of violation, details of violation and handling of the violation will be internally published. It is also stipulated that if the Company makes political donations or charitable donations or sponsorships at an amount exceeding NT\$ 500,000 and NT\$100,000 respectively, it shall be reported to the Board of Directors for approval.</p> <p>(3)The Company’s work rules clearly stipulate that the employee found engaging in malpractice and will accepting bribes while on duty with concrete evidence verified to be true are deemed to be in violation of the labor contract or work rules, and the labor contract can be terminated, and the employee will be subject to the procedures stated in the "Business Integrity Procedures and Behavior Measures" for receiving illegitimate benefits and facilitation payments. In addition, the "Business Integrity Procedures and</p>	<p>(3) No material difference was found.</p>

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Behavior Guidance" also stipulate the handling of the personnel involved in dishonest conduct, and encourages internal and external personnel to report dishonest behaviors or improper conducts. If the report is verified to be true, the relevant unit of the Company should review the relevant internal control system and operating procedures, and proposed improvement measures to prevent the same behavior from recurring.	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	✓		(1) The Company has set up a "Supplier Management Program" which includes the environmental impact as an item of assessment when making a purchase. The Company's work rules and "Business Integrity Procedures and Behavior Guidance" prohibit employees from providing and accepting improper benefits when performing business duties.	(1) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Has the Company set up a dedicated unit under the Board of Directors to enhance business integrity management and regularly (at least once a year) report to the Board of Directors of its integrity management policies, plans for preventing dishonest behaviors, and supervision of implementation?	✓		<p>(2) The Company has established the Business Integrity Committee as the dedicated unit pursuant to the “Business Integrity Procedures and Behavior Guidance”. The Committee is responsible for matters set out below and has reported the implementation of business integrity to the board of directors on February 21, 2024.</p> <ol style="list-style-type: none"> 1. Assist with incorporating integrity and ethics into the corporate strategies and establish preventive measures to ensure business integrity. 2. Promote and coordinate training on integrity policy. 3. Formulate whistleblowing system and ensure the effectiveness of implementation thereof. 4. Assist the board of directors and management with auditing and assessing the effectiveness of preventive measures established concerning business integrity, 	(2) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		<p>regularly evaluate the Company’s compliance with relevant procedures and compile reports.</p> <p>(3) The Company has set up the employee opinion mailboxes and the "employee grievance handling system" to provide employees with a channel for suggestions to strengthen labor-employment cooperation. If employees have rights and interests impaired or have other opinions, they can also directly use the administrative system by directly submitting complaints to the personnel unit. The personnel unit will work with the supervisor of each unit to immediately investigate and handle the complaints, or report them to a higher level, and notify the complainant of the results or the handling situation. All employees of the company can report violations or conflicts of interest to the human resources unit or directly to the President.</p>	(3) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Has the Company has established an effective accounting system and internal control system for the realization of business integrity with the internal audit unit drawing up a relevant audit plan based on the assessment results of dishonest behavior risks, and verifying compliance with the plan for preventing dishonest behaviors based on it, or entrusted an accountant to perform the audit?	✓		(4) In order to reasonably ensure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations, the Company has established an accounting system, an internal control system and related management methods to realize the spirit of business integrity; the Company’s internal auditors regularly audit relevant compliance matters of all the units of the Company.	(4) No material difference was found.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The Company pays attention to the realization of the principle of integrity by all employees in its daily business. In 2023, the Company participated in the internal and external education and training programs (including related courses on integrity management, regulatory compliance and internal control) for a total of 148 person-hours.	(5) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Operation of Company’s Integrity Channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	✓		(1) The company has set up employee suggestion mailboxes and "employee grievance handling system" to provide employees with a channel for suggestions to strengthen labor-employment cooperation. In addition, in the "Business Integrity Procedures and Behavior Guidance", the Integrity Management Committee is designated as the dedicated unit, and the punishment, appeal system and disciplinary action have been established.	(1) No material difference was found.
<p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p>	✓		(2) The handling of all employee issues will be given a high degree of confidentiality and timeliness, and the relevant personnel who deal with the whistleblower in accordance with "Business Integrity Procedures and Behavior Guidance" shall declare in writing that the identity of the whistleblower and the content of the report will	(2) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			be kept confidential. In the case of serious violation of integrity, the violating employee shall be discharged or dismissed in accordance with relevant laws and regulations or the company’s personnel regulations, and the title and name of the violator, date of violation, facts of violation and the status of handling will be announced internally.	
(3) Does the company provide proper whistleblower protection?	✓		(3) The Company is responsible for the confidentiality of the whistleblower. Relevant personnel who deal with the whistleblower in accordance with "Business Integrity Procedures and Behavior Guidance" shall declare in writing that the identity of the whistleblower and the content of the report will be kept confidential. The company promises to protect the whistleblower from the being improperly treated.	(3) No material difference was found.
4. Strengthening information disclosure Does the company disclose its ethical corporate	✓		The Company has set up a website to disclose information on business integrity and clearly states	No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
management policies and the results of its implementation on the company’s website and MOPS?			that it should try its best to ensure that the company's disclosure of information to the public is complete, fair, correct, timely and understandable.	
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The company has formulated the "Code of Business Integrity ". The Business Integrity Committee is the dedicated unit to handle matters related to the operating procedures and report to the Board of Directors regularly. Its operation is consistent with the code of business integrity of listed and OTC companies and no material difference was found.</p> <p>6 Other important information to facilitate a better understanding of the company’s ethical corporate management policies: The Company submitted the "Corporate Integrity Management Report" to the Board of Directors on February 21, 2024 In accordance with the Code of Business Integrity.</p>				

(7) The query method for the Company’s Practice Guidelines for Corporate Governance and related regulations:

The Company has not yet formulated a corporate governance code. However, for the "Listed and OTC Companies Practice Guidelines for Corporate Governance” it has formulated relevant systems and regulations and published them on the Market Observation Post System and its website (which includes the Company’s Articles of Association, Rules of Procedures for Shareholders Meetings, Rules for the Exercise of Rights and Participation in Decisions by Legal Persons with Controlling Capability, Rules for Board of Directors Meetings, Methods for Director Election, Rules for the Scope of Responsibilities of Independent Directors, Code of Ethics, Procedures for Acquiring or Disposing of Assets, Procedures for Capital Loans to Others, Endorsement and Guarantee Procedures, Audit Committee Organizational Rules, Remuneration Committee Organizational Rules, Code of Business Integrity, Business Integrity Procedures and Behavior Guidance, and Corporate Social Responsibility Code of Practice) are available for investors to inquire at: <https://www.cwtcglobal.com/>.

(8) Other important information to facilitate a better understanding of the company’s implementation of corporate governance:

In order to establish a good internal processing and disclosure mechanism for material information, avoid improper information leakage, and ensure the consistency and correctness of the information published externally , the Company has formulated the "Internal Material Information Processing Procedures" .

(9) Implementation of Internal Control Systems:

1. Statement of Internal Control System:

Chang Wah Technology Co., Ltd.
Statement of Internal Control System

Date: March 12, 2024

The internal control system of the Company in 2023, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system established on Dec. 31, 2023, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 12, 2024, and 0 of those 7 directors in presence oppose and all agree at the contents of this statement.

Chang Wah Technology Co., Ltd.

Chairperson: Canon, Huang

Signature:

President: Hung, Chuen-cheng

Signature:

2. Audit report of the accountant's project for review of internal control: none.

(10) In the most recent year and as of the publication date of the annual report, the punishment on the Company and its internal personnel in accordance with the law, or penalties imposed by the Company on its internal personnel for violating the provisions of the internal control system with the results which may have a significant impact on shareholder rights or securities prices should be specified for punishment content, main deficiencies and improvement: none.

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

1. Material resolutions of the regular shareholders' meeting:

Session	Date	Material resolution	Implementation
Regular Shareholders' Meeting	June 14, 2022	1. Passed the resolution to recognize the Company's FY2022 business report and financial statements.	Completed
		2. Passed the resolution to recognize the company's surplus distribution in FY2022.	Passed the resolution to distribute cash dividends of NT\$1,427,035,617 (NT\$1.51 per share) to shareholders. The Board of Directors resolved to set December 21, 2022 and June 15, 2023 as the record dates and January 11, 2023 and July 12, 2023 as the distribution dates for cash dividends from earnings distributions of the first and second half of 2022, respectively. The distributions were completed as scheduled.
		3. Passed the resolution to revise the "Procedures for Acquisition or Disposal of Assets".	Followed as revised.
		4. Passed the release of Mr. Angus Shih, the representative of the juristic person director, from non-competence restrictions.	Completed.

2. Material resolutions of the board of directors meeting:

Session	Date	Material resolution
5 th Board of Directors Meeting, 13 th Session	February 21, 2023	<ol style="list-style-type: none"> 1. Passed the additions/revisions to various measures of the Company. 2. Passed the release of Mr. Angus Shih, the representative of the juristic person director, from non-competence restrictions. 3. Passed ratification of obtaining and disposal of securities. 4. Passed the date and place of 2023 shareholders meeting and the reason for the meeting.
5 th Board of Directors Meeting, 14 th Session	March 16, 2023	<ol style="list-style-type: none"> 1. Passed the 2022 employee dividends distribution ratios and total provision. 2. Passed the distribution ratios of 2022 bonus to the directors and total provision. 3. Passed the Company's 2022 IFRSs financial report. 4. Passed the Company's 2022 operation report. 5. Passed the 2022 surplus distribution. 6. Passed the Company's Statement on Internal Control.

Session	Date	Material resolution
		7. Passed whether to include shareholders' proposals in the upcoming annual shareholders' meeting. 8. Passed ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 15 th Session	May 5, 2023	1. Passed the Company's 2023 Q1 IFRSs financial report. 2. Passed the appointment of the Company's corporate governance supervisor. 3. Passed the earnings distribution for the first quarter of 2023. 4. Passed the budget for 2023 donations. 5. Passed the ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 16 th Session	May 31, 2023	1. Passed the amendments to the Company's Rules Governing the Transfer of Repurchased Shares to Employees. 2. Passed the first-time transfer of repurchased shares to employees. 3. Passed the record date for capital reduction through cancellation of treasury shares 4. Passed the ratification of obtaining and disposal of securities.
5 th Special Board of Directors Meeting, 17 th Session	July 31, 2023	Passed the election of the Acting Chairperson.
5 th Board of Directors Meeting, 18 th Session	August 8, 2023	1. Passed the Company's 2023 Q2 IFRSs financial report. 2. Passed the earnings distribution for the second quarter of 2023. 3. Passed the change of address of the branch office in Japan. 4. Passed the amendments to the internal control system, auditing standards, and various rules. 5. Pass the signing of a plant leasing contract with JMC Electronics Co., Ltd. 6. Passed the ratification of obtaining and disposal of securities. 7. Passed the details and date of bonus to the Directors.
5 th Board of Directors Meeting, 19 th Session	November 7, 2023	1. Passed the Company's 2023 Q3 IFRSs financial report. 2. Passed the earnings distribution for the third quarter of 2023. 3. Passed the 2024 Audit Plan. 4. Passed the Company's entry of the solar power generation system construction contract with Chang Wah Energy Technology Co., Ltd. 5. Passed the ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 20 th Session	December 21, 2023	1. Passed the appointment and remuneration of accountants in 2024. 2. Passed the lines of credit of financial institutions in 2024. 3. Passed the 2024 budget plan. 4. Passed the 2024 group capital expenditure budget. 5. Passed revision of the Company's measures. 6. Passed the appointment of the new accounting supervisor. 7. Passed the ratification of obtaining and disposal of securities. 8. Passed the 2023 performance bonus and 2024 salary for the managers.
5 th Board of Directors Meeting, 21 th Session	February 21, 2024	1. Passed the ratification of obtaining and disposal of securities. 2. Passed the election of Directors across the board and the nomination of Director candidates. 3. Passed the lifting of non-compete restriction on new Directors. 4. Passed the date and place of 2024 shareholders meeting and the reason for the meeting.
5 th Board of Directors Meeting, 22 th Session	March 12, 2024	1. Passed the 2023 employee dividends distribution ratios and total provision. 2. Passed the distribution ratios of 2023 bonus to the directors and total provision. 3. Passed the Company's 2023 IFRSs financial report. 4. Passed the Company's 2023 operation report. 5. Passed the 2023 surplus distribution. 6. Passed the Company's Statement on Internal Control. 7. Passed the review of the Director (including Independent Director) candidates. 8. Passed ratification of obtaining and disposal of securities. 9. Discussed whether to include shareholder proposals in the upcoming shareholders' meeting. (There was no shareholder proposal for the upcoming shareholders' meeting).

(12) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

(13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D:

April 1, 2024

Title	Name	Onboard Date	Resignation Date	Reasons for Resignation or Dismissal
Accounting Manager	Lin, Chun-Chi	2017.03.17	2023.12.21	Job adjustment

5. Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Lee-Yuan Kuo	2023Q1~2023Q4	7,260	1,095	8,355	None
	Hung-Ju Liao					

- (1) The amounts of non-audit fees and items of non-audit services: Including transfer pricing report, tax compliance audit and travel as well as typing and printing expenses incurred by CPAs.
- (2) Change of the accounting firm with the audit fee paid during the year of change being less than the public fee of the previous year: None.
- (3) Audit fee reduced by more than 10% compared with the previous year: None.

6. Replacement of CPA : None. There was no replacement of CPAs in the past two years.

7. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm: none.

8. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(1) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2023		Year to Date up to April 1, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Juristic Person Director	Yuan Yao Energy Technology Co., Ltd.	446,000	0	104,000	0
Representative of juristic person director	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	2,767,000	0	0	0

Title	Name	2023		Year to Date up to April 1, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Juristic Person Director and Major Shareholder	Chang Wah Electromaterials Inc.	1,132,000	0	1,324,000	0
Representative of juristic person director and President	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	767,000	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	0	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Angus, Shih	0	0	0	0
Independent Director	Lin, Yi-Jing	0	0	0	0
Independent Director	Lin, Ren-Lin	0	0	0	0
Independent Director	Ou, Jia-Ruey	0	0	0	0
Vice President	Li, Jih-Hong	41,000	0	0	0
Vice President	Lu, Hung-Chin	94,000	0	0	0
Vice President	Wen, Wen-Yu	15,000	0	0	0
Vice President	Yang, Chung-Chi	26,000	0	0	0
Vice President	Lin, Huang-Chieh	46,000	0	0	0
Senior Manager	Hsu, Pai-Hsiang	13,000	0	0	0
Senior Manager	Sun, Ming-Chuan (Note 1)	39,000	0	0	0
Senior Manager	Pai, Pang-Chieh	0	0	0	0
Senior Manager	Lin, Jun-Ji	0	0	0	0
Finance Supervisor	Yan, Shu-Ping	51,000	0	0	0
Accounting Supervisor	Kung, Yu-Ting (Note 2)	0	0	0	0

Note 1 : Due to organizational restructuring, senior manager Ming-Chuan Sun resigned on July 5, 2023, which was therefore the last date for documenting her changes in shareholding.

Note 2 : As the former accounting supervisor applied for unpaid leave, manager Yu-Ting Kung took office on December 21, 2023, which was therefore the first date for documenting her changes in shareholding.

- (2) Those to whom the equities of the directors, managers and major are transferred are related parties: None.
- (3) Those against whom the equities of the directors, managers and major are pledged are related parties: None.

9. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another:

April 1, 2024; Unit: Shares

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship (Note 3)		Remark
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Chang Wah Electromaterials Inc.	452,375,925	47.59%	0	0%	0	0%	None	None	None
Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	6,613,975	0.70%	39,000	0%	0	0%	None	None	None
Fubon Life Insurance Co., Ltd.	47,168,100	4.96%	0	0%	0	0%	None	None	None
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	0	0%	0	0%	0	0%	None	None	None
Yuan Yao Energy Technology Co., Ltd.	35,695,000	3.76%	0	0%	0	0%	None	None	None
Yuan Yao Energy Technology Co., Ltd. Representative: Huang, Sai-Ying	298,000	0.03%	0	0%	0	0%	Besjie Investment Co., Ltd.	Chairperson the same person	None
							Shin Shin Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
Besjie Investment Co., Ltd.	35,380,950	3.72%	0	0%	0	0%	None	None	None
Besjie Investment Co., Ltd. Representative: Huang, Sai-Ying	298,000	0.03%	0	0%	0	0%	Yuan Yao Energy Technology Co., Ltd.	Chairperson the same person	None
							Shin Shin Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship (Note 3)		Remark
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Huang, Siou-Cyuan	28,280,275	2.98%	0	0%	0	0%	None	None	None
Shing Zheng Investment Co., Ltd.	15,863,642	1.67%	0	0%	0	0%	None	None	None
Shing Zheng Investment Co., Ltd. Representative: Pan, Chao-I	500,000	0.05%	0	0%	0	0%	None	None	None
Tai, Sung-Chi	13,825,000	1.45%	0	0%	0	0%	None	None	None
Jin Chiao Li Co., Ltd.	12,834,050	1.35%	0	0%	0	0%	None	None	None
Jin Chiao Li Co., Ltd. Representative: Tsai, Kui-Chih	0	0%	28,280,275	2.98%	0	0%	Huang, Siou-Cyuan	Spouse	None
Shin Shin Investment Co., Ltd.	12,215,700	1.29%	0	0%	0	0%	None	None	None
Shin Shin Investment Co., Ltd. Representative: Huang, Pei-Wen	255,000	0.03%	0	0%	0	0%	Yuan Yao Energy Technology Co., Ltd	In Second Degree of Kinship with the Chairperson	None
							Besjie Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
JMC Electronics Co., Ltd.	11,808,000	1.24%	0	0%	0	0%	None	None	None
JMC Electronics Co., Ltd. Representative: Wan, Wen-Tsai	0	0%	0	0%	0	0%	None	None	None

Note 1: All the top ten shareholders should be listed. If they are legal person shareholders, the names of the legal person shareholders and the names of the representatives should be listed separately.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of shareholder, his/her spouse, his/her minor children or the name of others; the shareholding ratio is calculated based on 364,131,050 shares.

Note 3: The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship in accordance with the issuer's financial report preparation standards.

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

December 31, 2023

Investee Company	Investment Made by the Company		Investment Made by Entities Directly or Indirectly Controlled by Directors, Supervisors, Managers		Total Investment	
	Shares	Percentage	Shares	Percentage	Shares	Percentage
CWTC (Shanghai) Inc.	NA(Note 2)	100%	—	—	NA (Note 2)	100%
Shing Zheng Investment Co., Ltd.	49,000,000	49%	10,000,000	10%	59,000,000	59%
SH Asia Pacific Pte. Ltd.	21,206,103	100%	—	—	21,206,103	100%
Malaysian SH Electronics Sdn. Bhd.	23,000,000	100%			23,000,000	100%
SH Electronics Suzhou Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
WSP Electromaterials Ltd.	—	—	5,235,000	100%	5,235,000	100%
SH Electronics Chengdu Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
SH Precision Chengdu Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
Shanghai Chang Wah Electromaterials Inc.	—	—	NA (Note 2)	100%	NA (Note 2)	100%

Note 1: Investment by the Company accounted for using equity method.

Note 2: No shares are issued for the company is not a limited company.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital:

April 1, 2024

Month/ Year	Offering Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
July 2023	0.4	1,750,000,000	700,000,000	950,538,700	380,215,480	Treasury share cancellation of NT\$6,353,200.	None	Note

Note 1: Approved by the Administration of Export Processing Zone, Ministry of Economic Affairs on July 11, 2023 by letter No. 1120007336.

April 2, 2023; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered common shares	950,538,700	799,461,300	1,750,000,000	Shares of a listed company traded OTC

Information about the comprehensive reporting system: No applicable.

(2) Shareholder Structure:

April 1, 2024

Shareholder Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	5	63	16,481	102	16,651
Shareholding (Shares)	0	47,380,589	617,640,875	242,314,234	43,203,002	950,538,700
Percentage	0	4.99%	64.97%	25.49%	4.55%	100.00%

(3) Shareholding Distribution Status:

April 1, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,609	371,075	0.04%
1,000 ~ 5,000	10,374	24,335,152	2.56%
5,001 ~ 10,000	2,047	16,543,060	1.74%
10,001 ~ 15,000	722	9,317,678	0.98%
15,001 ~ 20,000	504	9,272,106	0.98%
20,001 ~ 30,000	513	13,261,569	1.39%
30,001 ~ 40,000	220	7,856,386	0.83%
40,001 ~ 50,000	139	6,487,711	0.68%
50,001 ~ 100,000	257	18,413,596	1.94%
100,001 ~ 200,000	118	16,848,733	1.77%
200,001 ~ 400,000	67	18,055,527	1.90%
400,001 ~ 600,000	23	11,607,689	1.22%
600,001 ~ 800,000	8	5,900,731	0.62%
800,001 ~ 1,000,000	6	5,409,820	0.57%
1,000,001 or over	44	786,857,867	82.78 %
Total	16,651	950,538,700	100.00%

(4) List of Major Shareholders: (Note)

April 1, 2024

Shareholder's Name	Shares	Shareholding	Percentage
Chang Wah Electromaterials Inc.		452,375,925	47.59%
Fubon Life Insurance Co., Ltd.		47,168,100	4.96%
Yuan Yao Energy Technology Co., Ltd.		35,695,000	3.76%
Besjie Investment Co., Ltd.		35,380,950	3.72%
Huang, Siou-Cyuan		28,280,275	2.98%
Shing Zheng Investment Co., Ltd.		15,863,642	1.67%
Tai, Sung-Chi		13,825,000	1.45%
Jin Chiao Li Co., Ltd.		12,834,050	1.35%
Shin Shin Investment Co., Ltd.		12,215,700	1.29%
JMC Electronics Co., Ltd.		11,808,000	1.24%

Note: If there are less than ten shareholders with at least 5% ownership, the names of the top ten shareholders in terms of percentage of ownership, the amount and percentage of ownership should be disclosed.

(5) Market Price, Net Worth, Earnings, Dividends per Share and Related Information:

Unit: NT\$/thousand shares

Item		Year	2022(Note 9)		2023	As of April 1, 2024 (Note 8)
			Before Split	After Split		
Market Price per Share (Note 1)	Highest Market Price		113.50	37.30	47.15	35.70
	Lowest Market Price		68.50	27.85	29.35	31.95
	Average Market Price		34.68(Note 9)		36.59	33.56
Net Worth per Share (Note 2)	Before Distribution		10.49		10.57	—
	After Distribution		9.68		10.16(Note 10)	—
Earnings per Share	Weighted Average Shares		935,470		934,746	—
	EPS (Note 3)	Before Adjustment	3.01		1.67	—
		Adjusted	3.01		1.67	—
Dividends per Share	Cash Dividends		1.51		1.61(Note 10)	—
	Stock Dividends	Dividends from Retained Earnings	—		—	—
		Dividends from Capital Surplus	—		—	—
	Accumulated Undistributed Dividends (Note 4)		—		—	—
Return on Investment	Price / Earnings Ratio (Note 5)		11.52		21.91	—
	Price / Dividend Ratio (Note 6)		22.96		22.73(Note 10)	—
	Cash Dividend Yield Rate (%) (Note 7)		4.35		4.40(Note 10)	—

Note 1: The highest and lowest market prices for each year are listed, and the average market price for each year is calculated based on the value and volume of transactions for each year.

Note 2: Please use the number of shares issued at the end of the year as the basis and fill in the following year's shareholders' meeting to resolve the distribution.

Note 3: If there is a retroactive adjustment due to a no-compensation stock allotment, etc., the Earnings per share before and after the adjustment should be listed.

- Note 4: If the conditions of issuance of equity securities provide that unpaid dividends for the current year may be accumulated and paid in the year of earnings, the dividends accumulated and unpaid as of the current year should be disclosed separately.
- Note 5: $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$
- Note 6: $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$
- Note 7: $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$
- Note 8: Net value and earnings per share should be presented for the most recent quarterly period ended on the printing date of the annual report, and the rest should be presented for the current year ended on the printing date of the annual report.
- Note 9: The Company completed the change of par value in September 2022. After the split, the par value of was NT\$0.4 per share. The average market price is derived by converting the pre-split daily closing price of share based on the split ratio for the calculation of average closing price of share with a par value of NT\$0.4 for the year.
- Note 10: The dividend amount for the second half of 2023 resolved by the Board of Directors Meeting on March 12, 2024 shall be included.

(6) Dividend Policy and Implementation Status:

1. Dividend Policy:

The amendments to the Company's Articles of Incorporation had been approved by the Company's shareholders in its meeting held in June 2020, which stipulate that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The amendments to the Company's Articles of Incorporation had been approved by the Company's shareholders in its meeting held in June 2020. Before the amendment, if there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when

the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- (1) Determine the best capital budget.
- (2) Determine the amount of financing needed to meet the previous capital budget.
- (3) Determine the amount of capital to be financed by retained earnings.
- (4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

2. Proposed Distribution of Dividend:

The 2023 earnings distribution proposal approved by the Board of Directors is as follows:

	Fourth quarter of 2023	Third quarter of 2023	Second quarter of 2023	First quarter of 2023
Board of Directors Meeting Date of Resolution	<u>Mar. 12, 2024</u>	<u>Nov. 7, 2023</u>	<u>Aug. 8, 2023</u>	<u>May 5, 2023</u>
Legal reserve	<u>\$ 30,266</u>	<u>\$ 42,310</u>	<u>\$ 46,838</u>	<u>\$ 38,815</u>
Special reserve	<u>(\$ 1,456)</u>	<u>(\$ 10,787)</u>	<u>\$ 21,104</u>	<u>(\$ 256,939)</u>
Cash Dividends	<u>\$ 389,721</u>	<u>\$ 380,216</u>	<u>\$ 380,215</u>	<u>\$ 378,023</u>
Cash dividends per share (NT\$)	<u>\$ 0.41</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

3. The dividend policy expected to change significantly: None.

- (7) The effect of the proposed free distribution on the Company's operating results and earnings per share:

There is no proposed free distribution for the Company's earnings distribution for the year ended December 31, 2023.

- (8) Employees and Bonus to Directors:

1. The number or scope of employees and Bonus to Directors as set forth in the Articles of Incorporation:

The Company shall distribute compensation to employees at no less than 1% and no more than 12% of the Company's profitability for the year and shall distribute compensation to directors at no more than 1.5% of the Company's profitability for the year. However,

if the Company has accumulated deficits, the Company shall first make up for them.

Compensation to employees may be distributed in the form of shares or in cash to employees of parents or subsidiaries of the company meeting certain specific requirements that are entitled to receive shares or cash; such requirements shall be established by the board of directors.

Profit of the current year referred to in the first paragraph refers to the net income before taxation for the current year before the distribution of compensation to employees and compensation to directors.

The distribution of compensation to employees and compensation to directors shall be made by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The basis for estimating the amount of employee and bonus to Directors, the basis for calculating the number of shares of employee compensation distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount:

Employees and directors' compensation is calculated based on management's estimate of the amount that could be paid and the percentage set forth in the Articles of Incorporation. If the Board of Directors' meeting subsequently resolves that the actual amount of distribution differs materially from the estimated amount, the difference is recorded as profit or loss in the year of the resolution.

3. The approval of the distribution of remuneration in Board of Directors' Meeting:

(1) The amount of employee compensation and Bonus to Directors distributed in cash or stock. If there is any discrepancy between the amount and the estimated amount of expense recognized, the amount of the discrepancy, the reason for the discrepancy and the treatment of the discrepancy should be disclosed:

The Board of Directors' meeting held on March 12, 2024 approved the distribution of cash compensation to employees and remuneration to directors in the amount of \$17,387 thousands and \$4,000 thousands, respectively, which were not different from the amounts recognized in the consolidated financial statements for the year ended December 31, 2023.

(2) The amount of employee compensation distributed in stock and its proportion to the total amount of profit after tax and total employee compensation reported in the individual or separate financial statements for the period:

The Company did not distribute employee compensation in stock.

4. The actual distribution of employees and Bonus to Directors in the previous year:

- (1) The actual allotment of employees and Bonus to Directors in the previous year was as follows:

FY2022 Distribution of Earnings	Distribution by Resolution	Actual Distribution
Bonus to Employees	NT\$32,969 thousands	NT\$32,969 thousands
Bonus to Directors	NT\$4,000 thousands	NT\$4,000 thousands
Date when the Resolution Passed by the Board	March 16, 2023	
Date when the Report Passed in the Shareholders' Meeting	May 31, 2023	

- (2) If there is any difference between the above amount and the amount recognized for employees and Bonus to Directors, please state the difference, the reason for the difference and the treatment: No difference.

(9) Repurchase of the Company's shares

- (1) Repurchase of the Company's shares by the Company (if completed)

April 1, 2024

Instance	First time of 2018 (Note 1)
Purpose	Transferred to employees
Buyback Period	May 10, 2018~July 6, 2018
Repurchased interval price	NT\$272.5~564
Type and Volume of Repurchased Shares	Ordinary shares 27,350,000 shares (Note 2)
Amount of Repurchased Shares	NT\$437,809,094
The ratio of the Repurchased Shares to the Planned Buyback Shares (%)	72.93%
Cancelled and Transferred Shares	27,350,000 shares (Note 3)
Cumulated holding Volume	0 shares (Note 3)
The ratio of the Cumulated holding Volume to the total issued shares (%)	0%

Note 1: In order to maintain both the rights of shareholders and the market mechanism, the repurchase of this time is not executed at its full scale.

Note 2: The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share, thus the "type and volume of repurchased shares", the "cancelled and transferred shares" and the "cumulated holding volume" is adjusted.

Note 3: The Company cancelled 15,883,000 treasury shares on July 6, 2023, which reduced registered capital by NT\$6,353,200.

- (2) Repurchase of the Company's shares by the Company (if still in progress): None.

2. Corporate Bonds: None.
3. Preferred Shares: None.
4. Global Depository Receipts: None.
5. Employee Stock Options: None.
6. Restrictions on the application of new shares for employees' rights:

(1) Status of Employee Restricted Stocks :

April 1, 2024

Type of Employee Restricted Stocks	First Issuance of Employee Restricted Stocks in 2022	
Date of Effective Registration and Total No. of Shares	2022.09.19 ; 6,365,000 shares	
Issue Date	2022.10.11	
No. of Employee Restricted Stocks issued	5,925,000 shares	
No. of Employee Restricted Stocks to be Issued	440,000 shares	
Issue Price	NT\$0 per share	
No. of Employee Restricted Stocks as a % to Total No. of Issued Shares	0.62%	
Vesting Conditions of Employee Restricted Stocks	For employees who remain employed by the Company three years after the grant date of employee restricted stocks, the vesting percentage is determined by the outcomes of annual performance evaluations which assess employees' achievements via individual performance indicators: Individual performance indicator: Outcomes shall be A or above during the evaluation period.	
	Vesting Period	Vesting Percentage
	3 years after the grant date	20%
	4 years after the grant date	30%
	5 years after the grant date	50%
Restricted Rights of Employee Restricted Stocks	<p>1.Except for inheritance, employees shall not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, unvested employee restricted stocks. After fulfilling the vesting conditions, employee restricted stocks will be transferred from the trust account to the employee's personal securities depository account pursuant to trust/custody agreement.</p> <p>2.The rights to attend, propose, speak, vote and elect in the shareholders' meetings shall comply with the trust/custody agreement.</p>	

	3. In addition to terms set out in the trust agreement, the rights of employee restricted stocks granted pursuant to the Rules prior to the fulfillment of vesting conditions include but not limited to: distribution of dividends, bonuses, and capital surplus and the subscription rights of new shares issued for capital increases, which are the same as ordinary shares issued by the Company.
Custody of Employee Restricted Stocks	Deposited into a trust account
Action Plans where Employees Fail to Meet the Vesting Conditions	<ol style="list-style-type: none"> 1. Upon voluntary separation, dismissal, separation with severance packages, and retirement within five years from the grant date, the unvested shares will be reclaimed by the Company without costs. 2. For employees who are approved to take leave without pay within five years from the grant date, the rights of unvested employee restricted stocks are restored on the reinstatement date; however, the vesting periods shall be deferred by the period of unpaid leave and the number of employee restricted stocks vested shall be calculated pursuant to paragraph 3 of this Article. 3. For employees whose performance evaluations fail to satisfy the vesting conditions during the third to fifth years from the grant date, the unvested shares will be reclaimed by the Company without cost. 4. For employees who are transferred by the Company to other entities due to operational needs, the rights and obligations of the unvested employee restricted stocks will remain unaffected and subject to the Rules. 5. The Remuneration Committee is authorized to approve exceptions to the circumstances set out above where appropriate.
No. of Employee Restricted Stocks Reclaimed or Bought Back	0 shares
Number of Vested Employee Restricted Stocks	0 shares
Number of Unvested Employee Restricted Stocks	5,925,000 shares
No. of Unvested Employee Restricted Stocks as a % to Total No. of Issued Shares	0.62%
Effect on Shareholders' Equity	The dilutive effect on earnings per share is limited. Thus, the effect on shareholders' equity is immaterial.

(2) Names of managerial officers and top 10 employees receiving the employee stock options as well as the cumulative number of options received and exercised:

April 1, 2024

	Job Title	Name	No. of Shares Exercisable	No. of Shares Exercisable as a % to Total No. of Issued Shares	Exercised				Unexercised			
					No. of Shares	Exercise price	Value of Shares Exercised	No. of Shares as a % to Total No. of Issued Shares	No. of Shares	Exercise price	Value of Shares to be Exercised	No. of Shares as a % to Total No. of Issued Shares
Managerial Officers	CEO	Canon, Huang	4,635,000	0.49%	0	0	0	0	4,635,000	0	0	0.49%
	President	Hung, Chuen-Sing										
	Vice President	Li, Jhih-Hong										
	Vice President	Lu, Hung-Chin										
	Vice President	Lin, Huang-Chieh										
	Vice President	Yang, Chung-Chi										
	Vice President	Wen, Wen-Yu										
	Senior Manager	Hsu, Pai-Hsiang										
	Senior Manager	Lin, Jun-Chi										
	Senior Manager	Pai, Pang-Chieh										
	Manager	Yan, Shu-Ping										
Employees	Subsidiary President	Su, Zhen-Ping	890,000	0.09%	0	0	0	0	890,000	0	0	0.09%
	Subsidiary President	Miss Mah										
	Subsidiary Vice Preside	Lai, Chinh-Suan										
	Senior Manager	Sun, Ming-Chuan										
	Assistant Manager	He, Jen-Fu										
	Subsidiary Manager	Cheng, Chih-Chung										
	Subsidiary Manager	CJ Yong										
	Subsidiary Manager	Mao, Ya-Ping										
	Subsidiary Manager	Lu, Jian-Gui										
	Subsidiary Manager	Tsao, Yung										

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

8. Financing Plans and Implementation: None.

V. Operational Highlights

1. Business Activities:

(1) Business Scope:

1. Main areas of business operations

Business Category Codes	Business Item
C805050	Industrial Plastic Products Manufacturing
CC01080	Electronic Parts and Components Manufacturing
F119010	Wholesale of Electronic Materials
F219010	Retail Sale of Electronic Materials
CA01130	Copper Material Rolls over Extends and Crowding
CA02010	Metal Architectural Components Manufacturing
CC01020	Electric Wires and Cables Manufacturing
CC01110	Computers and Computing Peripheral Equipment Manufacturing
CQ01010	Die Manufacturing
CA02090	Metal line Products Manufacturing
CA02990	Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
F106030	Wholesale of Die
F113010	Wholesale of Machinery
F113020	Wholesale of Household Appliance
F113050	Wholesale of Computing and Business Machinery Equipment
F113070	Wholesale of Telecom Instruments
F206030	Retail Sale of Die
F213010	Retail Sale of Household Appliance
F213030	Retail sale of Computing and Business Machinery Equipment
F213060	Retail Sale of Telecom Instruments
F213080	Retail Sale of Machinery and Equipment
F213100	Retail Sale of Pollution Controlling Equipment
F401010	International Trade
CC01040	Lighting Facilities Manufacturing
E603090	Illumination Equipment Construction
IG03010	Energy Technical Services
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

Unit: NT\$ thousands; %

Major Products	Year	2022		2023	
		Sales Revenue	%	Sales Revenue	%
IC lead frame		11,618,752	80.51	8,735,931	75.43
Epoxy Resin		1,712,464	11.87	1,833,751	15.83
LED lead frame		652,821	4.52	721,069	6.23
Others		447,247	3.10	290,494	2.51
Total		14,431,284	100	11,581,245	100

3. Main products (service):

Our products are widely used in the IC industry and optoelectronics industry under the continuation of semiconductor industry:

Industries	Current Product Items
Integrated Circuit (IC) Industry	IC semiconductors are critical active components, and their applications are divided into four categories, including consumer electronics (including communications, personal mobility devices and information), automotive electronics, industrial electronics and others. Our products (IC lead frame) are divided into Stamped IC Lead Frame and Etched IC Lead Frame due to the complexity of the number of pins. In addition, it can also provide ICs with a variety of options in package design (package process options), which will have a high potential for IC design and development. Therefore, the demand for metal lead frames in the IC industry will continue to be stable, and our products are highly futuristic and are expected to continue to grow.
Optoelectronics Industry	Our products (EMC lead frame) are mainly used as one of the main materials for the production of light emitting diode (LED) packaging. The consumer market and applications of this industry (indoor and outdoor lighting, backlight modules, outdoor displays, automotive interior and exterior lighting, photographic flash and high brightness projectors...many applications) are still growing in the product lifecycle and are gradually expanding to replace the original light source as one of the new trends and energy saving synonyms. Our products have excellent characteristics in plastic selection (high heat resistance, yellowing resistance, UV resistance, small size and high current capability) and will continue to increase in demand in the market.

4. New products (service) development:

Based on the LED products	In the field of IC products
Metal lead frame for medium and high power applications.	Large size and high density lead frame.
Development of exclusive metal lead frame for automotive use (special coating).	Long-legs type lead frame.
Develop integrated packaging lead frame.	High leg (multi-row) type lead frame.
Development of Flip-Chip Flat Panel lead frame.	Flip-Chip flat panel lead frame.

(2) Industry Overview:

1. Current status and development of the industry:

The role of our company in the IC and LED industry supply chain is to provide materials for the packaging process after the production of wafers. In the same way as all IC and LED package manufacturers, we are the post-production material supplier in the whole industry chain.

The four main categories of ICs are analog ICs, logic ICs/ASICs, memory and microprocessors. In recent years, due to the prevalence of smart handheld devices, product appearance emphasizes on slim, short, multi-functional, power-saving, inexpensive, fast, aesthetic and 4C convergence, resulting in application processors and next-generation memory components and modules that are thinner, shorter and require higher transmission rates. This will be a major issue for material suppliers in the face of the future demand for packaging materials and packaging trends.

Light Emitting Diode (LED) has been widely used in the backlight module of lighting and flat panel liquid crystal display (TFT LCD), which has replaced the original CCFL light source in the backlight module application and created a wave of replacement. In the lighting market, international well-known manufacturers such as Philips, Osram and Cree have taken the lead in reducing prices, which has led to rapid growth in overall lighting demand. After the overall industry has reached an economic scale and become attractive at a price, other related industries have been introduced to use it.

Based on the light-emitting diode (LED) principle, light-emitting characteristics, light source effect and other special performance of the light source structure, automotive lighting, outdoor color (RGB) display screens with specific specifications and huge size and other industrial products that demand high specifications have gradually entered the application of LED products.

2. Upstream, midstream, and downstream industry linkages:

(1) IC Industries:

The supply chain of the semiconductor industry consists of IC design companies, which, after the completion of product design, are commissioned by professional foundries or IDM factories (integrated semiconductor factories, from IC design, manufacturing, packaging, testing to final sales) to produce semi-finished wafers, which are tested at the front end, then transferred to professional packaging factories for cutting and packaging, and finally to professional testing factories for post-testing, and the finished products are sold to system manufacturers for assembly and production as system

products through sales channels. Therefore, the process is divided into three stages: upstream IC design, midstream IC and wafer fabrication, and downstream IC packaging and testing. The upstream process is the process of using CAD and other auxiliary tools to express the specifications and functions of the customer's or self-developed products through the circuit design of the IC.

The midstream process is to take the wafer made by the foundry, print the basic circuit pattern on the photomask, and then fabricate the circuit and circuit components on the wafer by oxidation, diffusion, CVD, etching, and ion implantation. Since the circuit design on ICs is a layered structure, it is necessary to go through several iterations of photomask input, pattern creation, and circuit and component formation before a complete integrated circuit can be produced.

The downstream process is to test the electrical properties of the diced wafers before packaging, and then cover the wafers with plastic, ceramic or metal to protect them from contamination and to make them easier to assemble, in order to achieve electrical connection and heat dissipation between the wafer and the electronic system.

(2)LED Industries

LED (Light-Emitting Diode) is a semiconductor electronic component that converts electrical energy into light output under current drive, making it one of the major light sources in modern times. LEDs are divided into three stages: upstream Epitaxy, midstream Chip and downstream packaging. The upstream process mainly involves growing multiple layers of multi-material films of different thicknesses on a single chip; in general, the materials used and the structure of the epitaxial layer will determine the wavelength, brightness, quality, and other product characteristics of the LED, and therefore has the highest added value in the entire value chain.

The midstream chip manufacturing is based on the structure of the LED components, metal vapor deposition is performed first, and then the metal electrodes are made on the epitaxial crystal through photomask etching and heat treatment, followed by thinning and polishing of the substrate and cutting into very fine LED chips, which uses technologies in the process such as photomask, dry or wet etching, vacuum vapor deposition and die cutting.

The downstream packaging mainly uses DIE-Bond and Wire-Bond packaging technologies to fix LED chips in the lead frame, and after EMC packaging and testing, they are formed into LED components, and then these components are manufactured into various LED modules such as Lamp, Digital Display, Cluster and SMD through SMT (Surface Mount Technology) process to provide end-use products.

(3) lead frame industries

Metal lead frame industry description

<u>Industries</u>	<u>Upstream</u>	<u>Midstream</u>	<u>Downstream</u>	<u>Product-related Applications</u>
IC	Copper alloys, nickel-iron alloys, industrial epoxies	lead frame manufacturing plants	IC packaging plant	LCD panels, automobiles, computers and peripheral products, lighting fixtures, handheld consumer electronics, precision instruments, aerospace industry.
LED			LED packaging plant	

3. Trends of product development and competition:

(1) Product Development Trends

① IC

The carrier materials required in the semiconductor assembly process are lead frame and IC carrier board. The lead frames have different pin arrangements due to the complexity of the IC signal output and the size limitation of the packaged components, which makes the number of pins differently. The manufacturing is also divided into Stamped IC Leadframe, Etched IC Leadframe and Power/Signal Discrete/Other Leadframe due to the complexity of the number of pins.

Stamped lead frame requires a mold to be made in advance and the mold has to be costed, but the mold can be used continuously, so the average unit price of stamped lead frame is decreasing year by year. The etched lead frame is very different from the stamping process and the production volume has increased greatly. The lead frame for discrete components has fewer pins, and the pins are not as closely spaced as the first two, so the unit price is lower than the first two.

QFN and QFP lead frames are mostly etched processes, which are competitive with IC carrier boards in terms of cost and price as well as product stability, and the overall demand for etched lead frame products is still strong.

Due to the rapid development of the 5G and automotive electronics markets, high reliability packaging technologies are being emphasized in the market, meaning that they can maintain their functionality under various harsh environments, and therefore surface treatment to increase bonding will be the key to high-end lead frames. For example, in the automotive electronics market, the surface treatment and packaging method must be designed in a comprehensive manner to meet the requirements of weather resistance, vibration resistance and corrosion resistance. In addition, in the 5G infrastructure, the power devices must be able to withstand the special requirements of continuous heat generation, and the surface treatment must be specially designed to meet their needs.

② LED

At present, the LED packaging lead frame is mainly composed of plastic and copper (stamping or etching), and the plastic type is the most likely to affect the light emitting diode (LED) in providing a stable light source of the key materials, the main application materials are divided into two categories: thermoplastic injection (PPA, PCT) and thermosetting epoxy resin (EMC, SMC).

However, after PCT material was developed and promoted, it is better than PPA in terms of high temperature tolerance, long time yellowing at high temperature, reflectivity, low water absorption, UV resistance and light color stability, plus it contains ceramic fiber, so it has the shrinkage rate and good dimensional stability. It has better weather resistance and environmental adaptability, and is widely used for large outdoor LED displays in the early stage.

The EMC lead frame has better characteristics of high heat resistance, UV resistance, high current, small size and yellowing resistance, which brings new options for LED packaging factories pursuing uninterrupted cost reduction. The demand for EMC lead frame is increasing rapidly, and the price of EMC lead frame is also decreasing after reaching the economic scale in a short time.

At present, EMC lead frame can be divided into Punch Type design and Mapping design, and most of the original LED packaging factories that directly import EMC with their original production equipment use Punch Type as the main importing force due to the limitation of equipment. The main reason is that the integrated

design gives the packaging manufacturers a price advantage in the initial purchase of materials and can improve the production efficiency and yield in the process, and with the cost advantage in the multiplication effect at both ends, it is easy to get market orders. However, because of the high demand of process technology compared with the drop-in production process, it takes time to develop and expand the talents.

(2)Competitive market situation

According to a report by the Semiconductor Industry Association International (SEMI), the global semiconductor packaging materials market is growing rapidly with mobile electronics and increasing product functionality, leading to new forms of semiconductor packaging that require smaller, thinner and more complex materials than typical PC or industrial application-related packaging solutions of the past. SEMI estimates that the semiconductor packaging materials market will continue to be driven by portable smart mobile devices, but the automotive electronics market, big data, high-end computing computers and data centers are also key drivers for continued growth in the semiconductor packaging materials market.

Since packaging materials are a key to making semiconductor packaging designs thinner, lighter and more functional, providing the necessary reliability of the packaging system and achieving cost reductions. However, due to the slow growth of the industry as a whole, most manufacturers are pursuing low cost, resulting in low revenue growth and cost pressure on material suppliers, and the trend toward thinner packaging materials, the demand for some materials is gradually decreasing. The demand for some materials is decreasing.

The future trend of lead frame market, lead frame is still the key material of packaging technology, widely used in analog IC, power supply, LED and other lowerlead-count devices. According to SEMI's research, the global lead frame market will grow at a compound annual growth rate of 3.2% from 806.3 billion units in 2019 to 944.9 billion units in 2024, and the overall lead frame market turnover is expected to grow from US\$3.174 billion in 2019 to US\$3.268 billion in 2024.

In terms of package types, LFCSP (Leadframe chip scale package, mainly QFN), which is widely used in wireless communication, personal computer, automotive electronics and wireless transmission functions, is growing the fastest, mainly because its thin and short characteristics are very suitable for portable devices and wireless transmission, whether it is used in 3C electronic products, power management and automotive. The main reason is that its thin and light characteristics are very suitable for portable devices and wireless transmission, whether in 3C electronics, power management and automotive electronics. According to SEMI research, LFCSP is the fastest growing type in the overall lead frame market, since 2004, the annual CAGR is as high as 23%, if not including LFCSP, the overall lead frame market in the past 15 years, the CAGR is only 2.6%, therefore, SEMI concluded that LFCSP is the main factor driving the overall lead frame market growth. Therefore, SEMI concluded that LFCSP is the most important factor to drive the growth of the overall lead frame market. Looking ahead, SEMI estimates that the LFCSP shipment will grow from 124.4 billion units in 2019 to 173.5 billion units in 2024, the CAGR is estimated to reach 7%, far exceeding the annual compound growth rate of the overall lead frame market. On the other hand, the volume of SOT-based packaging lead frame shipments will grow from 281.3 billion units in 2019 to 315.6 billion units in 2024. From SEMI's forecast, the future lead frame development trend is bound to be thin, light, short and multi-functional at the same time, in the continued introduction of new technologies, LFCSP lead frame products in the cost and stability of the advantages will become more and more obvious, and become the mainstream of IC packaging applications, in

addition, LFSCP in logic IC and analog IC applications will continue to increase, further replacing the original In addition, the application of LFSCP in logic ICs and analog ICs will continue to increase, further replacing the original QPF market.

(3) Research and Development:

1. Research and Development Expenses:

Unit: NT\$ thousands

Year	2023	As of April 1, 2024
Amount	420,520	102,091

2. Research and Development Achievements:

Year	Technologies and Products
2023	<ul style="list-style-type: none"> ① Development of EMC metal substrate for LED plant grow lights. ② Development of EMC metal substrate for LED grille lights in new energy vehicles. ③ Development of electroplating coating technique for better EMC bonding.
2024 (As of April 1)	Development of EMC metal lead frames for smart ambient lighting in vehicles.

3. Future R&D Plans and the estimated investment in research and development in the most recent year and by the print date of the annual report:

(1) Future R&D Plans

Serial No.	Future R&D Plans
1	Continuing to develop new processes and production technologies to improve product performance (reliability, yield) and reduce costs to help increase our customers' competitiveness and expand overall market demand.
2	Develop composite lead frames with high reliability.
3	Develop EMC metal substrate for packaging of passive components.
4	Optimized development of substrates for Mini LED packaging.
5	Optimize the mold designs for large-sized substrates.
6	Optimize the design of EMC metal substrate, with additional three-dimensional structure to strengthen the bonding between substrate and package.
7	Optimize product designs for front lighting of cars, automotive display and outdoor lighting.
8	Optimize proprietary automotive (special coating) products to pass the stringent environmental cycle testing conditions for automotive applications.

(2) Estimated investment in R&D

The Company's research and development expenses will be gradually allocated according to the progress of new product and technology development, and the annual research and development expenses will be gradually increased according to the future growth

of the Company's business scale in order to support future research and development plans and increase market competitiveness. The estimated research and development expenses for 2024 are approximately \$431,388 thousands.

(4) Long-term and Short-term Development:

1.Short-term Development:

The company will focus on the market development of stamping, etching and plating process, with the expansion of production capacity to strengthen the competitiveness of advantageous products in the market, in order to achieve stable growth in business volume; and assist customers to develop other areas of product application, so that the company can consolidate the existing market and make full use of advantageous resources and economies of scale to continue to reduce production costs, in order to provide customers with the most advantageous cost, the best quality and the most rapid service to provide customers with the most advantageous products and services at the best cost, quality and speed.

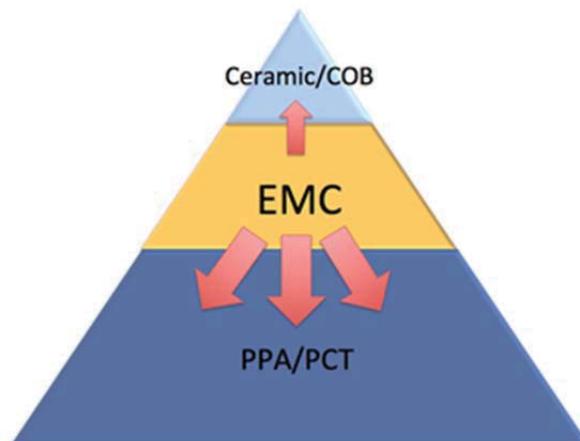
2.Long-term Development:

(1)IC lead frame development plan

We are actively engaged in the development of IC Pre-Molded Lead Frame (IC PMLF) products for IC packaging by using the similar technology structure of LED flat metal lead frame and combining with the automatic molding process technology, and with the advantage of many years of experience in semiconductor packaging. We are committed to diversification and product diversification in order to maintain our long term management.

(2)LED lead frame development plan

EMC lead frame is mainly used in medium power applications at this stage, and the company has introduced LED EMC QFN lead frame products into medium to high power and high power applications through process technology and innovation capability. In the low and medium power segment, we can increase the penetration of traditional PPA/PCT market by reducing the cost.



2. Market and Sales Overview

(1) Market Analysis:

1.Sales (Service) Region

Unit: NT\$ thousands

Region	Year	2022		2023	
		Sale Revenue	%	Sale Revenue	%
Domestic Sale		3,884,869	26.92%	2,519,030	21.75%
Export	Asia	9,276,519	64.28%	8,035,457	69.39%
	Europe	1,097,017	7.60%	818,159	7.06%
	Others	172,879	1.20%	208,599	1.80%
	Subtotal	10,546,415	73.08%	9,062,215	78.25%
Total		14,431,284	100.00%	11,581,245	100.00%

2. Market Share (%):

According to Tech Search International data, the Company's market share is 11%.

3. Future market supply, demand and growth:

Although the short-term volatility is high due to the impact of COVID-19 epidemic and supply-demand imbalance in 2020-2021, SEMI still believes that with the widespread application of automotive electronics and the popularization of electric vehicles, the automotive market will still be the main factor for the growth of semiconductor devices in the future. The compound annual growth rate is estimated to be 8.2% from 2019 to 2024. The five major application markets for automotive semiconductors are safety system, powertrain, car audio/video, chassis system and body electronics (each accounting for 15-18% of the total). Finally, in the analysis of automotive semiconductors by product category, Mckinsey research points out that micro components (including MCU, MPU and DSP), analog products (including ASSP and ASIC) and optics and sensors will be the three main product areas of automotive semiconductors in the future.

SEMI believes that the next highest compound growth rate is 8.0% for data centers and 4.4% for smart mobile devices, mainly from the cloud, huge computing and 5G commercialization driven. In addition, due to the COVID 19 pandemic, it is estimated that the demand for telecommuting and distance education in 2020-2022, will also boom. Moreover, with the popularization of wifi 6, the demand for laptops and high computing center is also driven by its generation. In addition, with the popularization of wifi 6, the demand for laptops and high computing centers will also be driven by its generation.

According to the World Semiconductor Trade Statistics (WSTS) report in 2020, integrated ICs are expected to account for 45% of the total IC market in 2021, followed by memory ICs and logic ICs at 16% and 14%.

4. Competition Niche:

(1) Professional and stable process of technology and R&D team

Our R&D team has many years of semiconductor technology and experience, and we are able to grasp the key technology of our products appropriately, and we have the ability to develop new products by ourselves, so we can fully grasp the changes of the whole market, and make our products have the leading advantage of high cost performance.

(2) Ability to develop and design major equipment on your own

In the production process, stamping, debinding and electroplating are the main production processes. The improvement of product yield mainly depends on the stability and precision of the machines and equipment and the application of key parameters of the equipment. The main process equipments are developed and designed by ourselves, and the automatic equipments are manufactured by professional semiconductor equipment manufacturers, so that we can produce high quality and competitive products.

(3) Technology and equipment applications span a wide range of fields

The technology of our LED EMC lead frame is derived from Transfer Molding for IC packaging. With the accumulated experience of producing LED EMC lead frame, we are able to utilize the similar technology structure of LED flat metal lead frame and actively invest in the flat preformed wire support for IC packaging, and the main equipment has commonality, so we can utilize the production capacity to the maximum effect without investing large capital expenditure.

5. Development Vision of favorable, unfavorable Factors and response actions:

(1) Favorable Factors:

A. LF CSP packaged lead frame shall be the mainstream

According to the SEMI research report, the demand for the lead frame category of IC QFN, which is part of LFCSP, will reach 7% CAGR from 2019 to 2024, which is higher than the overall industry average of 3.2%.

The Company has significantly increased the proportion of semiconductor lead frame products through the transfer of investment companies, among which, the Company's main product QFN is classified as LFCSP, and the Company has placed special emphasis on the increase of QFN production capacity, which is expected to meet the huge demand of this market in the future.

B. Growing demand in lead frame application markets

Although the short-term volatility is high due to the COVID-19 pandemic and supply-demand imbalance in 2020-2021, SEMI still believes that with the widespread application of automotive electronics and the popularization of electric vehicles, the automotive market will remain the main factor for the growth of semiconductor devices in the future, with the annual compound growth rate of about 8.2%. The five major application markets for automotive semiconductors are safety systems, powertrain, automotive audio/video, chassis systems and body electronics (15-18% each), with the strongest growth in safety and powertrain applications in the future. Finally, in the analysis of automotive semiconductors by product category, Mckinsey's research points out that micro components (including MCU, MPU and DSP), analog products (including ASSP and ASIC) and optics and sensors will be the three main product areas of automotive semiconductors in the future.

LED smart lighting products are developed towards personalization and intelligent control to satisfy personal comfort, safety and energy saving, and their added value is much greater than that of traditional lighting products. Philips, OSRAM and Cree have invested in and launched smart-linked light bulb systems, which can set the lighting mode, time and dimming atmosphere through smartphones or positioning, enabling consumers to increase their willingness to retire and accelerate the growth momentum of the LED lighting industry.

To sum up, the rise of automotive IC and smart lighting IC applications and the potential market for LED lighting, driven by this trend, is very favorable to the long-term development of the lead frame application industry, and the lead frame application lighting products are extensive, coupled with the Company has successfully entered the supply chain of international brand manufacturers, the expanding trend of the smart lighting market will also drive the growth of the lead frame industry.

(2) Unfavorable Factors and Response actions:

A. Upstream raw material price fluctuations may lead to higher production costs

The Company's main raw materials are copper, ferro-nickel alloys and precious metals such as gold and palladium, etc. Fluctuations in raw material prices are closely related to the Company's production costs, which in turn affects profitability. In recent years, international copper prices and precious metal prices have been highly volatile, making it difficult to control production costs. Fluctuations in raw material prices will affect the Company's ability to control costs.

Response actions:

The Company actively maintains close interaction with a number of upstream suppliers and keeps an eye on changes in raw material prices to ensure a stable supply of materials and to diversify the risk of concentration of supply. In addition, the Company has agreed with its sales customers to adjust the prices of copper and precious metals on a quarterly basis to appropriately reflect the increase in costs due to the increase in raw material prices. In addition, the company continues to invest in research and development, using various materials or composite materials as lead frame substrates, utilizing the characteristics of different materials to enhance the added value of products, actively establishing a vertically integrated process for products, and promoting the change of product material certification, which can not only enhance the added value of products, but also deepen its own process capabilities and reduce its dependence on upstream raw materials.

B. Most imports and sales are denominated in foreign currencies, making profits vulnerable to changes in exchange rates

The Company's sales price quotation is mainly in U.S. dollars, and the foreign

currency import quotation is mainly in Japanese yen and U.S. dollars, and the fluctuation of exchange rate will affect the Company's profit to a certain extent due to the volatility of international foreign exchange market.

Response actions:

The Company's imports of raw materials are also denominated in U.S. dollars to partially offset the exchange rate risk of its sales, and the Company tries to cover all purchase expenses with sales revenue in the same currency to achieve a natural hedging effect. In addition, the Company will adjust the selling price in response to the changes in the exchange rate and maintain good interaction with financial institutions in order to study the movements of the exchange rate for reference of hedging operations.

C. R&D talent technical capability and risk of change

Lead frame companies need to master the key R&D and process technology in order to gain market dominance and competitive advantage in the market. The most important assets and the basis of business development are the strength of the research and development personnel and the accumulated experience of the process personnel in raw materials and machinery and equipment, and the research and development and process personnel need to accumulate experience and cultivate over a long period of time.

Response actions:

In order to enhance employees' loyalty to the Company, the Company promotes the participation of the staff and R&D personnel in the Company's management decisions and the sharing of management results by encouraging employees to subscribe to stock options, distributing employee compensation, employee stock ownership trusts, and distributing year-end bonuses, thereby creating a sense of identity. Since human resources are the basis of the company's operation, in addition to providing a good working environment and excellent employee benefits, we also promote the technical level of our R&D staff through technical exchanges and R&D experience transfer, so that employees can grow with the company and reduce the turnover rate and establish the foundation of the company's sustainable operation. In addition, we actively establish and implement a mechanism for the preservation and control of R&D results, intellectual property and patent rights to reduce the impact of staff turnover on the company.

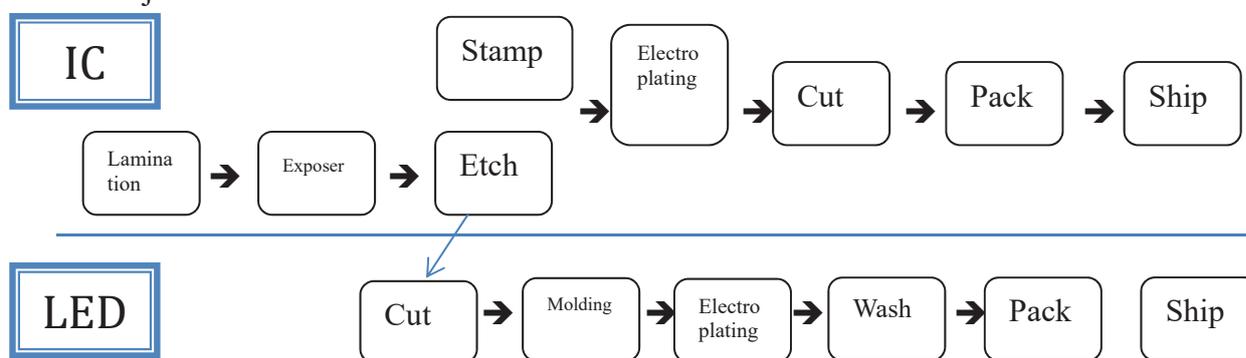
(2) Main Use and Production Procedures of Main Products:

1. Major Products and Their Main Uses:

Leadframes can be divided into three categories according to the different chips used: IC Lead Frame, Optoelectronics Lead Frame and LED Lead Frame. Lead frame is one of the three major raw materials (lead frame, gold wire, and potting compound) for IC

chip and LED die packaging. The role of the lead frame is to carry the semiconductor components or LED die, itself as a medium for the transmission of signals from the semiconductor components to the external printed circuit board wiring; or through the positive and negative current conduction on the lead frame to make the electronic and electric hole on the LED die to combine to produce light. It is also responsible for the LED die heat dissipation function, which plays a key role in the LED luminous efficiency. Leadframes are key materials for packaging technology and are widely used in analog ICs, power supplies, LEDs and other lower lead-count devices. The specifications are divided into stamped IC leadframes, etched IC leadframes, and power/signal/other discrete leadframes.

2. Major Products and Their Production Processes:



(3) Supply Status of Main Materials:

1. Major Materials

Major Materials	Major Suppliers	Supply Status
Copper Alloy Coils	China, Singapore, Malaysia	Good
Gold, Silver, Palladium	Singapore, Japan, Taiwan	Good
Epoxy Resin	Taiwan	Good

2. Major Products

Major Products	Major Suppliers	Supply Status
Epoxy Resin	China	Good

(4) The names of customers who have accounted for more than 10% of the total purchase (sales) in any of the last two years and the amount and proportion of their purchase (sales), together with the reasons for the increase or decrease:

1. Customers accounting for 10% or more of the total purchases of the Company and its subsidiaries in the last two years

Name:

Unit: NT\$ thousands ; %

Item	2022				2023			
	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer
1	Manufacturer A	1,592,957	20.17	None	Manufacturer A	1,718,559	28.60	None
2	Manufacturer B	808,261	10.24	None	Manufacturer B	316,409	5.27	None

Item	2022				2023			
	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer
3	Manufacturer C	804,787	10.19	None	Manufacturer C	579,856	9.65	None
	Others	4,690,557	59.40	—	Others	3,394,243	56.48	—
	Net imports	7,896,562	100.00	—	Net imports	6,009,067	100.00	—

Reasons for the variance:

- A. Manufacturer A is a supplier of key material, epoxy resin. As the revenue of epoxy resin increased in 2023 compared to 2022, our purchases from Manufacturer A increased.
- B. In addition to the explanation above, the decrease in purchases in 2023 was mainly due to the decline in end demand and inventory adjustments by customers.

2. Customers accounting for 10% or more of the total sales of the Company and its subsidiaries in the last two years

Name:

Unit: NT\$ thousands ; %

Item	2022				2023			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer
1	Chang Wah Electromaterials Inc.	3,103,011	21.50	Parent Company	Chang Wah Electromaterials Inc.	1,762,499	15.22	Parent Company
	Others	11,328,273	78.50	—	Others	9,818,746	84.78	—
	Net sales	14,431,284	100.00	—	Net sales	11,581,245	100.00	—

Reasons for the variance: The decrease in sales was mainly due to the decline in end demand and inventory adjustments by customers.

(5) Production in the Last Two Years:

Unit: NT\$ thousands

Output		Year		2022			2023	
		Quantity Unit	Capacity	Quantity (Note 1)	Amount (Note 2)	Capacity	Quantity (Note 1)	Amount (Note 2)
IC lead frame-in-house	KPC	169,602,645	122,953,785	8,359,538	169,602,645	98,013,672	5,988,668	
IC lead frame-trading	KPC	—	11,467,698	1,056,522	—	609,110	508,232	
Epoxy Resin-trading	KG	—	4,765,846	1,615,655	—	4,886,137	1,723,346	
LED lead frame-in-house	KPC	13,000,000	4,932,881	439,824	13,000,000	4,291,696	407,174	
Other (Note 3)	—	—	—	184,662	—	—	179,074	
Total		—	—	11,656,201	—	—	8,806,494	

Note 1: Incoming shipments from distributors included.

Note 2: Incoming value of the distributors included.

Note 3: The quantity is not disclosed because the quantity units are not consistent.

(6) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Sales Value		2022				2023			
		Local		Export		Local		Export	
Major Products	Quantity Unit	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC lead frame	KPC	6,283,228	3,500,079	116,418,553	8,118,673	4,044,105	2,106,640	84,559,917	6,629,291
Epoxy Resin	KG	—	8,415	4,754,128	1,704,049	—	6,830	4,884,115	1,826,921
LED lead frame	KPC	2,266,936	275,356	1,859,350	377,465	2,707,745	370,482	1,664,799	350,587
Other	—	—	101,019	—	346,228	—	35,078	—	255,416
Total		—	3,884,869	—	10,546,415	—	2,519,030	—	9,062,215

3. The Number, Average Years of Service, Average Age and Educational Attainment of the Employees of the Company in the Last Two Years and by the Print Date of the Annual Report

Unit: Person

Year		2022	2023	As of April 1, 2024
Number of Employees	Sales Personnel	61	59	60
	Management Staff	174	171	175
	Research and Development Staff	266	190	228
	Production Staff	1,701	1,709	1,664
	Total	2,202	2,129	2,127
Average Age		37	38	38
Average Years of Service		9	9	9
Education	Ph.D.	0%	0%	0%
	Masters	2%	3%	3%
	Bachelor's Degree	36%	37%	37%
	Senior High School (and Below)	62%	60%	60%

4. Environmental Protection Expenditure:

In the most recent year and by the print date of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results of violations of environmental laws and regulations, the date of the penalty, the amount of the penalty, the provisions of the violation, the description of the violation, and the details of the penalty should be listed), and disclose the current and future estimated amounts and measures: None. The Company shall disclose the estimated amount of current and potential future losses and response measures: None.

5. Labor Relations:

(1) To present the company's various employee welfare plans, training and retirement systems and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees:

1. Employee welfare measures and implementation:

The Company has established an Employee Welfare Committee in accordance with the law and has allocated welfare funds in accordance with the relevant laws and regulations, and has instructed the relevant units to plan and implement the following welfare policies:

A. Employee Insurance:

(A) The company provides employees with labor and health insurance and labor retirement.

(B) Group Insurance: The company provides group insurance for employees.

B. Employee bonuses and stock options: According to government regulations and the Company's related regulations.

C. Training courses: For the sustainable development of the company and to improve the quality of employees, various courses are held from time to time.

D. Group activities: Regular staff trips, departmental dinners, fun competitions and other activities, and funding to encourage employees to participate.

E. Gifts: such as birthday gifts, bonuses for the three festivals, etc. We also provide subsidies to our employees for weddings, funerals, etc.

2. Staff training and training situation:

In order to meet the need of the long-term development of the Company and to improve the working skills of our employees, and to achieve our business goals, the Company put emphasis on career development of our employees and the cultivation of talents. We have divided the education and training into the following three categories:

A. Pre-employment training: All new employees are required to receive pre-employment training to help them get familiar with the working environment and understand the company system and their rights and obligations.

B. On-the-job training: In-house training, selected training and external training, etc.

C. Manpower training: Considered as a long-term investment for employees, in addition to on-the-job training, we can also train employees by going abroad, visiting famous companies in China, attending various conferences and job rotations, etc.

3. The retirement system and its implementation:

In accordance with the Labor Pension Act, the Company contributes 6% of the employees' monthly wages to the individual labor pension accounts set up by the Labor Insurance Bureau, and the employees of the Company may voluntarily make additional contributions within the 6% of their monthly wages.

4. Agreements between labor and management and various measures to protect employees' rights and interests:

The Company has established a Labor Council in accordance with the law and holds regular meetings in accordance with the relevant laws and regulations. In addition to the

labor matters submitted by each unit in accordance with the law, the meeting also appoints representatives of both parties to consult employees' proposals. Through this meeting, the opinions of both parties are fully communicated and negotiated, and no labor disputes have occurred.

5. Employee Benefit Plans:

In order to enhance internal welfare, reward employees for their financial planning, and increase employees' sense of participation in the company, and to achieve win-win benefits for both employers and employees, the company started the employee stock ownership trust business in 2020.

The Company contributes 100% of the company's public funds based on the employees' contributions; the employees can receive annual dividends and all the shares after five years.

(2) In the most recent year and by the print date of the annual report, the losses suffered as a result of labor disputes (including labor inspection results in violation of the Labor Standards Law, the date of the sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction) should be listed. The Company shall also disclose the estimated amount and response measures that may occur at present and in the future, and if it cannot be reasonably estimated, it shall state the fact that it cannot be reasonably estimated: None.

6. Information Security Management:

(1) Describe the risk management structure, policy, management plans and resources allocated concerning information security.

1. Purpose and scope

A. Purpose: To maintain the normal operation of enterprise information system and mitigate operational risks due to human errors, external cyberattacks or force majeure events such as natural disasters, thereby ensuring business continuity.

B. Scope: Information system and software/hardware devices associated with business operations.

2. Information security management structure:

A. The Company has established an information security unit with dedicated personnel. Manager Furen Chang is the chief information security officer.

B. Information security policy is reviewed and modified regularly depending on the status quo to ensure an effective operation of the information security management system.

C. IT Department is in charge of information security promotion and handling of cyber incidents.

3. Information security control measures:

A. Threat protection:

- (A) Install endpoint detection and response (EDR) software on personal computers and servers under the control of the master control unit. Update threat definition files regularly.
- (B) Deploy patches through Windows Server Update Services (WSUS). Schedule restarts for changes to take effect.
- (C) Establish Urchin Tracking Module (UTM) to prevent malicious attacks.

B. Information equipment control:

- (A) Ban the use of personal computers on company premises.
- (B) Disable USB ports on company computers. Applications are required for user access.
- (C) Establish a network access control (NAC) platform to block access from unknown devices.

C. Account and personnel management:

- (A) New employees shall sign non-disclosure agreements (NDA) when joining the Company. Information security is part of the orientation course.
- (B) Accounts and accesses of information system are reviewed and controlled by the information unit.
- (C) Information security promotion is arranged regularly to raise employees' awareness.

D. System availability:

- (A) Formulate backup plans in compliance with the 3-2-1 backup principle.
- (B) Initiate virtual platforms and employ high availability (HA) mechanism.
- (C) Monitor the operation efficiency of core systems through SYSLOG.

4. Resources allocated to information security management:

- A. The Company allocated NT\$4.3 million for information security measures in the 2024 IT budget.
- B. Information security unit performs safety assessments on information security assets annually and constantly align information security policies with advancements in relevant tools or technologies for current practices.

(2) In the most recent year and by the print date of the annual report, losses incurred due to major information security incidents, possible impacts and response measures shall be listed, unless a reasonable estimate cannot be made, in which case, the facts on why it cannot be made shall be stated: None.

7. Important Contracts

April 1, 2024

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales Agency	Party A: Chang Wah Technology Co., Ltd Party B: Chang Wah Electromaterials Inc.	Apr. 1, 2013~	Sales LED bracket agency	None
	Party A: Chang Wah Technology Co., Ltd Party B: Gold Sun Technology Co., Ltd.	Jan. 1, 2016~	Sales of products agency in mainland China	None
	Party A: Chang Wah Technology Co., Ltd Party B: Gold Sun Optoelectronics Co., Ltd.	Jan. 1, 2017~	Sales of products agency in mainland China	None
	Party A: Chang Wah Technology Co., Ltd Party B: Epita Pte. Ltd.	Jun. 1, 2015~	Pre-mold foundry and EMC bracket agent	None
	Party A: SH Electronics Taiwan Co., Ltd. (Note 2) Party B: Chang Wah Electromaterials Co., Ltd	Apr. 1, 2013~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: JGSemi	Jan. 1, 2014 ~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Elexind S.p.A	Mar. 8, 2011 ~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Jihlin Co., Ltd.	Aug. 8, 2018~Next contract revision	IC lead frame agency	None
	Party A: Chang Wah Technology Co., Ltd Party B: CMT Corporation	Sep. 1, 2018~Next contract revision	IC lead frame agency	None
Sales Contracts	Party A: SH Electronics Chengdu Co., Ltd. Party B: Leshan Phoenix Semiconductor Co., Ltd.	Sep. 15, 2009~ Next contract revision	IC lead frame sales	None
	Party A: Chang Wah Technology Co., Ltd Party B: AOI Electronics Company	Mar. 2, 2018~Mar. 1, 2020	IC lead frame sales	None
	Party A: SH Electronics Chengdu Co., Ltd. Party B: ChengDu Advanced Power Semiconductor Co.Ltd	Apr. 3, 2015~Next contract revision	IC lead frame sales	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Texas Instruments Incorporated	Jan. 1, 2020~Next contract revision	IC lead frame sales	None
Rental Contracts	Party A: Chang Wah Electromaterials Inc. Party B: SH Electronics Taiwan Co., Ltd. (Note 2)	Nov.1, 2015~Oct. 31, 2016 The contract will be automatically renewed for one year if both parties do not disagree.	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Metalor Coatings (Taiwan) Corporation.	Feb. 1, 2023~Jan. 31, 2026	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: MEKTEC Corporation	May 1, 2022~Feb 28, 2026	Plant Leasing	None
	Party A: JMC Electronics Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Sep, 1, 2021~Aug, 31, 2023	Plant Leasing	None
	Party A: JMC Electronics Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Jul, 1, 2022~Aug, 31, 2023	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	Jan. 1, 2022~Dec. 31, 2031	Land Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	May 1, 2013~Apr. 30, 2023	Land Leasing	None
Party A: SH Asia Pacific Pte. Ltd. Party B: Singapore Post Center	Apr. 18, 2022~ Apr. 17, 2024	Office Leasing	None	

Agreement	Counterparty	Period	Major Contents	Restrictions
	Party A: Malaysian SH Electronics Sdn. Bhd. Party B: Local State Authority	Apr. 1990~Mar. 2086	Land Leasing	None
	Party A: Malaysian SH Electronics Sdn. Bhd. Party B: Local State Authority	Mar. 2014~Dec. 2085	Land Leasing	None
	Party A: SH Electronics Suzhou Co., Ltd. Party B: China-Singapore Suzhou Industrial Park Development Group Co., Ltd.	Feb. 2004~Feb. 2054	Land Leasing	None
	Party A: SH Electronics Chengdu Co., Ltd. Party B: Chengdu Land and Resources Administration	Mar. 2002~Mar. 2052	Land Leasing	None
	Party A: Chengdu High Investment Co., Ltd. Party B: SH Precision Chengdu Co., Ltd. Party C: Chengdu High Investment Property Management Co. Party D: Chengdu High-tech Comprehensive Tax Zone Administration	Sep. 4, 2021~Sep. 3, 2023	Plant Leasing	None
Consignment Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: OSRAM Opto Semiconductors (China) Co., Ltd.	Oct. 2015~Next contract revision	Product Consignment	None
	Party A: Chang Wah Technology Co., Ltd. Party B: OSRAM Opto Semiconductors (Malaysia) Sdn.	Jan. 2015~Next contract revision	Product Consignment	None
	Party A: Chang Wah Technology Co., Ltd. Party B: On Semiconductor Trading Sarl.	Apr. 1, 2019~Mar. 30, 2021	Supplier Managed Inventory Program Agreement	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Texas Instruments Incorporated.	Jan. 1, 2020~Dec. 31, 2021	Supplier Inventory Consignment Agreement	None
	Party A: SH Electronics Taiwan co., Ltd. (Note 2) Party B: Shenzhen STS Microelectronics Co., Ltd.	Jan. 23, 2019~Next contract revision	Supplier Managed Inventory(SMI) Local Agreement	None
Construction Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: YIDA Construction Corp.	Apr. 7, 2021~Obtain the use permit	Land leasing for the construction of factory buildings	None
Technical Support Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Sumitomo Metal Mining Co., Ltd.	Apr. 1, 2023~Dec. 31, 2024	Technical Support and Technology Transfer	None
Service Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Shinyui trading (shanghai) co.	Jan. 1, 2016~	LED bracket design and mold development	None
Borrowing Contract	Party A: Chang Wah Technology Co., Ltd. Party B: First Bank and 7 other financial institutions	Dec. 23, 2020~Dec. 22, 2025	Repayment of liabilities of financial institutions and replenishment of medium-term operating revolver.	Note 1
	Party A: SH Electronics Suzhou Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Dec. 27, 2021~Dec. 22, 2022	Principal amount: US\$9,500 thousands Interest rate: 0.9%	None
	Party A: Mizuho Bank (China) Ltd. Party B: SH Electronics Suzhou Co., Ltd. Party C: SH Electronics Chengdu Co., Ltd.	Dec. 14, 2020~Dec. 13, 2025	Principal amount: US\$6,000 thousands Interest rate: 0.9~1%	None
	Party A: Mizuho Bank (China) Ltd. Party B: SH Electronics Suzhou Co., Ltd. Party C: SH Electronics Chengdu Co., Ltd.	Mar. 15, 2022~Mar. 14, 2027	Principal amount: US\$4,500 thousands Interest rate: 0.8%~3%	None

Agreement	Counterparty	Period	Major Contents	Restrictions
	Party A: SH Asia Pacific Pte. Ltd. Party B: Malaysian SH Electronics Sdn. Bhd.	Nov. 4, 2022~Nov. 3, 2027	Principal amount: US\$60,000 thousands Interest rate: 4.18%	None

Note 1: Current ratio should be maintained above 100%; Debt ratio should be maintained below 280%; Interest earned ratio should be maintained above 400%; Total stockholders' equity should be maintained above NT\$4 billion.

Note 2: For promotion of enterprise integration and enhanced operation efficiency to cope with future industrial developments and improve competitiveness, the Company carried out an absorption-type merger with its wholly-owned subsidiary, SH Electronics Taiwan Co., Ltd. The Company was the surviving entity while SH Electronics Taiwan Co., Ltd. was the dissolved entity. The record date of merger was set on January 1, 2022. The merger has been completed and approved by the Department of Commerce, Ministry of Economic Affairs.

VI. Financial Information

1. Condensed Balance Sheet, Statement of Comprehensive Income, and Audit Opinions of the Last Five Years

(1) Condensed Balance Sheet and Condensed Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		6,502,446	7,413,573	10,080,244	12,255,703	12,495,543
Property, Plant and Equipment		2,209,926	2,251,962	2,474,834	3,585,714	3,856,614
Intangible assets		703,972	691,014	688,074	722,878	786,074
Non-current assets		1,127,628	1,807,613	1,598,911	2,264,357	2,828,719
Total assets		10,543,972	12,164,162	14,842,063	18,828,652	19,966,950
Current liabilities	Before distribution	2,963,698	3,215,572	4,335,495	5,672,796	6,310,335
	After distribution	3,281,570	3,541,741	4,981,618	6,438,292	6,700,056(Note 2)
Non-current liabilities		2,593,864	3,522,331	2,094,836	2,982,443	3,323,171
Total liabilities	Before distribution	5,557,562	6,737,903	6,430,331	8,655,239	9,633,506
	After distribution	5,875,434	7,064,072	7,076,454	9,420,735	10,023,227(Note 2)
Ordinary shares		364,131	364,131	381,240	386,569	380,215
Capital surplus	Before distribution	4,230,789	4,253,933	5,872,815	6,205,329	6,033,692
	After distribution	4,230,789	4,253,933	5,872,815	6,205,329	6,033,692
Retained earnings	Before distribution	841,268	1,231,931	2,546,017	4,103,617	3,781,962
	After distribution	523,396	905,762	1,899,894	3,338,121	3,392,241(Note 2)
Other equity		(93,984)	(139,994)	(170,630)	(334,695)	(30,821)
Treasury stock		(437,809)	(384,142)	(342,001)	(586,013)	(261,137)
Non-controlling interest		82,015	100,400	124,291	398,606	429,533
Total equity	Before distribution	4,986,410	5,426,259	8,411,732	10,173,413	10,333,444
	After distribution	4,668,538	5,100,090	7,765,609	9,407,917	9,943,723(Note 2)

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The amount of the resolution of the Board of Directors Meeting on March 12, 2024.

(2) Parent Company Only – Based on IFRS

Unit: NT\$ thousands

Item		Year	Financial Summary for The Last Five Years (Note 1)				
			2019	2020	2021	2022	2023
Current assets			2,421,078	3,520,740	5,022,119	5,888,222	5,781,627
Investments accounted for using the equity method			6,108,143	5,211,059	6,589,991	7,658,536	8,003,037
Property, Plant and Equipment			344,413	493,259	826,773	2,259,762	2,737,027
Intangible assets			13,770	22,127	29,505	163,666	229,396
Non-current assets			369,495	1,266,263	1,082,273	1,709,903	2,146,872
Total assets			9,256,899	10,513,448	13,550,661	17,680,089	18,897,959
Current liabilities	Before distribution		1,853,939	1,733,860	3,257,826	4,976,294	5,723,047
	After distribution		2,171,811	2,060,029	3,903,949	5,741,790	6,112,768(Note 2)
Non-current liabilities			2,498,565	3,453,729	2,005,394	2,928,988	3,271,001
Total liabilities	Before distribution		4,352,504	5,187,589	5,263,220	7,905,282	8,994,048
	After distribution		4,670,376	5,513,758	5,909,343	8,670,778	9,383,769(Note 2)
Ordinary shares			364,131	364,131	381,240	386,569	380,215
Capital surplus	Before distribution		4,230,789	4,253,933	5,872,815	6,205,329	6,033,692
	After distribution		4,230,789	4,253,933	5,872,815	6,205,329	6,033,692
Retained earnings	Before distribution		841,268	1,231,931	2,546,017	4,103,617	3,781,962
	After distribution		523,396	905,762	1,899,894	3,338,121	3,392,241(Note 2)
Other equity			(93,984)	(139,994)	(170,630)	(334,695)	(30,821)
Treasury stock			(437,809)	(384,142)	(342,001)	(586,013)	(261,137)
Total equity	Before distribution		4,904,395	5,325,859	8,287,441	9,774,807	9,903,911
	After distribution		4,586,523	4,999,690	7,641,318	9,009,311	9,514,190(Note 2)

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The amount of the resolution of the Board of Directors Meeting on March 12, 2024.

2. Condensed Statement of Comprehensive Income

(1) Consolidated – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	9,320,275	9,678,146	12,792,169	14,431,284	11,581,245
Gross profit	1,580,824	1,804,906	3,405,690	4,385,586	2,600,507
Operating profit	832,870	960,286	2,210,299	3,121,660	1,448,284
Non-operating income and expenses	66,152	6,074	38,885	512,595	521,904
Net profit before tax	899,022	966,360	2,249,184	3,634,255	1,970,188
Net Profit from continuing operations	618,915	790,618	1,738,645	2,844,969	1,597,147
Net profit for the Year	618,915	790,618	1,738,645	2,844,969	1,597,147
Other comprehensive income (loss) for the Year, net of income tax	(83,358)	31,568	141,737	(23,262)	295,343
Total comprehensive income for the Year	535,557	822,186	1,880,382	2,821,707	1,892,490
Net profit attributable to owners of the Company	607,304	773,840	1,714,378	2,815,901	1,564,512
Total comprehensive income attributable to owners of the Company	527,358	803,801	1,856,491	2,812,447	1,857,656
Earnings per share (Note 2)	1.72	2.19	4.81	3.01	1.67

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

(2) Parent Company Only – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	3,495,028	3,517,381	4,817,610	8,760,470	6,625,391
Gross profit	320,455	276,762	633,108	2,051,038	1,005,758
Operating profit	158,345	126,989	421,294	1,570,497	520,549
Non-operating income and expenses	591,674	600,244	1,425,301	1,689,407	1,196,727
Net Profit before tax	750,019	727,233	1,846,595	3,259,904	1,717,276
Net Profit from continuing operations	607,304	773,840	1,714,378	2,815,901	1,564,512
Net profit for the Year	607,304	773,840	1,714,378	2,815,901	1,564,512
Other comprehensive income (loss) for the Year, net of income tax	(79,946)	29,961	142,113	(3,454)	293,144
Total comprehensive income for the Year	527,358	803,801	1,856,491	2,812,447	1,857,656
Earnings per share (Note 2)	1.72	2.19	4.81	3.01	1.67

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

(2) Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Yu-Hsiang Liu 、 Jui-Hsuan Hsu	Unqualified Opinion
2020	Deloitte & Touche	Yu-Hsiang Liu 、 Hung-Ju Liao	Unqualified Opinion
2021	Deloitte & Touche	Lee-Yuan Kuo 、 Hung-Ju Liao	Unqualified Opinion
2022	Deloitte & Touche	Lee-Yuan Kuo 、 Hung-Ju Liao	Unqualified Opinion
2023	Deloitte & Touche	Lee-Yuan Kuo 、 Hung-Ju Liao	Unqualified Opinion

2. Five-Year Financial Analysis

1. Consolidated Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2019	2020	2021	2022	2023
Financial Structure (%)	Debt Asset Ratio		52.70	55.39	43.33	45.97	48.25
	Long-term Funds to Property, Plant and Equipment Ratio		343.01	397.37	424.54	366.90	354.11
Liquidity Analysis (%)	Current Ratio		219.40	230.55	232.51	216.04	198.02
	Quick Ratio		173.23	147.25	155.61	147.10	133.66
	Times Interest Earned		30.22	25.04	52.89	77.85	22.13
Operating Performance Analysis	Average Collection Turnover (times)		4.74	4.70	5.15	5.32	4.77
	Days Sales Outstanding		77	78	71	69	77
	Average Inventory Turnover (times)		5.67	5.76	5.17	4.32	4.09
	Average Payment Turnover (times)		7.14	6.99	7.69	8.82	10.19
	Average Inventory Turnover Days		64	63	71	85	89
	Property, Plant and Equipment Turnover (times)		4.00	4.34	5.41	4.76	3.11
	Total Assets Turnover (times)		0.91	0.85	0.95	0.86	0.60
Profitability Analysis	Return on Total Assets (%)		6.33	7.25	13.13	17.12	8.62
	Return on Equity (%)		12.14	15.13	25.19	31.18	15.90
	Pre-tax Income to Paid-in Capital Ratio (%)		246.89	265.39	617.69	940.13	518.18
	Net Margin (%)		6.64	8.17	13.59	19.71	13.79
	Earnings per Share (NT\$) (Note 2)		1.72	2.19	4.81	3.01	1.67
Cash Flow (%)	Cash Flow Ratio		49.47	30.70	38.16	71.52	43.77
	Cash Flow Adequacy Ratio		108.00	107.37	100.47	117.21	112.94
	Cash Flow Reinvestment Ratio		5.82	3.23	6.26	14.09	4.16
Leverage	Operating Leverage		3.75	3.37	2.21	1.93	3.04
	Financial Leverage		1.04	1.04	1.02	1.02	1.07

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. Liquidity Analysis: Times interest earned decreased mainly due to a decrease in net profit this year.

2. Operating Performance Analysis: Property, plant and equipment turnover and total assets turnover decreased mainly due to a decrease in operating revenue this year.

3. Profitability Analysis: Return on total assets, return on equity, pre-tax income to paid-in capital ratio, net margin and earnings per share decreased mainly due to a decrease in profit this year.

4. Cash Flow: Cash flow ratio decreased mainly due to a decrease in net cash inflow from operating activities. Cash flow reinvestment ratio decreased mainly due to the distribution of cash dividends this year.

Note 1: The above financial information has been prepared in accordance with the financial statements audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

Note 3: The formulas for the financial analysis are listed below:

1. Financial Structure

(1) Debt Asset Ratio = Total liabilities / Total assets.

(2) Long-term Funds to Property, Plant and Equipment Ratio = (Total stockholders' equity + Non-current liabilities) / Property, plant and equipment, net.

2. Liquidity Analysis

(1) Current Ratio = Current assets / Current liabilities.

- (2) Quick Ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expense}) / \text{Current liabilities}$.
- (3) Times Interest Earned = $\text{Net income before tax and interest expense} / \text{Interest expense}$.
3. Operating Performance Analysis
- (1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = $\text{Net sales} / \text{average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)}$.
- (2) Days Sales Outstanding = $365 / \text{Account receivable turnover}$.
- (3) Average Inventory Turnover = $\text{Cost of goods sold} / \text{Average inventory}$.
- (4) Average Payment Turnover (including accounts payable and notes payable resulted from business operation) = $\text{Cost of goods sold} / \text{Average balance of account payable (including accounts payable and notes payable resulted from business operation)}$.
- (5) Average Inventory Turnover Days = $365 / \text{Inventory turnover}$.
- (6) Property, Plant and Equipment Turnover = $\text{Net sales} / \text{Average property, plant and equipment, net}$.
- (7) Total Assets Turnover = $\text{Net sales} / \text{Average total assets}$.
4. Profitability Analysis
- (1) Return on Total Assets (%) = $[\text{Post-tax profit or loss} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
- (2) Return on Equity = $\text{Post-tax profit or loss} / \text{Average total stockholders' equity}$.
- (3) Net Margin = $\text{Profit after tax} / \text{Net sales}$.
- (4) Earnings per Share = $(\text{Profit or loss attributable to owners of the parent company} - \text{Preferred stock dividend}) / \text{Weighted average stock shares issued. (Note 4)}$
5. Cash Flow
- (1) Cash Flow Ratio = $\text{Net cash flow from operating activities} / \text{Current liabilities}$.
- (2) Net cash Flow Adequacy Ratio = $\text{Net cash flow from operating activities within five years} / (\text{Capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year}$.
- (3) Cash Flow Reinvestment Ratio = $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Total property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$. (Note 5)
6. Leverage
- (1) Operating Leverage = $(\text{Net sales} - \text{Variable cost of sales and expenses}) / \text{Operating income (Note 6)}$.
- (2) Financial Leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

Note 4: The above formula for calculating earnings per share shall take into consideration the following items in particular:

1. Based on the weighted average number of common shares, rather than the number of shares outstanding at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the outstanding period of any cash capital increase or treasury stock transactions.
3. Where there is a capital increase from earnings or capital surplus, the capital increase shall be adjusted retroactively in proportion to the capital increase in calculating the earnings per share for previous years and half years, without regard to the issuance period of the capital increase.
4. If the preferred stock is a non-convertible cumulative preferred stock, the current year's dividends (whether or not distributed) shall be reduced from net income after tax or by increasing net loss after tax. If the preferred stock is non-cumulative, the dividends shall be reduced from net income if there is a net income after tax; if there is a loss, no adjustment is required.

Note 5: The following items shall be taken into account when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. Gross fixed assets represent the total fixed assets before accumulated depreciation.

Note 6: Issuers shall distinguish between fixed and variable costs of sales and operating expenses according to their nature, and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

2. Parent Company Only Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt Asset Ratio	47.02	49.34	38.84	44.71	47.59
	Long-term Funds to Property, Plant and Equipment Ratio	2,149.44	1,779.91	1,244.94	562.17	481.36
Liquidity Analysis (%)	Current Ratio	130.59	203.06	154.16	118.33	101.02
	Quick Ratio	121.54	178.04	140.14	91.71	83.44
	Times Interest Earned	30.76	22.33	51.35	74.17	19.54
Operating Performance Analysis	Average Collection Turnover (times)	4.20	4.24	4.76	6.45	5.05
	Days Sales Outstanding	87	86	77	57	72
	Average Inventory Turnover (times)	18.27	23.51	16.02	7.91	5.04
	Average Payment Turnover (times)	4.58	4.46	4.54	6.37	7.02
	Average Inventory Turnover Days	20	16	23	46	72
	Property, Plant and Equipment Turnover (times)	10.05	8.40	7.30	5.68	2.65
	Total Assets Turnover (times)	0.40	0.36	0.40	0.56	0.36
Profitability Analysis	Return on Total Assets (%)	7.22	8.10	14.49	18.26	8.96
	Return on Equity (%)	12.14	15.13	25.19	31.18	15.90
	Pre-tax Income to Paid-in Capital Ratio (%)	205.98	199.72	507.12	843.29	451.66
	Net Margin (%)	17.38	22.00	35.59	32.14	23.61
	Earnings per Share (NT\$) (Note 2)	1.72	2.19	4.81	3.01	1.67
Cash Flow (%)	Cash Flow Ratio	3.39	78.41	10.99	46.75	32.60
	Cash Flow Adequacy Ratio	28.27	88.41	63.70	84.82	81.87
	Cash Flow Reinvestment Ratio	(6.96)	10.08	(1.02)	8.79	0.35
Leverage	Operating Leverage	2.73	3.18	1.85	1.78	3.71
	Financial Leverage	1.19	1.37	1.10	1.03	1.22

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. Liquidity Analysis: Times interest earned decreased mainly due to a decrease in net income this year.

2. Operating Performance Analysis:

(1) Average collection turnover decreased, days sales outstanding increased, property, plant and equipment turnover and total assets turnover decreased mainly due to a decrease in operating revenue this year.

(2) Average inventory turnover decreased and average inventory turnover days increased because even though the decrease in operating revenue led to a decrease in operating cost, the higher level of inventory at beginning of period resulted in a higher average inventory and consequently a lower turnover rate.

3. Profitability Analysis: Return on total assets, return on equity, pre-tax income to paid-in capital ratio, net margin and earnings per share decreased mainly due to a decrease in profit this year.

4. Cash Flow: Cash flow ratio decreased mainly due to a decrease in net cash inflow from operating activities. Cash flow reinvestment ratio decreased mainly due to the distribution of cash dividends this year.

5. Leverage: Operating leverage increased mainly due to a decrease in operating profit this year.

Note 1: The above financial information has been prepared in accordance with the financial statements audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

Note 3: The formulas for the financial analysis are listed below:

1. Financial Structure

(1) Debt Asset Ratio = Total liabilities / Total assets.

- (2) Long-term Funds to Property, Plant and Equipment Ratio = (Total stockholders' equity + Non-current liabilities) / Property, plant and equipment, net.
2. Liquidity Analysis
- (1) Current Ratio = Current assets / Current liabilities.
- (2) Quick Ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities.
- (3) Times Interest Earned = Net income before tax and interest expense / Interest expense.
3. Operating Performance Analysis
- (1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
- (2) Days Sales Outstanding = 365 / Account receivable turnover.
- (3) Average Inventory Turnover = Cost of goods sold / Average inventory.
- (4) Average Payment Turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation).
- (5) Average Inventory Turnover Days = 365 / Inventory turnover.
- (6) Property, Plant and Equipment Turnover = Net sales / Average property, plant and equipment, net.
- (7) Total Assets Turnover = Net sales / Average total assets.
4. Profitability Analysis
- (1) Return on Total Assets (%) = [Post-tax profit or loss + Interest expenses × (1 – Tax rate)] / Average total assets.
- (2) Return on Equity = Post-tax profit or loss / Average total stockholders' equity.
- (3) Net Margin = Profit after tax / Net sales.
- (4) Earnings per Share = (Profit or loss attributable to owners of the parent company – Preferred stock dividend) / Weighted average stock shares issued. (Note 4)
5. Cash Flow
- (1) Cash Flow Ratio = Net cash flow from operating activities / Current liabilities.
- (2) Cash Flow Adequacy Ratio = Net cash flow from operating activities within five years / (Capital expenditure + inventory increase + cash dividend) within five year.
- (3) Cash Flow Reinvestment Ratio = (Net cash flow from operating activities – Cash dividends) / (Total property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage:
- (1) Operating Leverage = (Net sales – Variable cost of sales and expenses) / Operating income (Note 6).
- (2) Financial Leverage = Operating income / (Operating income – Interest expenses).

Note 4: The above formula for calculating earnings per share shall take into consideration the following items in particular:

1. Based on the weighted average number of common shares, rather than the number of shares outstanding at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the outstanding period of any cash capital increase or treasury stock transactions.
3. Where there is a capital increase from earnings or capital surplus, the capital increase shall be adjusted retroactively in proportion to the capital increase in calculating the earnings per share for previous years and half years, without regard to the issuance period of the capital increase.
4. If the preferred stock is a non-convertible cumulative preferred stock, the current year's dividends (whether or not distributed) shall be reduced from net income after tax or by increasing net loss after tax. If the preferred stock is non-cumulative, the dividends shall be reduced from net income if there is a net income after tax; if there is a loss, no adjustment is required.

Note 5: The following items shall be taken into account when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. Gross fixed assets represent the total fixed assets before accumulated depreciation.

Note 6: Issuers shall distinguish between fixed and variable costs of sales and operating expenses according to their nature, and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

3. Audit Committee's Report for the Most Recent Year:

Chang Wah Technology Co., Ltd.

Audit Committee Report

The Board of Directors had prepared and submitted the 2023 Financial Statements (including the parent company only and consolidated financial statements). The audit of the financial statements was completed by accountants Lee-Yuan Kuo and Hung-Ju Liao at Deloitte & Touche, and an audit report was issued. The audit of the aforementioned statements, along with issues such as the 2023 Annual Business Report and the report of earning distribution, submitted by the Board of Directors was reviewed by the Audit Committee, and no inconsistency was found. The audit report was issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely,

2024 Annual Shareholders' Meeting of Chang Wah Technology Co., Ltd.

Audit Committee of Chang Wah Technology Co., Ltd.

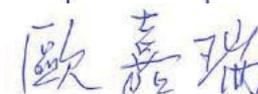
Committee Member:



Committee Member:



Committee Member:



March 12, 2024

4. Financial statements for the most recent year:

Please refer to Annex I of the Annual Report.

5. Parent company only financial statements audited by CPA or the most recent year:

Please refer to Annex II of the Annual Report.

6. If the Company and its associates have experienced financial difficulties in the most recent year and by the print date of the annual report, the impact on the financial position of the Company shall be specified: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Financial Conditions-Analysis of Financial Status (Consolidated):

Unit: NT\$ thousands; %

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	12,255,703	12,495,543	239,840	1.96%
Property, plant and equipment	3,585,714	3,856,614	270,900	7.55%
Non-current assets	2,987,235	3,614,793	627,558	21.01%
Total assets	18,828,652	19,966,950	1,138,298	6.05%
Current liabilities	5,672,796	6,310,335	637,539	11.24%
Non-current liabilities	2,982,443	3,323,171	340,728	11.42%
Total liabilities	8,655,239	9,633,506	978,267	11.30%
Ordinary shares	386,569	380,215	(6,354)	(1.64%)
Capital surplus	6,205,329	6,033,692	(171,637)	(2.77%)
Retained earnings	4,103,617	3,781,962	(321,655)	(7.84%)
Other equity	(334,695)	(30,821)	303,874	90.79%
Treasury stock	(586,013)	(261,137)	324,876	55.44%
Non-controlling equity	398,606	429,533	30,927	7.76%
Total stockholders' equity	10,173,413	10,333,444	160,031	1.57%

Major changes in assets, liabilities and shareholders' equity in the last two years (changes of 20% or more, and differences of NT\$10 million or more):

Increase in non-current assets: This was mainly due to an increase in the investment of marketable securities (recognized under financial assets at fair value through other comprehensive income).

Increase in other equity: This was mainly due to an increase of NT\$336,854 thousand in the valuation gain on financial assets at fair value through other comprehensive income.

Increase in treasury stock: This was mainly due to an increase in subsidiaries' holding of the Company's stocks.

2. Financial Performance:

(1) Analysis of Financial Performance (Consolidated)

Unit: NT\$ thousands

Item \ Year	2022	2023	Increase/Decrease	Variation(%)
Operating Revenue	14,431,284	11,581,245	(2,850,039)	(19.75%)
Operating Cost	10,045,698	8,980,738	(1,064,960)	(10.60%)
Gross profit	4,385,586	2,600,507	(1,785,079)	(40.70%)
Operating expenses	1,263,926	1,152,223	(111,703)	(8.84%)
Operating profit	3,121,660	1,448,284	(1,673,376)	(53.61%)
Non-operating income and expenses	512,595	521,904	9,309	1.82%
Net Profit before Tax	3,634,255	1,970,188	(1,664,067)	(45.79%)
Income tax expense	789,286	373,041	(416,245)	(52.74%)
Net Profit for the Year	2,844,969	1,597,147	(1,247,822)	(43.86%)
Total comprehensive income for the Year	2,821,707	1,892,490	(929,217)	(32.93%)

The main reasons for significant changes in operating income, net operating income, and net income before tax for the last two years (if the change is 20% or more, and the amount of change reaches NT\$10 million):

Decrease in gross profit: This was mainly due to a decrease in orders and a lower capacity utilization rate as a result of the decline in end demand and inventory adjustments by customers.

Decrease in operating profit, net profit before tax, income tax expense, net profit for the year and total comprehensive income for the year: This was mainly due to the decrease in revenue and profit this year.

(2) The expected sales volume and its basis, the possible impact on the Company's future financial operations and the plan to respond to it

Please refer to the Operating Statement and Letter to Shareholders.

3. Analysis of Cash Flow:

(1) Analysis of Cash Flow (Consolidated)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
\$6,393,898	\$2,761,777	\$3,209,187	\$5,946,488	None	None

1. Analysis of changes in cash flow for the year ended December 31, 2023:

- (1) Operating activities: Operating activities generated net cash inflows this year.
- (2) Investing activities: Net cash outflows from investing activities were mainly due to the acquisition of property, plant and equipment and other financial assets.
- (3) Financing activities: Net cash outflows from financing activities were mainly due to the distribution of cash dividends.

2. Cash shortage remediation measures and liquidity analysis:

- (1) There was no cash shortage during the year.
- (2) Liquidity analysis for the last two years:

Year	2023	2022	Increase (Decrease) %
Cash flow ratio(%)	43.77	71.52	(38.80)
Cash flow adequacy ratio(%)	112.94	117.21	(3.64)
Cash flow reinvestment ratio(%)	4.16	14.09	(70.48)

Analysis of the changes in the ratio of increase and decrease:

Cash flow ratio decreased mainly due to the decrease in net cash inflows from operating activities this year. Cash flow reinvestment ratio decreased mainly due to the increase in the distribution of cash dividends.

(2) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
\$5,946,488	\$2,824,745	\$2,473,511	\$6,297,722	None	None

1. Analysis of the changes in cash flow for the year ended December 31, 2024:

- (1) Net cash inflow from operating activities: Net cash inflow was generated due to stable profitability.
- (2) Net cash outflows from investing activities: Acquisition of property, plant and equipment and other financial assets.
- (3) Net cash outflow from financing activities: mainly due to the estimated cash dividends allotted.

2. Estimated cash shortage remedy: No cash shortage is expected.

4. The Impact of Major Capital Expenditures on Financial Operations:

The Company and its subsidiaries acquired property, plant and equipment in the amount of \$1,136,636 thousands in 2023, which was financed by its own funds and partly by bank loans.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

1. Reinvestment Policy:

The Company has established the "Procedures for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" issued by competent authorities. In addition, to enhance the supervision and management of our investee companies, we have established internal control system to control and manage the information disclosure, financial, business, inventory and financial management of our investee companies to maximize the effectiveness of our investee companies.

2. The main reasons for the profit or loss of the latest invested business and the improvement plan

Unit: NT\$ thousands

Name of Investee	2023 profit after tax	Main reasons for gain or loss	Improvement
CWTC (Shanghai) Inc.	7,965	Profit: Stable profit from the sale and purchase of semiconductor packaging and testing materials and equipment in China.	None
Shing Zheng Investment Co., Ltd.	37,823	Profit: Stable development of semiconductor industry.	None
SH Asia Pacific Pte. Ltd.	577,373	Profit: Mainly recognized investment income from our subsidiaries.	None
Malaysian SH Electronics Sdn. Bhd.	305,357	Profit: Stable development of semiconductor industry.	None
SH Electronics Suzhou Co., Ltd.	188,923	Profit: Stable development of semiconductor industry.	None
SH Precision Chengdu Co., Ltd.	163,504	Profit: Stable development of the semiconductor industry.	None
SH Electronics Chengdu Co., Ltd.	74,791	Profit: Stable development of the semiconductor industry.	None
WSP Electromaterials Ltd.	120,424	Profit: A holding company that recognizes investment income from its companies.	None
Shanghai Chang Wah Electromaterials Inc.	83,863	Profit: Stable annual profit from the sale and purchase of semiconductor packaging and testing materials and equipment in China.	None

3. Investment plan for the coming year: None.

6. Analysis and Assessment of Risks:

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Effect of changes in interest rates and exchange rates on the Company's profit or loss and future measures

Unit: NT\$ thousands

Item	Year	2022			2023		
		Amount	As a percentage of operating revenue Net Ratio	Income before tax%	Amount	As a percentage of operating revenue Net Ratio	Income before tax%
Interest income		74,408	0.52%	2.05%	285,112	2.46%	14.47%
Interest expenses		47,289	0.33%	1.30%	93,248	0.81%	4.73%
Net foreign exchange losses		347,073	2.41%	9.55%	61,227	0.53%	3.11%
Operating revenue		14,431,284			11,581,245		
Net profit before tax		3,634,255			1,970,188		

Resource: Financial Statements audited by CPA.

(1) Interest rate

The Company and its subsidiaries regularly evaluate money market interest rates and financial information to take appropriate measures in a timely manner and, depending on their cost of capital and possible rewards and risks, choose the most favorable use of funds to reduce the risk of changes in interest rates, and therefore, changes in interest rates will not have a material adverse effect on the Company's profit or loss.

(2) Foreign exchange rates

In response to exchange rate fluctuations, the Company collects quotes and information on international financial, exchange rate and interest rate commodities from banks at any time to keep abreast of exchange rate fluctuations, and takes the following foreign exchange hedging measures in a timely manner:

- ① The Company continue to strengthen the awareness of exchange rate hedge among our finance staff, and through our real-time online exchange rate system and enhanced interaction with financial institutions, we are able to judge the trend of exchange rate changes in response to the negative impact of exchange rate fluctuations.
- ② Before providing quotations to customers, we will consider and evaluate future exchange rate trends and factors affecting exchange rates to determine appropriate and reasonable quotations in order to avoid significant impact on the Company's profitability from exchange rate fluctuations.
- ③ To achieve a certain degree of natural hedge by trading in the same type of foreign currency debt, and to reduce the risk of exchange rate fluctuations by adjusting the position of foreign currency assets and liabilities in a timely manner.

(3) Inflation

Up to now, the Company has not experienced any significant impact on profit or loss due to inflation. In addition to paying close attention to the fluctuation of upstream raw material market prices, the Company maintains good interaction with suppliers and customers to appropriately adjust raw material inventories to reduce the impact of price increases, which should effectively reduce the impact of inflation on the Company.

- (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:
- (1) Based on the principle of prudence and pragmatic management, the Company and its subsidiaries do not engage in high-risk and high-leverage investments, except for those focusing on the business areas of the Company and its subsidiaries.
 - (2) The Company and its subsidiaries engage in the lending of funds to others and the endorsement and guarantee of funds only between the Company and its subsidiaries. The "Procedures for Endorsement and Guarantee" and "Procedures for Lending of Funds to Others" have been established in accordance with the relevant regulations and have been implemented in accordance with the relevant procedures, and there is no material adverse effect on the Company's profit or loss.
 - (3) The Company and its subsidiaries engage in derivative financial instruments for hedging purposes and have established "Procedures for the Acquisition or Disposal of Assets" in accordance with the relevant regulations and have implemented them in accordance with the relevant operating procedures, which do not have a material adverse effect on the Company's profit or loss.
- (3) Future Research & Development Projects and Corresponding Budget:
Please refer to Operation Review (3) and Technology and R&D Overview (page 95) in the Annual Report.
- (4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:
The Company's operating are in compliance with the relevant domestic and foreign laws and regulations, and the relevant management is always aware of the changes in laws and regulations and provides real-time information for the Company's management's reference. In the most recent year and by the date of the annual report, the Company had no material adverse financial and business impact due to changes in domestic and foreign policies and laws and regulations.
- (5) Effects of and Response to Changes in Technology (including information security risk) and the Industry Relating to Corporate Finance and Sales:
Our metal lead frames are used in a wide range of applications in the IC industry and the optoelectronics industry under the continuation of the semiconductor industry:

Industry	Current Product
IC Industry	IC semiconductors are the mainstay of active components in electronic components, and their applications are divided into four major categories, namely communication, information, consumer electronics and others (including automotive, industrial electronics and others). Our company is now moving into the manufacture and sale of IC Pre-Mold QFN lead frames, which can improve the process yield and output efficiency of IC products in the production (packaging), or assist in the use of consumable materials to reduce production costs. In addition, it can also provide ICs with a variety of options in package design (package process options), which will have a high potential for IC design and development. Therefore, the demand for metal lead frames in the IC industry will continue to be stable, and our products are highly futuristic and are expected to continue to grow.

PV Industry	Our products (EMC lead frame) are mainly used as one of the main materials for the production of light emitting diode (LED) packaging. The market and applications of this industry (indoor and outdoor lighting, backlight modules, outdoor displays, automotive interior and exterior lighting, photographic flash and high brightness projectors...many applications) are still growing in the product lifecycle. Our products have excellent characteristics in plastic selection (high heat resistance, yellowing resistance, UV resistance, small size, and high current), and will continue to increase in market demand.
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The Company's management team keeps abreast of industry trends and related technological changes, and evaluates the impact on the Company's operations. As of the date of the annual report, technological changes and industry changes have not had a significant impact on the Company's financial and business operations.

- (6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:
Since its establishment, the Company has focused on its business operation, complied with relevant laws and regulations, and actively strengthened its internal management and improved its management quality and performance in order to continuously maintain its excellent corporate image and increase customers' trust in the Company. Therefore, in the most recent year and by the print date of the annual report, the Company has not experienced any operational crisis caused by the change of corporate image. However, the occurrence of corporate crisis may cause considerable damage to the company, so the Company will continue to implement various corporate governance requirements to reduce the occurrence of corporate risks and the impact on the Company.
- (7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
- (8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.
- (9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:
 - (1) **Purchasing sources:** In 2023, the largest supplier of the Company and its subsidiaries was the agent of IC packaging materials in mainland China for the subsidiary Shanghai Chang Wah Electromaterials Inc., accounting for 28.6% of the total purchases; no other suppliers accounted for more than 10% of the total purchases.
 - (2) **Customers:** In 2023, the largest customer of the Company and its subsidiaries was the parent company, Chang Wah Electromaterials Inc., which was responsible for the sales of semiconductor packaging materials in Taiwan, accounting for 15.22% of the total sales; no other customers accounted for more than 10% of the total sales.
- (10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- (11) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
- (12) For litigation or non-litigation events, the Company and its directors, supervisors, presidents, beneficial owners, majority shareholders holding more than 10% of the shares, and affiliated companies should disclose any significant litigation, non-litigation or administrative dispute that has been determined or is still pending, the outcome of which may have a significant

impact on shareholders' equity or securities prices. The facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation, and the status of the litigation as of the date of publication of the annual report:

1. In the most recent year and by the print date of the annual report, the facts to be disclosed by the Company, including facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the current status of the litigation if the outcome of the litigation, non-litigation or administrative dispute has been determined or is still pending: None.
2. Directors, supervisors, presidents, beneficial owners, substantial shareholders and subsidiaries of the Company with a shareholding of more than 10%, in the most recent year and by the print date of the annual report, where litigation, non-litigation or administrative disputes have been determined or are currently pending, the outcome of which may have a material impact on the Company's shareholders' equity or securities prices:

Chang Wah Electromaterials Inc., the Company's director and a major shareholder holding more than 10% of the Company's shares, had the following litigation and non-litigation events in the recent year:

- (1) In September 2016, Chipbond Technology Corporation (Chipbond) filed a civil lawsuit against the Company for the removal of trade secret misappropriation. The main contents of the lawsuit included the prohibition of the use or disclosure of trade secrets learned from Chipbond, the destruction of related documents, the destruction of products infringing on trade secrets, and the request for damages of NT\$1,765,137 thousand as compensation. On December 29, 2023, the Intellectual Property and Commercial Court rejected the lawsuit filed by Chipbond; however, the latter then filed an appeal. As the legal opinion issued by lawyers engaged by the Company concerning the aforementioned lawsuit stated that upon evaluation, the case had yet to have any significant adverse effect on the Company, the Company's management determined that the lawsuit shall not have any material adverse effects on the Company. As of the publication date of the annual report, the court's judgement was still pending. The final outcome of the lawsuit was yet to be determined by the judicial authorities.
- (2) On December 23, 2023, the Taiwan Kaohsiung District Prosecutors Office filed a complaint against the Company's Chairperson Canon Huang per Zhen Zi No. 22593 and Zhen Zi No. 30997 of 2023 for a violation of the Securities and Exchange Act. Canon has engaged lawyers to handle the case which is still under trial. As the complaint was unrelated to the Company's business, the Company released a material announcement stating that the Company continues to operate normally with its finance and business remain unaffected on December 23, 2023.
- (3) Other than the above, there are no other directors, supervisors, presidents, beneficial owners, shareholders holding 10% or more of the shares and subsidiaries that have significant litigation, non-litigation or administrative disputes as of the printing date of the annual report that have a material effect on the shareholders' equity or the price of the Company's securities.

(13) Other Major Risks and Response: None.

7. Other important matters: None.

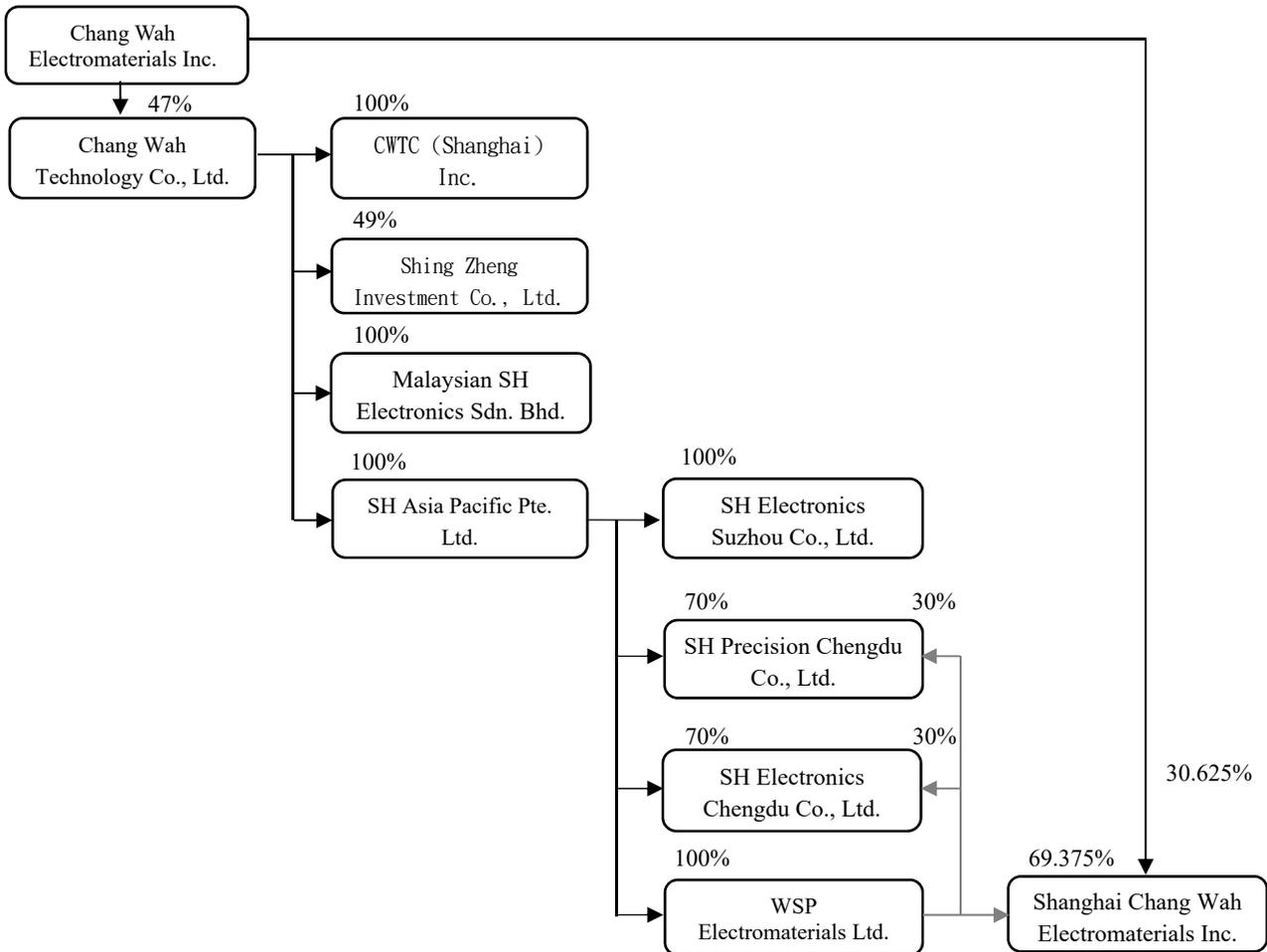
VIII. Special Disclosure

1. Information of the Associates:

(1) The consolidated business report of affiliated companies:

1. Organizational chart of affiliated companies for the year ended December 31, 2023

Date: December 31, 2023



2. Information of Affiliated Companies:

December 31, 2023

Name	Date of Incorporation	Address	Paid-in Capital (Note)	Business Scope
CWTC (Shanghai) Inc.	May 8, 2015	Room E01, 2/F, No. 207, Fute North Road, China (Shanghai) Free Trade Pilot Zone	61,410	Sales of lighting materials and equipment, telecommunications equipment, semiconductor materials and equipment, electronic products, machinery and equipment, etc.
Shing Zheng Investment Co., Ltd.	Jan. 22, 2022	1F., No. 295-2, Fengren Rd., Renwu Dist., Kaohsiung City 814010, Taiwan (R.O.C.)	1,000,000	General investment
SH Asia Pacific Pte. Ltd.	Jan. 11, 1977	10 Eunost Road 8, #05-04/05 Singapore Post Centre, Singapore 408600	421,301	Trading and investment in electronic components and electronic equipment
Malaysian SH Electronics Sdn. Bhd.	Apr. 13, 1989	Lot 5,7 & 9, Jalan Ragum 15/17 40200 Shah Alam Selangor Darul Ehsan, Malaysia	259,451	Manufacturing and sales of leadframes for semiconductor materials
SH Electronics Suzhou Co., Ltd.	Mar. 27, 2003	No. 123, Longtan Road, Suzhou Industrial Park, Jiangsu Province, China	767,625	Development, design, production and sales of leadframe semiconductor packaging materials and precision molds
SH Precision Chengdu Co., Ltd.	Oct. 23, 1998	No. 7, Xin Yuan South 2nd Road, Singapore Industrial Park, Chengdu Hi-Tech Zone, Sichuan Province, China	260,993	Development, production and sales of leadframe semiconductor materials and precision tooling
SH Electronics Chengdu Co., Ltd.	Feb. 22, 2008	No.6, West Zone, No.8, Kexin Road, West Park, Chengdu Hi-tech Zone, Sichuan Province, China	107,468	Development, production and sales of leadframe semiconductor materials and precision tooling
WSP Electromaterials Ltd.	Sep. 25, 1998	P.O Box 438, Road Town, Tortola, British Virgin Islands	160,741	International investment business
Shanghai Chang Wah Electromaterials Inc.	Apr. 5, 2005	Room 2101, Mega Plaza, 1027 Changning Road, Changning District, Shanghai, China	122,820	IC packaging materials and equipment distribution business

Note: Foreign currency capital has been converted to New Taiwan dollars based on the exchange rate at the balance sheet date.

3. Information on the same shareholders who are presumed to be in a controlling or subordinate relationship in accordance with Article 369-3 of the Company Act: None.

4. Industry covered by the business of the related company as a whole:

December 31, 2023

Name of related parties	Business Scope	Relationship
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	Mainland Sales Offices
Shing Zheng Investment Co., Ltd.	General investment	Not applicable as it is an investment company.
SH Asia Pacific Pte. Ltd.	Trading of electronic components and equipment; investing activities	Overseas Sales Offices
Malaysian SH Electronics Sdn. Bhd.	Manufacturing and selling leadframe and semiconductor materials	Overseas Manufacturing Locations
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	Manufacturing sites in China
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	Manufacturing sites in China
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	Manufacturing sites in China
WSP Electromaterials Ltd.	International investment activities	Holding Company
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	Our sales offices in China

5. The names of the Directors, Supervisors of and Presidents of the affiliated companies and their shareholdings or capital contributions to the companies:

December 31, 2023

Name	Title	Representative	Shares held	
			Shares (Contribution)	Percentage (Contribution Ratio)
CWTC (Shanghai) Inc.	Director	Xie, Jun-Ming	(Contribution US\$ 2,000,000)	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Su, Zhen-Ping		
Shing Zheng Investment Co., Ltd.	Director	Pan, Chao-I, Lu, Kuo-Ying, Hsu, Liang-Fang	49,000,000	49%
	President	Huang, I-Chen		
SH Asia Pacific Pte. Ltd.	Director	Chang, Shu-Hui、Hung, Chuen-Sing、Andy Ng	21,206,103	100%
	President	Andy Ng		
Malaysian SH Electronics Sdn. Bhd.	Director	Hung, Chuen-Sing、ISHAK; PH MAH、Lai, Jin-Xuan、Xu, Bai-Xiang	23,000,000	100%
	President	PH MAH		
SH Electronics Suzhou Co., Ltd.	Director	Su, Zhen-Ping、Hung, Chuen-Sing、Ou Yang, Yan-Hong	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Su, Zhen-Ping		
SH Electronics Chengdu Co., Ltd.	Director	Hung, Chuen-Sing、Mao, Ya-Ping、Su, Zhen-Ping	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		

Name	Title	Representative	Shares held	
			Shares (Contribution)	Percentage (Contribution Ratio)
SH Precision Chengdu Co., Ltd.	Director	Hung, Chuen-Sing、Xie, Jun-Ming、Lu, Jian-Gui	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Zheng, Hui-Qing		
WSP Electromaterials Ltd.	Director	Chang Wah Technology Co., Ltd.	5,235,000	100%
Shanghai Chang Wah Electromaterials Inc.	Director	Xie, Jun-Ming、Jheng, Yao-Jhan、Su, Zhen-Ping	Contribution Refer to Note 2.	(69%)
	Supervisor	Hsu, Liang-Fang		
	President	Xie, Jun-Ming		

Note 1: In March and June 2017, the Company acquired a total of 100% equity interest in SHAP at a cost of JPY\$9,000,000,000 and NT\$1,736,000,000, respectively, and indirectly acquired equity interests in MSHE, SH Electronics Suzhou Co., Ltd., SH Electronics Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd.

Note 2: In October 2017, the Company acquired 100% equity interest in WSP through its subsidiary SHAP with a capital contribution of US\$21,688,341, and indirectly acquired equity interest in Shanghai Chang Wah Electromaterials Inc., SH Electronics Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd.

6. Business Overview of Affiliated Companies:

Unit: NT\$ thousands

Name	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating Profit	Net Profit for the Year (After Tax)	Earnings per share(NT\$)(After Tax)
CWTC (Shanghai) Inc.	61,410	223,892	123,491	100,401	269,930	7,947	7,965	NA
Shing Zheng Investment Co., Ltd.	1,000,000	1,020,290	1,573	1,018,717	38,493	38,506	37,823	0.38(Note 1)
SH Asia Pacific Pte. Ltd.	421,301	6,164,006	74,705	6,089,301	465,006	(8,391)	577,373	27.23(Note 2)
Malaysian SH Electronics Sdn. Bhd.	259,451	2,060,328	1,200,070	860,258	2,480,463	398,132	305,357	13.28(Note 3)
SH Electronics Suzhou Co., Ltd.	767,625	1,594,746	362,635	1,232,111	1,755,036	162,635	188,923	NA
SH Electronics Chengdu Co., Ltd.	260,993	1,156,561	200,465	956,096	1,173,576	128,872	163,504	NA
SH Precision Chengdu Co., Ltd.	107,468	552,071	162,106	389,965	655,362	61,570	74,791	NA
WSP Electromaterials Ltd.	160,741	1,101,112	—	1,101,112	—	(86)	120,424	23.00(Note 4)
Shanghai Chang Wah Electromaterials Inc.	122,820	845,449	281,986	563,463	2,241,957	101,901	83,863	NA

Note 1: Each share is denominated in NT\$10.

Note 2: Each share is denominated in Singapore Dollar \$1.

Note 3: Each share is denominated in Malaysian Dollar \$1.

Note 4: Each share is denominated in US Dollar \$1.

(2) Consolidated financial statements of affiliated companies: Please refer to Appendix I.

(3) Relationship Report:

1. Declaration of the Company:

Declaration for the Affiliation Report

The affiliation report for the year ended December 31, 2023 was prepared in conformity with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and the information disclosed was not significantly different from the notes to the financial statements for the aforementioned period.

Very truly yours,

Chang Wah Technology Co., Ltd.

By

Canon, Huang
Chairman

March 12, 2024

2. Independent Auditors' Review Opinion:

Audit Opinion from CPAs

Letter Chin-Gao No.11300374 dated April 1, 2024

Addressee: Chang Wah Technology Co., Ltd.

Subject: We express our opinions on the Company's 2023 affiliation report that it does not contain any material inconsistency.

Explanation:

- I. The Company's 2023 Affiliation Report dated March 12, 2024 was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there was no material inconsistency between the information disclosed in the affiliation report and relevant information disclosed in the notes to the financial reports in the period above. The statement is as in the attachment.
- II. We verified that the Company prepared the Affiliation Report in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there is no material discrepancy with the statement above.

Deloitte & Touche Taipei, Taiwan Republic of China

Lee Yuan Kuo, CPA

Hung Ju Liao, CPA

3. Relationship between the subordinate and controlling companies:

April 1, 2024: Unit: Shares; %

Controlling Company	Reason for Control	Shareholding and Pledge			Directors, Supervisors or Managerial Officers Appointed by Controlling Company	
		No. of Shares Held	Shareholding %	No. of Shares Pledged	Title	Name
Chang Wah Electromaterials Inc.	Parent company with control over the Company	452,375,925	47.59%	-	Director Director Director	Hung, Chuen-Sing; Tsai, Rong-Dong; Angus, Shih

4. Matters to be documented for transactions:

(1) Purchases and sales:

For the year ended December 31, 2022; Unit: NT\$ thousands

Transaction with Controlling Company				Transaction Terms with Controlling Company		General Terms		Reason for Difference	Notes/Accounts Receivable (Payable)		Overdue			Note
Purchase (Sale)	Amount	% to Total	Gross Profit on Sales	Unit Price (NT\$)	Terms	Unit Price (NT\$)	Terms		Balance	% to Total	Amount	Action Taken	Loss Allowance	
Purchase	3,469	0.06%	-	Note 1	Monthly settlement with payment between 60 and 90 days	Note 1	7 days after purchases to monthly settlement with payment in 120 days	Note 1	1,388	0.17%	0	-	0	-
Sales	1,762,499	15.22%	21.5%	Note 2	Monthly settlement with payment in 60 days	Note 2	Monthly settlement with payment between 15 and 120 days	Note 2	446,828	19.46%	0	-	0	-

Note 1: The transaction price could not be compared as the Company did not purchase similar products from the non-related parties.

Note 2: The transaction prices with related parties were not significantly different from the ones with non-related parties. As for commissions, service revenue and other operating revenue, there was no similar transaction for comparison.

(2) Property transaction: There was no material property transaction.

(3) Financing provided to others: None.

(4) Property leases:

For the year ended December 31, 2022; Unit: NT\$ thousands

Transaction Type (Lease out or Lease in)	Object of Lease		Lease Term	Nature	Rent Basis	Collection (Payment) Term	Compare to General Rents	Total Rent	Collection/Payment Status	Other Terms
	Name	Location								
Lease out	Houses and buildings	6F., No. 16, E. 7th St., Nanzi Dist., Kaohsiung City, Taiwan (R.O.C.)	2021/11/01 ~2024/10/31	Operating lease	Negotiation	Collection on a monthly basis	Normal	2,518	Collected in full	None

(5) Other significant transactions: None.

5. Endorsement and guarantee: None.

6. Other matters which have significant impact on finance and business: None.

2. Private Placement Securities in the Most Recent Years: None.

3. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

(Unit: NT\$ thousands; Shares, %)

Name of Subsidiary	Paid-in Capital	Source of Fund	Shareholding % of the Company	Date of Acquisition or Disposal	Shares Acquired and Amount (Note 1)	Shares Disposed and Amount (Note 1)	Investment Gain (Loss)	No. of Shares Held and Amount as of April 1, 2024 (Note 2)	Pledge	Endorsement /Guarantee for the Subsidiary	Loans to the Subsidiary
Shing Zheng Investment Co., Ltd.	1,000,000	Cash flows from operation	49%	2023	1,249,000 shares NT\$45,262 thousand	300,000 shares NT\$13,455 thousand	3,096 thousand	None	None	0	0
				As of April 1, 2024	449,000 shares NT\$14,971 thousand	0	0	15,863,642 shares NT\$548,089 thousand	None	0	0

Note 1: The amount refers to the actual amount of acquisition or disposal.

Note 2: The shareholding amount was calculated using the closing price as of April 1, 2024.

4. Other necessary items to be supplemented: None.

IX. Any event that had a material impact on the rights of shareholders or the prices of securities provided in Clause 2, Paragraph 3, Article 36 of the Securities and Exchange Act occurred in the most recent year and by the print date of the annual report: None

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Chang Wah Technology Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Wah Technology Co., Ltd. and its subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

Chang Wah Technology Co., Ltd.

By

Canon, Huang
Chairman

March 12, 2024

INDEPENDENT AUDITORS' REPORT

Chang Wah Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Chang Wah Technology Co., Ltd. (the “Company”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2023 is described as follows:

Recognition of Revenue from Specific Customers

Due to the pressure of having to meet expected targets and market expectations, the possibility of overstating sales may arise. Operating revenue in 2023 has decreased substantially compared with that of 2022, especially revenue from specific customers, whose amount is inconsistent with the market trend and is significant to the overall operating revenue. Therefore, the recognition of revenue from specific customers with significant sales amounts and changes was deemed a key audit matter.

Our audit procedures performed in response to the abovementioned key audit matter are as follows:

1. We obtained an understanding of and tested the effectiveness of the implementation of internal controls over sales.
2. We selected appropriate samples from the sales revenue receipts of specific customers, examined purchase orders, shipping documents and proof of payments as pertaining to the same transaction counterparties.
3. We obtained details on sales returns and allowances for the year and after the reporting period and checked for major abnormalities in sales returns and allowances for the purpose of confirming the authenticity of the sales recognized before the balance sheet date.

Other Matter

We have also audited the parent company only financial statements of Chang Wah Technology Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,946,488	30	\$ 6,393,898	34
Financial assets at fair value through profit or loss (Notes 4 and 7)	93,883	-	57,708	-
Notes receivable (Notes 4 and 9)	16,203	-	7,948	-
Accounts receivable, net (Notes 4, 5 and 9)	1,806,045	9	2,001,042	11
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	473,345	2	555,302	3
Other receivables (Notes 9 and 32)	98,651	1	97,217	-
Current tax assets (Note 26)	19,433	-	-	-
Inventories (Notes 4, 5 and 10)	1,931,465	10	2,456,090	13
Other financial assets - current (Note 11)	2,012,827	10	583,490	3
Other current assets	97,203	1	103,008	1
Total current assets	<u>12,495,543</u>	<u>63</u>	<u>12,255,703</u>	<u>65</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	2,036,662	10	1,442,554	8
Property, plant and equipment (Notes 4, 13 and 32)	3,856,614	19	3,585,714	19
Right-of-use assets (Notes 4 and 14)	475,817	2	479,920	2
Investment properties (Notes 4, 15 and 32)	137,408	1	140,610	1
Goodwill (Notes 4 and 16)	683,802	3	683,852	4
Other intangible assets (Notes 4 and 17)	102,272	1	39,026	-
Deferred tax assets (Notes 4, 5 and 26)	120,232	1	69,973	-
Prepayments for equipment	22,573	-	86,653	1
Other financial assets - non-current (Notes 11 and 33)	22,568	-	31,605	-
Other non-current assets (Notes 22 and 32)	13,459	-	13,042	-
Total non-current assets	<u>7,471,407</u>	<u>37</u>	<u>6,572,949</u>	<u>35</u>
TOTAL	<u>\$ 19,966,950</u>	<u>100</u>	<u>\$ 18,828,652</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 2,545,000	13	\$ 2,126,457	11
Contract liabilities - current (Notes 4, 24 and 32)	267,513	1	331,044	2
Notes payable	341	-	170	-
Accounts payable (Note 20)	814,978	4	930,394	5
Accounts payable - related parties (Notes 20 and 32)	5,841	-	11,670	-
Dividends payable (Note 32)	754,271	4	651,505	3
Other payables (Notes 21, 22 and 32)	889,622	4	1,043,673	6
Current tax liabilities (Note 26)	352,312	2	504,723	3
Lease liabilities - current (Notes 4, 14 and 32)	16,379	-	18,677	-
Current portion of long-term borrowings (Note 18)	602,061	3	-	-
Other current liabilities	62,017	-	54,483	-
Total current liabilities	<u>6,310,335</u>	<u>31</u>	<u>5,672,796</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Contract liabilities - non-current (Notes 4 and 24)	36,526	-	81,977	1
Long-term borrowings (Note 18)	2,909,181	15	2,473,985	13
Deferred tax liabilities (Notes 4, 5 and 26)	273,175	1	327,471	2
Lease liabilities - non-current (Notes 4, 14 and 32)	83,666	1	76,668	-
Guarantee deposits received (Note 32)	6,282	-	6,374	-
Other non-current liabilities (Note 22)	14,341	-	15,968	-
Total non-current liabilities	<u>3,323,171</u>	<u>17</u>	<u>2,982,443</u>	<u>16</u>
Total liabilities	<u>9,633,506</u>	<u>48</u>	<u>8,655,239</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 23)				
Ordinary shares	380,215	2	386,569	2
Capital surplus	6,033,692	30	6,205,329	33
Retained earnings				
Legal reserve	894,391	5	633,251	4
Special reserve	10,317	-	225,382	1
Unappropriated earnings	2,877,254	14	3,244,984	17
Total retained earnings	3,781,962	19	4,103,617	22
Other equity	(30,821)	-	(334,695)	(2)
Treasury shares	(261,137)	(1)	(586,013)	(3)
Total equity attributable to owners of the Company	9,903,911	50	9,774,807	52
NON-CONTROLLING INTERESTS (Note 23)	<u>429,533</u>	<u>2</u>	<u>398,606</u>	<u>2</u>
Total equity	<u>10,333,444</u>	<u>52</u>	<u>10,173,413</u>	<u>54</u>
TOTAL	<u>\$ 19,966,950</u>	<u>100</u>	<u>\$ 18,828,652</u>	<u>100</u>

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

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 11,581,245	100	\$ 14,431,284	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>8,980,738</u>	<u>78</u>	<u>10,045,698</u>	<u>69</u>
GROSS PROFIT	<u>2,600,507</u>	<u>22</u>	<u>4,385,586</u>	<u>31</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	210,486	2	231,934	2
General and administrative expenses	524,272	4	602,796	4
Research and development expenses	420,520	4	422,484	3
Expected credit losses (gains)	<u>(3,055)</u>	<u>-</u>	<u>6,712</u>	<u>-</u>
Total operating expenses	<u>1,152,223</u>	<u>10</u>	<u>1,263,926</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>1,448,284</u>	<u>12</u>	<u>3,121,660</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 32)				
Interest income	285,112	3	74,408	-
Other income	243,140	2	164,610	1
Other gains and losses	86,900	1	320,866	2
Finance costs	<u>(93,248)</u>	<u>(1)</u>	<u>(47,289)</u>	<u>-</u>
Total non-operating income and expenses	<u>521,904</u>	<u>5</u>	<u>512,595</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	1,970,188	17	3,634,255	25
INCOME TAX EXPENSE (Notes 4 and 26)	<u>373,041</u>	<u>3</u>	<u>789,286</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>1,597,147</u>	<u>14</u>	<u>2,844,969</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	290	-	1,139	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	342,093	3	(255,018)	(2)

(Continued)

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (58)	-	\$ (228)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(57,968)	(1)	288,177	2
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>10,986</u>	<u>-</u>	<u>(57,332)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>295,343</u>	<u>2</u>	<u>(23,262)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,892,490</u>	<u>16</u>	<u>\$ 2,821,707</u>	<u>20</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,564,512		\$ 2,815,901	
Non-controlling interests	<u>32,635</u>		<u>29,068</u>	
	<u>\$ 1,597,147</u>		<u>\$ 2,844,969</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,857,656		\$ 2,812,447	
Non-controlling interests	<u>34,834</u>		<u>9,260</u>	
	<u>\$ 1,892,490</u>		<u>\$ 2,821,707</u>	
EARNINGS PER SHARE (Note 27)				
Basic	\$ 1.67		\$ 3.01	
Diluted	1.67		3.01	

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

(Concluded)

Chang Wah Technology Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owner of the Company										Other Equity			Total Equity
	Share Capital			Retained Earnings			Exchange Differences on Translating the Financial Statements of Operations	Unrealized Gain and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Future Benefits	Treasury Shares	Total	Non-controlling Interests		
	Ordinary Shares	Capital collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings							Total	
BALANCE AT JANUARY 1, 2022	\$ 364,131	\$ 17,109	\$ 5,872,815	\$ 346,521	\$ 105,738	\$ 2,093,758	\$ (261,162)	\$ 90,532	\$ (170,630)	\$ (342,001)	\$ 8,287,441	\$ 124,291	\$ 8,411,732	
Appropriation of earnings	-	-	-	286,730	-	(286,730)	-	-	-	-	-	-	-	
Legal reserve	-	-	-	286,730	119,644	(19,644)	-	-	-	-	(1,307,663)	-	(1,307,663)	
Cash dividends to shareholders	-	-	-	-	-	(1,307,662)	-	-	-	-	(1,307,662)	-	(1,307,662)	
Net profit for the year ended December 31, 2022	-	-	-	286,730	119,644	(1,714,037)	-	-	-	-	(1,307,663)	29,068	(1,307,663)	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	2,815,901	-	-	-	-	2,815,901	(19,808)	2,844,969	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	911	229,201	(233,566)	(4,365)	(4,365)	(3,452)	-	(23,262)	
Convertible bonds converted to ordinary shares (Note 19)	-	-	210,127	-	-	2,816,812	229,201	(233,566)	(4,365)	-	2,812,447	9,260	2,821,707	
Purchase of the Company's shares by subsidiaries (Note 23)	20,068	(17,109)	-	633,251	225,382	3,244,984	(31,961)	(191,485)	(111,249)	(586,013)	9,774,807	398,606	10,173,413	
Cash received by subsidiaries from the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in percentage of ownership interests in subsidiaries	-	-	7,102	-	-	-	-	-	-	-	(244,012)	(253,972)	(497,984)	
Share-based payments (Note 28)	-	-	115,284	-	-	-	-	-	-	-	7,102	7,392	14,494	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,451	-	(48,451)	(48,451)	-	-	-	-	
BALANCE AT DECEMBER 31, 2022	\$ 386,569	\$ -	\$ 6,205,529	\$ 633,251	\$ 225,382	\$ 3,244,984	\$ (31,961)	\$ (191,485)	\$ (334,695)	\$ (586,013)	\$ 9,774,807	\$ 398,606	\$ 10,173,413	
Appropriation of earnings	-	-	-	261,140	-	(261,140)	-	-	-	-	-	-	-	
Legal reserve	-	-	-	261,140	(215,065)	215,065	-	-	-	-	(1,903,950)	-	(1,903,950)	
Cash dividends to shareholders	-	-	-	-	-	(1,903,950)	-	-	-	-	(1,903,950)	-	(1,903,950)	
Net profit for the year ended December 31, 2023	-	-	-	261,140	(215,065)	(1,930,025)	-	-	-	-	(1,903,950)	32,635	(1,903,950)	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	1,564,512	-	-	-	-	1,564,512	2,199	1,597,147	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	232	(43,942)	316,854	292,912	292,912	293,144	2,199	295,343	
Cancellation of treasury shares (Note 23)	-	-	(247,891)	-	-	1,564,744	(43,942)	336,854	292,912	292,912	1,857,656	34,834	1,892,490	
Purchase of the Company's shares by subsidiaries (Note 23)	(6,354)	-	-	-	-	-	-	-	-	254,245	-	-	-	
Disposal of the Company's shares by subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	(22,178)	(22,178)	(23,084)	(45,262)	
Cash received by subsidiaries from the Company	-	-	1,517	-	-	-	-	-	-	5,053	6,570	6,838	13,408	
Share-based payments (Note 28)	-	-	11,855	-	-	-	-	-	-	-	11,855	12,339	24,194	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	62,882	-	-	-	-	-	28,513	87,726	179,151	-	179,151	
BALANCE AT DECEMBER 31, 2023	\$ 380,215	\$ -	\$ 6,033,692	\$ 894,391	\$ 10,317	\$ 2,877,254	\$ (75,903)	\$ 122,818	\$ (69,821)	\$ (261,127)	\$ 9,903,911	\$ 429,533	\$ 10,333,444	

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

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,970,188	\$ 3,634,255
Adjustments for:		
Depreciation expense	803,773	714,624
Amortization expense	14,755	13,207
Expected credit losses (gains)	(3,055)	6,712
Loss (gain) on financial assets at fair value through profit or loss	(33,480)	20,700
Finance costs	93,248	47,289
Interest income	(285,112)	(74,408)
Dividend income	(135,486)	(100,608)
Share-based compensation	80,771	6,405
Gain on disposal of property, plant and equipment	(2,025)	(423)
Impairment loss recognized on (reversal of) non-financial assets	(6,875)	103,731
Others	(19,814)	(9,716)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,695)	30,418
Notes receivable	(8,255)	(7,418)
Accounts receivable	198,054	92,197
Accounts receivable - related parties	81,957	202,935
Other receivables	30,959	17,502
Inventories	532,507	(367,236)
Other current assets	2,925	26,017
Other non-current assets	2,595	11
Contract liabilities - current	(63,531)	204,069
Notes payable	171	170
Accounts payable	(115,060)	(390,911)
Accounts payable - related parties	(5,829)	(4,102)
Other payables	(5,474)	172,600
Other current liabilities	7,534	6,872
Contract liabilities - non-current	(45,451)	34,799
Other non-current liabilities	(1,337)	9,874
Cash generated from operations	3,085,958	4,389,565
Interest received	256,694	68,514
Dividends received	131,511	83,766
Interest paid	(73,675)	(27,572)
Income taxes paid	(638,711)	(457,348)
Net cash generated from operating activities	<u>2,761,777</u>	<u>4,056,925</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(545,803)	(1,011,579)

(Continued)

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 291,970	\$ 141,813
Acquisition of property, plant and equipment	(1,136,636)	(1,362,857)
Proceeds from disposal of property, plant and equipment	5,314	453
Increase in refundable deposits	(866)	-
Acquisition of intangible assets	-	(1,467)
Acquisition of investment properties	-	(261,628)
Increase in other financial assets	(1,420,337)	(563,190)
Increase in other non-current assets	(3,175)	(399)
Increase in prepayments for equipment	<u>(76,284)</u>	<u>(146,609)</u>
Net cash used in investing activities	<u>(2,885,817)</u>	<u>(3,205,463)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,705,000	2,676,612
Repayments of short-term borrowings	(1,286,544)	(1,880,704)
Redemption of corporate bonds	-	(775)
Proceeds from long-term borrowings	2,648,173	1,635,592
Repayments of long-term borrowings	(1,610,916)	(898,480)
Increase in guarantee deposits received	-	72
Repayments of the principal portion of lease liabilities	(18,787)	(15,314)
Cash dividends paid	(1,776,990)	(888,535)
Acquisition of the parent company's shares held by subsidiaries	(45,618)	(497,984)
Disposal of treasury shares	13,408	-
Treasury shares sold to employees	98,380	-
Increase in non-controlling interests	<u>-</u>	<u>510,000</u>
Net cash generated from (used in) financing activities	<u>(273,894)</u>	<u>640,484</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS		
	<u>(49,476)</u>	<u>210,316</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(447,410)	1,702,262
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,393,898</u>	<u>4,691,636</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,946,488</u>	<u>\$ 6,393,898</u>

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

(Concluded)

Chang Wah Technology Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chang Wah Technology Co., Ltd. (the “Company”) was incorporated under the provisions of the Company Act on December 24, 2009. It mainly manufactures industrial plastic products and electronics components, and sells electronics components and machinery and tools.

The shares of the Company have been trading on the TPEx since September 2016. The subsidiary, SH Electronics Taiwan Co., Ltd. (SHT), merged with the Company in January 2022.

As of December 31, 2023 and 2022, the parent company, Chang Wah Electromaterials Inc. (CWE), owned 47.44% and 46.55%, respectively, of the Company’s issued ordinary shares for both years.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 12, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Company and its subsidiaries’ accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: When this amendment is applied for the first time, partial disclosure provisions are waived.

As of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries have assessed that the application of other standards and interpretations will not have a material impact on the Company and its subsidiaries' financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were reported to the board of directors and authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the initial application of the other standards and the amendments and interpretations will have on their financial position and financial performance and disclose the relevant impact when the assessment is completed.

- d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the consolidated balance sheets and consolidated statements of cash flows in 2023. The other financial assets were reclassified to cash and cash equivalents with a carrying amount of \$768,328 thousand and \$1,006,266 thousand on December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Amount before adjustments	Adjustments	Amount after adjustments
Net cash used in investing activities	<u>\$(2,967,525)</u>	<u>\$ (237,938)</u>	<u>\$(3,205,463)</u>
Net increase in cash and cash equivalents	<u>1,940,200</u>	<u>(237,938)</u>	<u>1,702,262</u>

(Continued)

	Amount before adjustments	Adjustments	Amount after adjustments
Cash and cash equivalents at the beginning of the year	<u>\$ 3,685,370</u>	<u>\$ 1,006,266</u>	<u>\$ 4,691,636</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,625,570</u>	<u>\$ 768,328</u>	<u>\$ 6,393,898</u> (Concluded)

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within 12 months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisitions up to the effective date of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

For details of the subsidiaries, including the shareholding percentages and nature of activities, please refer to Note 12, Table 8 and 9.

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates closing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its subsidiaries' foreign operations (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments recognized on identifiable assets and liabilities of acquired foreign operations are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work in progress, finished goods, merchandise, and consumable supplies. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Company and its subsidiaries dispose of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Other intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (other than goodwill)

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of their property, plant and equipment, right-of-use assets, investment properties and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and

depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value. Any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; and any remeasurement of gains and losses on such financial assets are recognized in other gains and losses. Fair value is determined in the manner described in Note 31.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including from related parties) at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company and its subsidiaries always recognize lifetime expected credit losses (ECLs) for accounts receivables. For other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, Lifetime ECLs, represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For internal credit risk management purposes, the Company and its subsidiaries consider the following situations as indications that a financial instrument is in default (without taking into account any collateral held by the Company and its subsidiaries):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 30 days past due unless the Company and its subsidiaries have reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated separately for the purpose of repurchase. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

m. Treasury shares

The Company's shares held by subsidiaries may be recognized as treasury shares based on the cost of acquisition and the Company's percentage of ownership in a subsidiary.

n. Revenue recognition

The Company and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company and its subsidiaries to customers and the performance obligations are satisfied. Unearned sales revenues are recognized as contract liabilities until the performance obligations are satisfied.

Revenue is measured at fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Company and its subsidiaries with customers. Estimated discounts or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Company and its subsidiaries transfer a promised good to a customer and the date the customer pays for that good is one year or less, the Company and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

2) Commission and revenue from the rendering of services

Commission is charged on the basis of calculation as stated in the contract, while revenue from the rendering of services is from the procurement of raw materials on behalf of customers and the provision of technical support services. Since the period between the date of service transferred and the date of collection is less than one year, the Company does not adjust the promised amount of consideration for the effect of the significant financing component.

3) Dividend income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

o. Leases

At the inception of a contract, the Company and its subsidiaries assess whether the contract is, or contains, a lease.

1) The Company and its subsidiaries as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company and its subsidiaries assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company and its subsidiaries as lessee

The Company and its subsidiaries recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and its subsidiaries use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, an index or a rate used to determine those payments, the Company and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

The Company and its subsidiaries negotiate with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company and its subsidiaries elect to apply the practical expedient to all of these rent concessions and, therefore, do not assess whether the rent concessions are lease modifications. Instead, the Company and its subsidiaries recognize the reduction in lease payments in profit or loss as other operating income in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Company and its subsidiaries will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company and its subsidiaries recognize as expenses the related costs that the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company and its subsidiaries should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company and its subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost as well as past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

s. Share-based payment arrangements

The fair value at the grant date of the employee share options and restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. At each balance sheet date, the Company reviews its estimate of the number of employee share options and restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options, capital surplus - restricted shares for employees and other equity - unearned employee benefits.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each jurisdiction.

According to the Income Tax Act in the ROC., an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liabilities is not recognized.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expect, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Company and its subsidiaries consider the possible impact of the recent development of the COVID-19 and its economic environment implications when making its material accounting estimate. The Company and its subsidiaries review the estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Company and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company and its subsidiaries use judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. The net realizable value of inventories is mainly evaluated based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

c. Income taxes

The realizability of deferred tax assets, which mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profits generated are

less than expected, a reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Since a portion of the earnings is expected to be used for expanding foreign operations, it will not be remitted in the foreseeable future. The realization of deferred income tax liabilities mainly depends on the scale of operation expansion in the future. If the actual investment amount in the future is less than the expected investment amount, it will be recognized as deferred income tax liabilities and under profit or loss in the period of occurrence.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hand	\$ 205	\$ 253
Checking accounts and demand deposits	3,775,010	3,948,569
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	<u>2,171,273</u>	<u>2,445,076</u>
	<u>\$ 5,946,488</u>	<u>\$ 6,393,898</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 79,100	\$ 55,020
Domestic convertible bonds	<u>14,783</u>	<u>2,688</u>
	<u>\$ 93,883</u>	<u>\$ 57,708</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
Investments in equity instruments		
Domestic listed shares	<u>\$ 2,036,662</u>	<u>\$ 1,442,554</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company and its subsidiaries' strategy of holding these investments for long-term purposes.

The Company entered into a securities-lending agreement with SinoPac Securities. During the lending period, the Company retains the risks and the returns of these financial assets; therefore, they were not excluded. As of December 31, 2023 and 2022, the carrying amounts of the securities lent out were NT\$48,854 thousand and NT\$11,536 thousand, respectively.

9. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Notes receivable - operating		
Measured at amortized cost		
Gross carrying amount	\$ <u>16,203</u>	\$ <u>7,948</u>
Accounts receivable		
Measured at amortized cost		
Gross carrying amount	\$ 1,811,134	\$ 2,009,188
Less: Allowance for impairment loss	<u>5,089</u>	<u>8,146</u>
	<u>\$ 1,806,045</u>	<u>\$ 2,001,042</u>
Accounts receivable - related parties		
Measured at amortized cost		
Gross carrying amount	\$ <u>473,345</u>	\$ <u>555,302</u>
Other receivables		
Measured at amortized cost		
Gross carrying amount	\$ <u>98,651</u>	\$ <u>97,217</u>

For the Company and its subsidiaries' related credit management policies, refer to Note 31.

The Company and its subsidiaries measure the loss allowance for notes and accounts receivable at an amount equal to lifetime expected credit losses. The lifetime expected credit losses on notes and accounts receivable are estimated by reference to the past default experience of the customers, current financial position of the customers, economic condition of the industry in which the customers operate, as well as the industry outlook. The Company and its subsidiaries write off a notes and account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the notes and accounts receivable are past due. For notes and accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivable.

December 31, 2023

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 2,144,761	\$ 145,743	\$ 10,178	\$ -	\$ -	\$ 2,300,682
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(5,089)</u>	<u>-</u>	<u>-</u>	<u>(5,089)</u>
Amortized cost	<u>\$ 2,144,761</u>	<u>\$ 145,743</u>	<u>\$ 5,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,295,593</u>

December 31, 2022

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 2,370,038	\$ 188,617	\$ 11,274	\$ 513	\$ 1,996	\$ 2,572,438
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(5,637)</u>	<u>(513)</u>	<u>(1,996)</u>	<u>(8,146)</u>
Amortized cost	<u>\$ 2,370,038</u>	<u>\$ 188,617</u>	<u>\$ 5,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,564,292</u>

The movements of the loss allowance for notes and accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 8,146	\$ 1,343
Recognition (reversal) in current year	(3,055)	6,712
Effect of foreign currency exchange difference	<u>(2)</u>	<u>91</u>
Balance, end of year	<u>\$ 5,089</u>	<u>\$ 8,146</u>

10. INVENTORIES

	December 31	
	2023	2022
Raw materials and supplies	\$ 547,425	\$ 753,775
Work in progress	584,702	695,697
Finished goods	631,643	842,090
Merchandise	30,701	28,228
Consumable supplies	<u>136,994</u>	<u>136,300</u>
	<u>\$ 1,931,465</u>	<u>\$ 2,456,090</u>

The nature of operating costs for the years ended December 31, 2023 and 2022 is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 9,652,585	\$ 10,751,667
Write-downs of (reversal of) inventories	(6,875)	103,731
Inventory obsolescence loss	9,428	-
Revenue from sale of scraps	(686,346)	(883,003)
Others	<u>11,946</u>	<u>73,303</u>
	<u>\$ 8,980,738</u>	<u>\$ 10,045,698</u>

For the year ended December 31, 2023, write-downs of (reversal of) inventories were due to the sale of obsolete inventories or being put into production.

11. OTHER FINANCIAL ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 2,012,827</u>	<u>\$ 538,490</u>
<u>Non-current</u>		
Pledged time deposits (Note 33)	<u>\$ 22,568</u>	<u>\$ 31,605</u>

12. SUBSIDIARIES

a. The detailed information of subsidiaries is as follows:

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)		Note
			December 31, 2023	December 31, 2022	
The Company	CWTC (Shanghai) Inc. (CWTS)	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	100	100	
	SH Asia Pacific Pte. Ltd. (SHAP)	Trading of electronic components and electronics; investment activities	100	100	
	Shing Zheng Investment Co., Ltd. (Shing Zheng Investment)	Investment activities	49	49	
	Malaysian SH Electronics Sdn. Bhd. (MSHE)	Manufacturing and selling lead frame and semiconductor materials	100	100	
SH Asia Pacific Pte. Ltd.	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	70	70	
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	70	70	
	SH Electronics Suzhou Co., Ltd. (SHS)	Researching, developing, manufacturing and selling of lead frame, semiconductor packaging materials and precision tools	100	100	
	WSP Electromaterials Ltd.	WSP Electromaterials Ltd. (WSP) Shanghai Chang Wah Electromaterials Inc. (CWES)	International investment activities Acting as an agent for IC packaging materials and equipment	100 69	100 69
	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	30	30	
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	30	30	

b. The Company and its subsidiaries do not have any subsidiaries with significant non-controlling interests.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2023

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2023	\$ 232,919	\$ 2,274,145	\$ 5,284,732	\$ 3,581,499	\$ 30,329	\$ 97,978	\$ 435,853	\$ 984,247	\$ 12,921,702
Additions	-	10,902	258,614	207,369	6,690	2,837	33,575	536,136	1,056,123
Disposals	-	(1,717)	(17,442)	(10,347)	(4,672)	(6,513)	(12,561)	-	(53,252)
Effect of foreign currency exchange difference	-	(11,108)	(31,484)	(22,581)	(73)	(321)	(1,489)	209	(66,847)
Balance at December 31, 2023	<u>232,919</u>	<u>2,272,222</u>	<u>5,494,420</u>	<u>3,755,940</u>	<u>32,274</u>	<u>93,981</u>	<u>455,378</u>	<u>1,520,592</u>	<u>13,857,726</u>
Accumulated depreciation									
Balance at January 1, 2023	-	(1,560,245)	(4,119,356)	(3,180,923)	(23,784)	(84,929)	(295,673)	-	(9,264,910)
Depreciation	-	(96,132)	(341,748)	(283,943)	(2,535)	(6,996)	(41,998)	-	(773,352)
Disposals	-	1,717	14,060	10,314	4,672	6,485	10,740	-	47,988
Effect of foreign currency exchange difference	-	10,095	25,405	21,078	(8)	346	1,336	-	58,252
Balance at December 31, 2023	-	<u>(1,644,565)</u>	<u>(4,421,639)</u>	<u>(3,433,474)</u>	<u>(21,655)</u>	<u>(85,094)</u>	<u>(325,595)</u>	-	<u>(9,932,022)</u>
Accumulated impairment									
Balance at January 1, 2023	-	(29,736)	(13,100)	(27,966)	-	-	(276)	-	(71,078)
Disposals	-	-	1,974	-	-	-	1	-	1,975
Effect of foreign currency exchange difference	-	-	9	-	-	-	4	-	13
Balance at December 31, 2023	-	<u>(29,736)</u>	<u>(11,117)</u>	<u>(27,966)</u>	-	-	<u>(271)</u>	-	<u>(69,090)</u>
Carrying amount at December 31, 2023	<u>\$ 232,919</u>	<u>\$ 597,921</u>	<u>\$ 1,061,664</u>	<u>\$ 294,500</u>	<u>\$ 10,619</u>	<u>\$ 8,887</u>	<u>\$ 129,512</u>	<u>\$ 1,520,592</u>	<u>\$ 3,856,614</u>

For the Year Ended December 31, 2022

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2022	\$ -	\$ 2,000,613	\$ 4,776,505	\$ 3,274,320	\$ 26,712	\$ 92,221	\$ 362,188	\$ 435,937	\$ 10,968,496
Additions	143,546	160,043	407,396	272,957	4,179	3,497	91,382	545,718	1,628,718
Disposals	-	(10,849)	(20,979)	(92,002)	(1,983)	(3,466)	(1,567)	-	(130,846)
Reclassification	89,373	59,440	-	-	-	-	(17,452)	-	131,361
Effect of foreign currency exchange difference	-	64,898	121,810	126,224	1,421	5,726	1,302	2,592	323,973
Balance at December 31, 2022	<u>232,919</u>	<u>2,274,145</u>	<u>5,284,732</u>	<u>3,581,499</u>	<u>30,329</u>	<u>97,978</u>	<u>435,853</u>	<u>984,247</u>	<u>12,921,702</u>
Accumulated depreciation									
Balance at January 1, 2022	-	(1,408,260)	(3,727,960)	(2,912,508)	(22,395)	(75,697)	(275,808)	-	(8,422,628)
Depreciation	-	(93,504)	(308,143)	(244,504)	(2,129)	(7,946)	(31,864)	-	(688,090)
Disposals	-	10,849	20,979	91,974	1,983	3,464	1,567	-	130,816
Reclassification	-	(16,628)	-	-	-	-	11,705	-	(4,923)
Effect of foreign currency exchange difference	-	(52,702)	(104,232)	(115,885)	(1,243)	(4,750)	(1,273)	-	(280,085)
Balance at December 31, 2022	-	<u>(1,560,245)</u>	<u>(4,119,356)</u>	<u>(3,180,923)</u>	<u>(23,784)</u>	<u>(84,929)</u>	<u>(295,673)</u>	-	<u>(9,264,910)</u>
Accumulated impairment									
Balance at January 1, 2022	-	(29,736)	(13,059)	(27,966)	-	-	(273)	-	(71,034)
Effect of foreign currency exchange difference	-	-	(41)	-	-	-	(3)	-	(44)
Balance at December 31, 2022	-	<u>(29,736)</u>	<u>(13,100)</u>	<u>(27,966)</u>	-	-	<u>(276)</u>	-	<u>(71,078)</u>
Carrying amount at December 31, 2022	<u>\$ 232,919</u>	<u>\$ 684,164</u>	<u>\$ 1,152,276</u>	<u>\$ 372,610</u>	<u>\$ 6,545</u>	<u>\$ 13,049</u>	<u>\$ 139,904</u>	<u>\$ 984,247</u>	<u>\$ 3,585,714</u>

The following items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main building	10-35 years
Renovation	2-25 years
Machinery and equipment	2-10 years
Tooling equipment	2-5 years
Transportation equipment	3-5 years
Office equipment	2-5 years
Other equipment	2-10 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	\$ 420,043	\$ 430,846
Buildings	54,965	47,802
Transportation equipment	<u>809</u>	<u>1,272</u>
	<u>\$ 475,817</u>	<u>\$ 479,920</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 23,875</u>	<u>\$ 39,335</u>
Depreciation charge for right-of-use assets		
Land	\$ 10,423	\$ 10,370
Buildings	16,334	13,193
Transportation equipment	462	116
Other equipment	<u>-</u>	<u>56</u>
	<u>\$ 27,219</u>	<u>\$ 23,735</u>

Except for the additions to and depreciation of the right-of-use assets listed above, there was no significant sublease or impairment of the Company and its subsidiaries' right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	<u>\$ 16,379</u>	<u>\$ 18,677</u>
Non-current	<u>\$ 83,666</u>	<u>\$ 76,668</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.9235-2.171	1.9235-2.171
Buildings	0.6661-5.0932	0.35-5.0932
Transportation equipment	1.1033	1.1033

c. Material leasing activities and terms

The Company lease land from the government. The lease term will expire in December 2031, and the Company has the option to extend or to terminate the lease contract. The Company does not have a purchase option to acquire the leased land at the expiration of the lease period. The government has the option to adjust the lease payments on the base on changes in announced land value.

The Company leases buildings from its associate, JMC Electronics Co., Ltd. (JMC). The lease term will expire in August 2026, and under certain conditions, the Company has the options to extend or to terminate the lease contract. The Company does not have bargain purchase option to acquire the leasehold buildings at the expiration of the lease period.

The main lease agreements of the subsidiaries SHEC, SHS, and MSHE are right-of-use agreements for the lease of land with lease terms of 50-97 years.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 13,371</u>	<u>\$ 12,594</u>
Expenses relating to low-value asset leases	<u>\$ 796</u>	<u>\$ 755</u>
Total cash outflow for leases	<u>\$ 32,188</u>	<u>\$ 29,968</u>

For staff dormitory, office and transportation equipment, and other equipment that qualify as low-value asset leases, the Company and its subsidiaries have elected to apply the recognition exemption; thus, the Company and its subsidiaries did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>For the year ended December 31, 2023</u>			
Cost			
Balance at January 1 and December 31, 2023	<u>\$ 95,653</u>	<u>\$ 68,048</u>	<u>\$ 163,701</u>
Accumulated depreciation			
Balance at January 1, 2023	-	(23,091)	(23,091)
Depreciation	<u>-</u>	<u>(3,202)</u>	<u>(3,202)</u>
Balance at December 31, 2023	<u>-</u>	<u>(26,293)</u>	<u>(26,293)</u>
Carrying amount at December 31, 2023	<u>\$ 95,653</u>	<u>\$ 41,755</u>	<u>\$ 137,408</u>
<u>For the year ended December 31, 2022</u>			
Cost			
Balance at January 1, 2022	\$ -	\$ 33,434	\$ 33,434
Additions	185,026	76,602	261,628
Reclassification	<u>(89,373)</u>	<u>(41,988)</u>	<u>(131,361)</u>
Balance at December 31, 2022	<u>95,653</u>	<u>68,048</u>	<u>163,701</u>
Accumulated depreciation			
Balance at January 1, 2022	-	(25,215)	(25,215)
Depreciation	-	(2,799)	(2,799)
Reclassification	<u>-</u>	<u>4,923</u>	<u>4,923</u>
Balance at December 31, 2022	<u>-</u>	<u>(23,091)</u>	<u>(23,091)</u>
Carrying amount at December 31, 2022	<u>\$ 95,653</u>	<u>\$ 44,957</u>	<u>\$ 140,610</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings 10-35 years

The Company's investment properties are located at the Nanzih Technology Industrial Park and Daliao Dist., Kaohsiung. The Company's management was unable to reliably measure the fair value of the investment property located at the Nanzih Technology Industrial Park because the land belongs to the government, and the Company only holds the building's ownership. The market transactions are not frequent and comparable properties in the active market and alternative reliable measurements of fair value are not available; therefore, the Company and its subsidiaries determined that the fair value of the investment property is not reliably measurable. The fair value of the investment property located at the Daliao Dist., Kaohsiung was determined based on the valuation methodology carried out by an independent valuation firm (non-related party of the Company) on February 10, 2022. The fair value was assessed as NT\$138,096 based on the lease scope on December 31, 2023 and 2022. The valuation was arrived at using the sales comparison approach and the cost comparison approach. Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed on December 31, 2023 and 2022 and the aforementioned fair value assessed by the independent valuation firm.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2023	2022
Year 1	\$ 4,903	\$ 7,871
Year 2	2,520	5,040
Year 3	210	2,520
Year 4	<u>-</u>	<u>210</u>
	<u>\$ 7,633</u>	<u>\$ 15,641</u>

16. GOODWILL

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 683,852	\$ 653,410
Effect of foreign currency exchange differences	<u>(50)</u>	<u>30,442</u>
Balance, end of year	<u>\$ 683,802</u>	<u>\$ 683,852</u>

The Company and its subsidiaries carried out impairment testing on the recoverable amount of goodwill at the end of the annual reporting period. The recoverable amount was determined based on the value in use calculation that used the cash flow projections in the financial budgets covering a 5-year period, using annual discount rates of 17.31% and 17.23% as of December 31, 2023 and 2022, respectively. Based on the assessment results, the recoverable amount exceeded the carrying amount; hence, the Company and its subsidiaries need not recognize any impairment loss on goodwill.

17. OTHER INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Computer software	\$ 27,738	\$ 34,566
Patents	<u>74,534</u>	<u>4,460</u>
	<u>\$ 102,272</u>	<u>\$ 39,026</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-10 years
Patents	10-20 years

18. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Credit loans	<u>\$ 2,545,000</u>	<u>\$ 2,126,457</u>
Range of interest rate (%)	1.55-1.68	1.18-3.85

b. Long-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Credit loans		
Maturities before June 2030, interest rates 0.595%-1.7938% and 0.47%-1.67% p.a., respectively	\$ 3,511,242	\$ 2,473,985
Less: Current portion	<u>602,061</u>	<u>-</u>
	<u>\$ 2,909,181</u>	<u>\$ 2,473,985</u>

- 1) The Company has committed to maintain certain percentages and amounts for the current ratio, debt ratio, interest coverage ratio and total equity in the consolidated financial statements during the loan period, which are reviewed at least once every six months. If the Company is not in compliance with the aforementioned restrictions on the financial ratios and amounts, the Company should make improvements by the end of the year of submission of the annual consolidated financial statements or by the end of the second quarter of the next year's consolidated financial statements. If the restrictions are met, the Company will be deemed as not in violation of the restrictions, however, the interest rate will be raised. The Company and its subsidiaries' consolidated financial statements as of the year ended December 31, 2023 was not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement of NT\$7,200,000 thousand with seven banks led by First Commercial Bank in December 2020. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$5,760,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial

institutions and enriching medium-term working capital. In addition, the Company may extend the loan period by 2 years after obtaining the consent of the seven banks, within the period of six months starting from 4 years after the initial drawdown date.

- 3) In September 2019, the Company obtained the approval letter from the Ministry of Economic Affairs (MOEA), Republic of China according to “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan.” In accordance with the regulations, the Company is required to complete its investments within 3 years from the date of approval of the letter. The Ministry of Economic Affairs approved the change of the scheduled investment plan and the extension of the investment completion date to July 2024 due to the progress of the plant expansion and the significant increase in production capacity caused by the epidemic.

19. BONDS PAYABLE - FOR THE YEAR ENDED DECEMBER 31, 2022 ONLY

a. Liability component

1) Secured domestic convertible bonds

For the year ended December 31, 2022

	Face Value	Discounts on bonds payable	Total
Balance, beginning of the year (included in current - portion of bonds payable)	\$ 221,200	\$ (6,032)	\$ 215,168
Converted into ordinary shares	(220,400)	5,903	(214,497)
Execution of redemption rights	(800)	21	(779)
Amortization	<u>-</u>	<u>108</u>	<u>108</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2) Financial assets at FVTPL

	<u>For the Year Ended December 31 2022</u>
Balance, beginning of the year	\$ 1,416
Converted into ordinary shares	(1,411)
Execution of redemption rights	(4)
Adjustment for valuation	<u>(1)</u>
Balance, end of the year	<u>\$ -</u>

b. Equity component

	For the Year Ended December 31 2022
Balance, beginning of the year	\$ 52,430
Converted into ordinary shares	(52,240)
Execution of redemption rights	<u>(190)</u>
Balance, end of the year	<u>\$ -</u>

The Company issued first secured domestic convertible bonds in July 2021. The bonds were issued at 120.56% of the face value. The total amount issued was NT\$1,808,462 thousand with a face value of NT\$100 thousand each, zero coupon rate and issuance period of 5 years. Hua Nan Commercial Bank and E.SUN Commercial Bank acted as guarantee banks. According to the regulations, the liabilities and conversion rights are separately recognized as liabilities and capital surplus - options, respectively; the embedded derivatives (redemption rights and put options) are recognized separately from the contract and included in financial assets at FVTPL. Liability components of non-derivative bonds are measured at amortized cost using the effective interest method (effective interest rate is 0.6034%). The discount amortization is recognized in current profit or loss.

The over-the-counter trading of the convertible bonds was terminated in January 2022, the abovementioned secured convertible bonds with a face value of NT\$1,499,200 thousand have been converted into 20,068 thousand ordinary shares (par value of NT\$1) of the Company. The benchmark date of capital increase on March 17, 2022, it is recorded under capital collected in advance. The portion of the net amount of conversion exceeding the par value of the ordinary shares is accounted for as capital surplus - convertible bond premium in the amount of NT\$262,367 thousand in 2022; in addition, due to the exercise of the conversion right of bonds, the capital surplus - options recognized in the original issue decreased by NT\$52,240 thousand in 2022. The redemption right of this convertible bonds was exercised by the Company. The capital surplus - options recognized in the original issue by NT\$190 thousand was transferred to capital surplus - convertible bonds of expired share options.

20. ACCOUNTS PAYABLE

	December 31	
	2023	2022
Accounts payable	<u>\$ 814,978</u>	<u>\$ 930,394</u>
Accounts payable - related parties	<u>\$ 5,841</u>	<u>\$ 11,670</u>

The Company and its subsidiaries have in place financial risk management policies to ensure that all accounts payable will be repaid within the credit period.

21. OTHER PAYABLES

	December 31	
	2023	2022
Salaries and bonuses	\$ 486,628	\$ 507,368
Purchase of equipment	77,953	226,557

(Continued)

	December 31	
	2023	2022
Employees' compensation and remuneration of directors	\$ 53,066	\$ 41,925
Others	<u>271,975</u>	<u>267,823</u>
	<u>\$ 889,622</u>	<u>\$ 1,043,673</u>

(Concluded)

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in foreign countries contribute on a monthly basis a certain percentage of employees' monthly salaries and wages to their respective pension funds in accordance with the local laws and regulations.

b. Defined benefit plans

The Company adopted a defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company makes contributions equal to a certain percentage of total monthly salaries to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); The Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries' defined benefit plans and other long-term employee benefit were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 8,323	\$ 4,771
Fair value of plan assets	(7,798)	(7,366)
Present value of other long-term employee benefit obligation appropriated	<u>11,699</u>	<u>10,639</u>
	12,224	8,044
Recognized under other payables	<u>(11,699)</u>	<u>(10,639)</u>
Net defined benefit liabilities (assets) (Note)	<u>\$ 525</u>	<u>\$ (2,595)</u>

Note: Net defined benefit liabilities are recognized under other non-current liabilities; net defined benefit assets are recognized under other non-current assets.

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Present Value of Other Long-term Employee Benefit Obligation Appropriated	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2023	\$ 4,771	\$ (7,366)	\$ 10,639	\$ 8,044
Service cost				
Current service cost	124	-	3,055	3,179
Past service cost	3,601	-	-	3,601
Interest expense (income)	72	(111)	131	92
Recognized in profit or loss	<u>3,797</u>	<u>(111)</u>	<u>3,186</u>	<u>6,872</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(45)	-	(45)
Actuarial loss (gain)				
Experience adjustments	(245)	-	1,756	1,511
Recognized in other comprehensive income (the portion of other long-term employee benefits is recognized in profit or loss)	<u>(245)</u>	<u>(45)</u>	<u>1,756</u>	<u>1,466</u>
Contributions from the employer	-	(276)	-	(276)
Benefits paid	<u>-</u>	<u>-</u>	<u>(3,882)</u>	<u>(3,882)</u>
	<u>-</u>	<u>(276)</u>	<u>(3,882)</u>	<u>(4,158)</u>
Balance at December 31, 2023	<u>\$ 8,323</u>	<u>\$ (7,798)</u>	<u>\$ 11,699</u>	<u>\$ 12,224</u>
Balance at January 1, 2022	<u>\$ 5,168</u>	<u>\$ (6,635)</u>	<u>\$ 6,683</u>	<u>\$ 5,216</u>
Service cost				
Current service cost	136	-	3,662	3,798
Interest expense (income)	26	(33)	28	21
Recognized in profit or loss	<u>162</u>	<u>(33)</u>	<u>3,690</u>	<u>3,819</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(580)	-	(580)
Actuarial loss (gain)				
Changes in financial assumptions	(566)	-	(187)	(753)
Experience adjustments	7	-	2,404	2,411
Recognized in other comprehensive income (the portion of other long-term employee benefits is recognized in profit or loss)	<u>(559)</u>	<u>(580)</u>	<u>2,217</u>	<u>1,078</u>
Contributions from the employer	-	(118)	-	(118)
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,951)</u>	<u>(1,951)</u>
	<u>-</u>	<u>(118)</u>	<u>(1,951)</u>	<u>(2,069)</u>
Balance at December 31, 2022	<u>\$ 4,771</u>	<u>\$ (7,366)</u>	<u>\$ 10,639</u>	<u>\$ 8,044</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans and other long-term employee benefit are as follows:

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ 7,301	\$ 3,316
General and administrative expenses	<u>1,327</u>	<u>2,720</u>
	<u>\$ 8,628</u>	<u>\$ 6,036</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate (%)	1.5	1.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0.0-10.0	0.0-10.0

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (383)</u>	<u>\$ (170)</u>
0.25% decrease	<u>\$ 407</u>	<u>\$ 178</u>

(Continued)

	December 31	
	2023	2022
Expected rate of salary increase		
0.25% increase	<u>\$ 397</u>	<u>\$ 173</u>
0.25% decrease	<u>\$ (376)</u>	<u>\$ (166)</u>
		(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	<u>\$ 250</u>	<u>\$ 96</u>
Average duration of the defined benefit obligation	22.3 years	14.7 years

23. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>1,750,000</u>
Shares authorized	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Number of shares issued and fully paid (in thousands)	<u>950,539</u>	<u>966,422</u>
Shares issued	<u>\$ 380,215</u>	<u>\$ 386,569</u>

The Company had passed the revision of its articles of incorporation regarding par value per share in its shareholders' meeting in June 2022. The par value per share had been changed from NT\$1 to NT\$0.4, and the reissuance of the shares was completed on September 5, 2022.

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors resolved to cancel treasury shares in May 2023 which were bought back in 2018 and had not been transferred to employees within five years. The Company canceled 15,883 thousand treasury shares on July 6, 2023, which was the date for capital reduction. The amount of capital reduction was NT\$6,354 thousand. The difference between the cost and the cancelled shares decreased capital surplus - share issue premium by NT\$68,068 thousand and capital surplus - treasury share transaction by NT\$179,823 thousand, respectively.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,082,840	\$ 4,224,188
Conversions of bonds	1,784,093	1,784,093
		(Continued)

	December 31	
	2023	2022
Treasury share transactions	\$ 51,195	\$ 81,484
Expired options of convertible bonds	190	190
Expired employee share options	89	89
<u>May be used to offset deficits only</u>		
Share of changes in equity of subsidiaries	1	1
<u>May not be used for any purpose</u>		
Restricted stocks for employees	<u>115,284</u>	<u>115,284</u>
	<u>\$ 6,033,692</u>	<u>\$ 6,205,329</u>

(Concluded)

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

c. Retained earnings and dividend policy

After the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each quarter. If there is any surplus at the end of each quarter, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous quarter, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

Before the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- 1) Determine the best capital budget.
- 2) Determine the amount of financing needed to meet the previous capital budget.
- 3) Determine the amount of capital to be financed by retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In accordance with the Rule issued by FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2023, 2022 and 2021 had been approved by the Company's board of directors. The appropriations and dividends per share were as follows:

	For the Second Half of Year, 2022	For the First Half of Year, 2022	For the Second Half of Year, 2021	For the First Half of Year, 2021
Resolution Date of the Company's board of directors in its meeting	March 16, 2023	November 4, 2022	March 17, 2022	November 5, 2021
Legal reserve	<u>\$ 133,177</u>	<u>\$ 153,349</u>	<u>\$ 133,381</u>	<u>\$ 55,332</u>
Special reserve (reversal)	<u>\$ 31,557</u>	<u>\$ 54,752</u>	<u>\$ 64,892</u>	<u>\$ (34,256)</u>
Cash dividends	<u>\$ 765,496</u>	<u>\$ 661,540</u>	<u>\$ 646,123</u>	<u>\$ 246,872</u>
Cash dividends per share (NT\$)	<u>\$ 0.81</u>	<u>\$ 0.70</u>	<u>\$ 1.72</u>	<u>\$ 0.68</u>

	For the Three Months Ended December 31, 2023	For the Three Months Ended September 30, 2023	For the Three Months Ended June 30, 2023	For the Three Months Ended March 31, 2023
Resolution Date of the Company's board of directors in its meeting	March 12, 2024	November 7, 2023	August 8, 2023	May 5, 2023
Legal reserve	<u>\$ 30,266</u>	<u>\$ 42,310</u>	<u>\$ 46,838</u>	<u>\$ 38,815</u>
Special reserve (reversal)	<u>\$ (1,456)</u>	<u>\$ (10,787)</u>	<u>\$ 21,104</u>	<u>\$ (256,939)</u>
Cash dividends	<u>\$ 389,721</u>	<u>\$ 380,216</u>	<u>\$ 380,215</u>	<u>\$ 378,023</u>
Cash dividends per share (NT\$)	<u>\$ 0.41</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

In addition to the above-mentioned cash dividends, the appropriations of earnings for 2022 and 2021 were resolved by the shareholders in their meetings in May 2023 and June 2022, respectively. The appropriations of earnings for 2023 are subject to the resolution by the shareholders in their meetings to be held in May 2024.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (31,961)	\$ (261,162)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(54,928)	286,533
Related income tax	<u>10,986</u>	<u>(57,332)</u>
Balance, end of the year	<u>\$ (75,903)</u>	<u>\$ (31,961)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (191,485)	\$ 90,532
Recognized for the year		
Unrealized gains and losses - equity instruments	336,854	(233,566)
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(17,551)</u>	<u>(48,451)</u>
Balance, end of the year	<u>\$ 127,818</u>	<u>\$ (191,485)</u>

3) Unearned employee benefits

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (111,249)	\$ -
Issuance of employee restricted stock awards	-	(117,654)
Share - based payment expense	<u>28,513</u>	<u>6,405</u>
Balance, end of the year	<u>\$ (82,736)</u>	<u>\$ (111,249)</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 398,606	\$ 124,291
Share of net profit for the year	32,635	29,068
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign operations	(3,040)	1,644
Unrealized gains and losses on financial assets at fair value through other comprehensive income	5,239	(21,452)
Non-controlling interests from acquisition of subsidiaries	-	510,000
Acquisition of the Company's shares held by subsidiaries	(23,084)	(253,972)
Disposal of the Company's shares held by subsidiaries	6,838	-
Change in non-controlling interest increased by capital increase of the subsidiary	-	1,635
Others	<u>12,339</u>	<u>7,392</u>
Balance, end of the year	<u>\$ 429,533</u>	<u>\$ 398,606</u>

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares				December 31	
	Beginning of Year	Change The Par Value of Shares	Addition	Reduction	Thousand Shares	Amount
For the year ended December 31, 2023						
Transferring to employees	21,365	-	-	21,365	-	\$ -
Shares held by subsidiaries	<u>7,088</u>	<u>-</u>	<u>612</u>	<u>147</u>	<u>7,553</u>	<u>261,137</u>
	<u>28,453</u>	<u>-</u>	<u>612</u>	<u>21,512</u>	<u>7,553</u>	<u>\$ 261,137</u>
For the year ended December 31, 2022						
Transferring to employees	8,546	12,819	-	-	21,365	\$ 342,001
Shares held by subsidiaries	<u>-</u>	<u>-</u>	<u>7,088</u>	<u>-</u>	<u>7,088</u>	<u>244,012</u>
	<u>8,546</u>	<u>12,819</u>	<u>7,088</u>	<u>-</u>	<u>28,453</u>	<u>\$ 586,013</u>

For the above-mentioned treasury shares transferred to employees, the decrease in 2023 included the actual transfer and the cancellation of the shares that have not been transferred to employees in five years under the law. Refer to Notes 28 (b) and 23 (a).

The Company's shares acquired and held by the subsidiary, Shing Zheng Investment for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at FVTOCI) based on the percentage of ownership held by the Company. The Company does not hold more than 50% of the shares of Shing Zheng Investment; therefore, its rights to hold the Company's shares are the same as those of other ordinary shareholders. Refer to Table 3 for details of the subsidiaries' ownership of the Company's shares. In 2023, the subsidiary sold 300 thousand shares of the Company held by it at disposal price of NT\$13,408 thousand, and the carrying amount of treasury shares attributed to the Company was NT\$5,053 thousand, which was based on the proportion of shareholdings, and the gain on disposal of NT\$1,517 thousand was recognized as capital surplus -treasury stock transactions. As of December 31, 2023 and 2022, the market value of the above treasury shares was NT\$252,276 thousand and NT\$210,519 thousand based on the Company's shareholding at the end of the year, respectively.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights.

24. OPERATING REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from sale of goods	\$ 11,498,016	\$ 14,199,268
Commission and revenue from the rendering of services	53,297	120,735
Dividend income	12,993	9,613
Other operating revenue	<u>16,939</u>	<u>101,668</u>
	<u>\$ 11,581,245</u>	<u>\$ 14,431,284</u>

a. Refer to Note 4 (n) for information relating to the contracts with customers.

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	<u>\$ 2,295,593</u>	<u>\$ 2,564,292</u>	<u>\$ 2,858,809</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 304,039</u>	<u>\$ 413,021</u>	<u>\$ 174,153</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

Revenue recognized in the current year from the satisfaction of performance obligations of the contract liabilities at the beginning of the year was as follows:

	For the Year Ended December 31	
	2023	2022
Sale of goods	<u>\$ 287,518</u>	<u>\$ 130,993</u>

c. Disaggregation of revenue

For the year ended December 31, 2023

<u>Type of revenue</u>	Operating Segment					Total
	IC Lead Frames	LED Lead Frames	Resins Material	Investments	Others	
Sale of goods	\$ 8,735,931	\$ 721,069	\$ 1,833,751	\$ -	\$ 207,265	\$ 11,498,016
Commission and rendering of services	20,267	-	30,340	-	2,690	53,297
Dividend income	-	-	-	12,993	-	12,993
Others	<u>311</u>	<u>440</u>	<u>-</u>	<u>1,307</u>	<u>14,881</u>	<u>16,939</u>
	<u>\$ 8,756,509</u>	<u>\$ 721,509</u>	<u>\$ 1,864,091</u>	<u>\$ 14,300</u>	<u>\$ 224,836</u>	<u>\$ 11,581,245</u>

For the year ended December 31, 2022

Type of revenue	Operating Segment					Total
	IC Lead Frames	LED Lead Frames	Resins Material	Investments	Others	
Sale of goods	\$ 11,618,752	\$ 652,821	\$ 1,712,464	\$ -	\$ 215,231	\$ 14,199,268
Commission and rendering of services	88,723	-	29,574	-	2,438	120,735
Dividend income	-	-	-	9,613	-	9,613
Others	347	479	-	-	100,842	101,668
	<u>\$ 11,707,822</u>	<u>\$ 653,300</u>	<u>\$ 1,742,038</u>	<u>\$ 9,613</u>	<u>\$ 318,511</u>	<u>\$ 14,431,284</u>

d. Partially completed contracts

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that were not fully satisfied and the expected timing for recognition of revenue were as follows:

	December 31	
	2023	2022
Sale of goods		
Full fill in 2023	\$ -	\$ 331,044
Full fill in 2024	267,513	81,977
Full fill in 2025 and subsequent years	<u>36,526</u>	<u>-</u>
	<u>\$ 304,039</u>	<u>\$ 413,021</u>

25. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income	\$ 122,493	\$ 90,995
Government grants	37,304	32,184
Compensation income	37,072	-
Tooling revenue	36,468	31,563
Others	<u>9,803</u>	<u>9,868</u>
	<u>\$ 243,140</u>	<u>\$ 164,610</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gain	\$ 61,227	\$ 347,073
Gain (loss) arising from financial assets at fair value through profit or loss	32,172	(20,700)

(Continued)

	For the Year Ended December 31	
	2023	2022
Others	\$ (6,499)	\$ (5,507)
	<u>\$ 86,900</u>	<u>\$ 320,866</u>
		(Concluded)

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 93,497	\$ 43,313
Amortization of syndicated loan fee	2,880	2,880
Interest on lease liabilities	1,827	1,785
Amortization of discounts on bonds payable	-	108
Others	10	5
Less: Amounts included in the cost of qualifying assets	<u>(4,966)</u>	<u>(802)</u>
	<u>\$ 93,248</u>	<u>\$ 47,289</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized amount	<u>\$ 4,966</u>	<u>\$ 802</u>
Capitalization rates (%)	0.47-1.652	0.095-1.436

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Depreciation expense		
Property, plant and equipment	\$ 773,352	\$ 688,090
Right-of-use assets	27,219	23,735
Investment properties	<u>3,202</u>	<u>2,799</u>
	<u>\$ 803,773</u>	<u>\$ 714,624</u>
Analysis of depreciation by function		
Operating costs	\$ 749,981	\$ 659,705
Operating expenses	50,590	52,120
Non-operating income and expenses	<u>3,202</u>	<u>2,799</u>
	<u>\$ 803,773</u>	<u>\$ 714,624</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Amortization expense		
Computer software	\$ 13,223	\$ 12,288
Patents	541	597
Other non-current assets	<u>991</u>	<u>322</u>
	<u>\$ 14,755</u>	<u>\$ 13,207</u>
Analysis of amortization by function		
Operating costs	\$ 4,935	\$ 3,057
Operating expenses	<u>9,820</u>	<u>10,150</u>
	<u>\$ 14,755</u>	<u>\$ 13,207</u>

(Concluded)

e. Employee benefits

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 72,927	\$ 74,458
Defined benefit plans	<u>3,686</u>	<u>129</u>
	76,613	74,587
Other employee benefits	<u>1,608,040</u>	<u>1,700,874</u>
	<u>\$ 1,684,653</u>	<u>\$ 1,775,461</u>
Analysis of employee benefits by function		
Operating costs	\$ 1,060,832	\$ 1,083,889
Operating expenses	<u>623,821</u>	<u>691,572</u>
	<u>\$ 1,684,653</u>	<u>\$ 1,775,461</u>

f. Compensation of employees and remuneration of directors

In accordance with the Company's Articles, the Company accrues employees' compensation and remuneration of directors at the rates of 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Company's board of directors in March 2024 and 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Employees' compensation - cash	<u>\$ 17,387</u>	<u>\$ 32,969</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Accrual rate		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.2	0.1

The difference between the amounts recognized and approved by the Company's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Others

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment (included in operating costs)	<u>\$ 2,025</u>	<u>\$ 423</u>

26. INCOME TAX

a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 501,554	\$ 736,505
Adjustments for prior years	(67,588)	(60,419)
Income tax on unappropriated earnings	32,900	21,099
Deferred tax		
In respect of the current year	(95,630)	92,169
Adjustments for prior years	<u>1,805</u>	<u>(68)</u>
	<u>\$ 373,041</u>	<u>\$ 789,286</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 1,970,188</u>	<u>\$ 3,634,255</u>
Income tax expense calculated at the statutory rate	\$ 706,094	\$ 1,335,728
Non-recognizable gains in determining taxable income	(189,681)	(336,885)
Income tax on unappropriated earnings	32,900	21,099
Unrecognized temporary differences	(110,489)	(170,169)
Adjustments for prior years	<u>(65,783)</u>	<u>(60,487)</u>
	<u>\$ 373,041</u>	<u>\$ 789,286</u>

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Exchange differences on translating the financial statements of foreign operations	\$ (10,986)	\$ 57,332
Remeasurement of defined benefit plans	<u>58</u>	<u>228</u>
	<u>\$ (10,928)</u>	<u>\$ 57,560</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 19,433</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 352,312</u>	<u>\$ 504,723</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss on inventory valuation and obsolescence	\$ 34,575	\$ 7,659	\$ -	\$ (70)	\$ 42,164
Difference between tax reporting and financial reporting - revenue recognition	8,314	12,932	-	-	21,246
Exchange differences on translating the financial statements of foreign operations	7,956	-	10,986	-	18,942
Others	<u>19,128</u>	<u>18,938</u>	<u>(58)</u>	<u>(128)</u>	<u>37,880</u>
	<u>\$ 69,973</u>	<u>\$ 39,529</u>	<u>\$ 10,928</u>	<u>\$ (198)</u>	<u>\$ 120,232</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 324,317	\$ (51,142)	\$ -	\$ -	\$ 273,175
Others	<u>3,154</u>	<u>(3,154)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 327,471</u>	<u>\$ (54,296)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,175</u>

For the Year Ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss on inventory valuation and obsolescence	\$ 20,657	\$ 13,301	\$ -	\$ 617	\$ 34,575
Difference between tax reporting and financial reporting - revenue recognition	6,286	2,028	-	-	8,314
Exchange differences on translating the financial statements of foreign operations	65,288	-	(57,332)	-	7,956
Others	<u>40,381</u>	<u>(22,376)</u>	<u>-</u>	<u>1,123</u>	<u>19,128</u>
	<u>\$ 132,612</u>	<u>\$ (7,047)</u>	<u>\$ (57,332)</u>	<u>\$ 1,740</u>	<u>\$ 69,973</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 242,110	\$ 82,207	\$ -	\$ -	\$ 324,317
Others	<u>79</u>	<u>2,847</u>	<u>228</u>	<u>-</u>	<u>3,154</u>
	<u>\$ 242,189</u>	<u>\$ 85,054</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 327,471</u>

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2023	2022
Difference between tax reporting and financial reporting - depreciation and amortization recognition	\$ 169,279	\$ 174,687
Difference between tax reporting and financial reporting - revenue recognition	50,247	45,884
Unrealized expenditures and losses	<u>47,438</u>	<u>96,650</u>
	<u>\$ 266,964</u>	<u>\$ 317,221</u>

- f. Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Net profit for the year attributable to owners of the Company	<u>\$ 1,564,512</u>	<u>\$ 2,815,901</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	934,746	935,470
Effect of potentially dilutive ordinary shares		
Employees' compensation	694	1,210
Employee restricted stock awards	<u>2,209</u>	<u>79</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>937,649</u>	<u>936,759</u>

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee restricted stock awards

The issuance of employee restricted stock awards (RSAs) for the year 2022 of no more than 6,365 thousand ordinary shares (par value of NT\$0.4) has been approved by the Company's shareholders in their meeting held in June 2022. The grants will be made free of charge. Under the aforementioned resolution, the Company's board of directors approved the issuance of RSAs of 5,925 thousand shares (par value of NT\$0.4) in October 2022. The grant date and the issuance date will be on October 11, 2022. The fair value of employee restricted stock awards at the date of grant was \$30.6 per share.

Vesting conditions of the aforementioned arrangement are as follows:

- 1) Three years from the date of new employee restricted stocks for employees who are still in employment and achieved their individual KPI each year.
- 2) The maximum percentage of shares that can be vested in each year is 20% for three years, 30% for four years and 50% for five years.

Employee restricted stocks that have been granted but have not yet met the vesting conditions are as follows:

- 1) During each vesting period, no key management personnel granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs. After the employee meets the vesting conditions, the shares will be transferred to the employee's personal pool account in accordance with the trust custody agreement.
- 2) The right of attendance, proposal, speech, vote and election should be executed in accordance with the contract of stock trust.
- 3) Except for the restrictions mentioned above, the right of restricted shares is the same as the issued ordinary shares of the Company before meeting the vesting conditions (including the right of interest, dividends, capital surplus; share option for cash capital increase).

b. Treasury shares transferred to employees

For the purposes of motivating the employees and enhancing internal cohesion, in May 2023, the Company's board of directors transferred treasury shares that were purchased in 2018 to employees of the parent company, Company and its subsidiaries that met certain criteria. The grant date was June 19, 2023. The number of 5,482 thousand shares was transferred and the transfer price was NT\$18 per share. After the execution, the Company and its subsidiaries recognized remuneration costs of NT\$52,258 thousand, capital surplus - treasury stock transactions of NT\$136,162 thousand and decreased capital surplus - share issue premium of NT\$73,280 thousand.

The share-based payment arrangement on the grant date is calculated by using the closing price of the shares at the grant date less the performance price used to estimate the fair value of the share option.

29. NON-CASH TRANSACTIONS

The Company and its subsidiaries entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2023	2022
Investing activities affecting both cash and non-cash items		
Increase of property, plant and equipment	\$ 1,056,123	\$ 1,628,718
Decrease in prepayments for equipment	(63,167)	(153,773)
Decrease (increase) in payable for equipment (classified under other payables)	148,646	(111,286)
Capitalized interest	<u>(4,966)</u>	<u>(802)</u>
Cash paid	<u>\$ 1,136,636</u>	<u>\$ 1,362,857</u>
Increase of intangible assets	\$ 77,072	\$ 17,243
Decrease in prepayments for equipment	(77,072)	(15,994)
Decrease in payable for equipment (classified under other payables)	<u>-</u>	<u>218</u>
Cash paid	<u>\$ -</u>	<u>\$ 1,467</u>

30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage the capital to ensure that they will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The overall strategy of the Company and its subsidiaries did not change significantly in 2023.

The capital structure of the Company and its subsidiaries consist of net debt and equity. The Company and its subsidiaries' long-term borrowings are subject to certain capital and financial ratio restrictions based on signed contracts. Refer to Note 18 for more information.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically in consideration of the current operation in the industry and the future development and external environmental changes. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of shares issued, repurchase and the

amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The management of the Company and its subsidiaries believe the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 79,100	\$ -	\$ -	\$ 79,100
Domestic convertible bonds	<u>14,783</u>	<u>-</u>	<u>-</u>	<u>14,783</u>
	<u>\$ 93,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,883</u>

Financial assets at FVTOCI

Investment in equity instruments				
Domestic listed shares	<u>\$ 2,036,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,036,662</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 55,020	\$ -	\$ -	\$ 55,020
Domestic convertible bonds	<u>2,688</u>	<u>-</u>	<u>-</u>	<u>2,688</u>
	<u>\$ 57,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,708</u>

Financial assets at FVTOCI

Investment in equity instruments				
Domestic listed shares	<u>\$ 1,442,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,554</u>

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets of the Company and its subsidiaries measured at fair value based on Level 3 are derivatives measured at FVTPL and equity instruments investment measured at FVTOCI. The reconciliations were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ -	\$ 1,416
Conversions	-	(1,411)
Execution of redemption rights	-	(4)
Recognized in profit or loss (included in other gains and losses)	-	(1)
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of derivative assets - convertible bonds redemption rights and put options is measured using binominal tree model by using significant but unobservable inputs as fluctuation of stock price. When the fluctuation of stock price increases, the fair value is deemed to increase.

The fair value of foreign non-listed stocks is measured by the market method with reference to the evaluation multiplier of companies of the same type and the Company's operating conditions.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets mandatorily classified as at FVTPL	\$ 93,883	\$ 57,708
Financial assets at amortized cost (Note 1)	10,381,856	9,675,404
Financial assets at FVTOCI - equity instruments	2,036,662	1,442,554
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	7,773,306	6,592,723

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, refundable deposits (included in other non-current assets), and other financial assets.

Note 2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, accounts payable (including related parties), other payables, long-term borrowings (including current portion of long-term borrowings) and guarantee deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, accounts payable, borrowings and lease liabilities. The Company and its subsidiaries' corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to

the operations of the Company and its subsidiaries through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Company and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Company and its subsidiaries for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries were exposed primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

There has been no change to the Company and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured in 2023.

a) Foreign currency risk

The Company and its subsidiaries were exposed to foreign currency risk due to sales, purchases and capital expenditures denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign borrowings or foreign bond.

For the carrying amounts of the Company and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 35.

The Company and its subsidiaries are mainly exposed to the USD. The following table details the Company and its subsidiaries' sensitivity to a 1% increase and decrease in the functional currency against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

	Impact on Profit or Loss (USD)	
	For the Year Ended December 31	
	2023	2022
Profit before income tax (Note)	\$ (38,560)	\$ (38,380)

Note: These were mainly attributable to the exposure on outstanding USD denominated cash and cash equivalents, accounts receivable (including related parties), other receivables, other financial assets, short-term borrowings, accounts payable (including related parties), and other payables which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the year. Sales in USD will fluctuate based on different contracts and the business cycle.

b) Interest rate risk

The Company and its subsidiaries were exposed to interest rate risk because the Company and its subsidiaries borrowed funds at floating interest rates. The risk is managed by the Company and its subsidiaries by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Company and its subsidiaries can not only maintain low financing costs

but have sufficient lines of credit for utilization.

The carrying amounts of the Company and its subsidiaries' financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 7,568	\$ 31,605
Financial liabilities	300,045	95,345
Cash flow interest rate risk		
Financial assets	4,366,878	5,229,193
Financial liabilities	5,856,242	4,600,442

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to financial instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the balance sheet date was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$58,562 thousand and NT\$46,004 thousand, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to other price risk through its investments in equity securities and bonds. If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$939 thousand and NT\$577 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$20,367 thousand and NT\$14,426 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company and its subsidiaries. At the end of the year, the Company and its subsidiaries' maximum exposure to credit risk, which would cause a financial loss to the Company and its subsidiaries due to the failure of the counterparty to discharge its obligation is the carrying amount of financial assets recognized in the consolidated balance sheets.

The Company and its subsidiaries' transaction counterparties are all creditworthy companies, and the relevant business units grant credit lines to their customers based on the results of each credit check, and also regularly tracks customer collections. Therefore, no significant credit risk is expected.

There are a number of major customers when it comes to accounts receivable counterparties. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by the economic or other conditions. Therefore, the Company and its subsidiaries were exposed to credit risk. The receivables balances (notes receivable, accounts receivable and other receivables, including related parties) with significant credit risk were as

follows:

Customer	December 31	
	2023	2022
CWE (Parent company)	<u>\$ 466,289</u>	<u>\$ 564,701</u>

3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. The Company and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company and its subsidiaries' unused credit facilities were NT\$14,961,245 thousand and NT\$15,643,649 thousand, respectively.

The following table details the Company and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company and its subsidiaries' can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time span regardless of the probability of the banks choosing to exercise their rights. To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the balance sheet date.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Non-interest bearing liabilities	\$ 2,465,283	\$ 3,884	\$ 2,168	\$ 2,471,335
Lease liabilities	18,431	56,920	36,824	112,175
Variable interest rate liabilities	2,986,083	2,682,776	256,339	5,925,198
Fixed interest rate liabilities	<u>202,233</u>	<u>-</u>	<u>-</u>	<u>202,233</u>
	<u>\$ 5,672,030</u>	<u>\$ 2,743,580</u>	<u>\$ 295,331</u>	<u>\$ 8,710,941</u>
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 2,637,412	\$ 4,169	\$ 2,205	\$ 2,643,786
Lease liabilities	20,182	42,133	44,325	106,640
Variable interest rate liabilities	<u>2,154,242</u>	<u>1,486,724</u>	<u>1,025,946</u>	<u>4,666,912</u>
	<u>\$ 4,811,836</u>	<u>\$ 1,533,026</u>	<u>\$ 1,072,476</u>	<u>\$ 7,417,338</u>

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, account balances and gains and losses were eliminated when preparing the consolidated financial statements. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and its subsidiaries and their related parties are disclosed as follows:

a. Names of related parties and their relationships with the Company and its subsidiaries

<u>Related Party Name</u>	<u>Relationship</u>
Chang Wah Electromaterials Inc. (CWE) Wah Lee Industrial Corp. (WLC)	Parent company Investment company that adopts equity method to evaluate the parent company
Dongguan Huagang International Trading Co., Ltd. (DHIT)	Subsidiary of investment company that adopt equity method to evaluate the parent company
Shanghai Yikang Chemicals & Industries Co., Ltd. (SYCI)	Subsidiary of investment company that adopt equity method to evaluate the parent company
JMC Electronics Co., Ltd.(JMC) Chang Wah Energy Technology Co., Ltd. (CWET)	Associate Associate

b. Operating revenue

<u>Account Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Revenue from sales of goods	CWE	\$ 1,731,541	\$ 3,008,336
	DHIT	61,426	63,342
Commission and revenue from rendering of services	CWE	18,758	87,327
Dividend income	CWE	11,964	7,047
	JMC	88	388
Other operating revenue	CWE	<u>236</u>	<u>301</u>
		<u>\$ 1,824,013</u>	<u>\$ 3,166,741</u>

Sales to related parties were under normal terms applied to similar transactions in the market. Commission and revenue from the rendering of services, dividend income and other operating revenue are different from and not comparable with that of non-related parties. Payment terms are 30-90 days from the end of the month, and the general customer payment terms are 15-120 days from the end of the month.

c. Purchase of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
WLC	\$ 18,505	\$ 15,265
SYCI	15,393	34,653
CWE	<u>3,469</u>	<u>8,297</u>
	<u>\$ 37,367</u>	<u>\$ 58,215</u>

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 60-90 days from the end of the month, and the general customer payment terms are 7 days after purchasing to 120 days from the end of the month.

d. Balance at period-end

Related Party Category/Name	December 31	
	2023	2022
Accounts receivable - related parties		
CWE	\$ 446,828	\$ 538,830
DHIT	<u>26,517</u>	<u>16,472</u>
	<u>\$ 473,345</u>	<u>\$ 555,302</u>
Other receivables		
CWE	<u>\$ 19,461</u>	<u>\$ 25,871</u>
Refundable deposit		
JMC	<u>\$ 615</u>	<u>\$ 724</u>
Contract liabilities - current		
CWE	<u>\$ 3,525</u>	<u>\$ -</u>
Accounts payable - related parties		
SYCI	\$ 3,796	\$ 4,942
CWE	1,388	2,544
WLC	<u>657</u>	<u>4,184</u>
	<u>\$ 5,841</u>	<u>\$ 11,670</u>
Dividends payable		
CWE	<u>\$ 360,389</u>	<u>\$ 314,944</u>
Other payables		
CWET	\$ 7,035	\$ -
WLC	6,876	-
CWE	<u>739</u>	<u>716</u>
	<u>\$ 14,650</u>	<u>\$ 716</u>
Guarantee deposit received		
CWE	<u>\$ 230</u>	<u>\$ 230</u>

e. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2023	2022
CWET	\$ 6,700	\$ -
CWE	<u>50</u>	<u>998</u>
	<u>\$ 6,750</u>	<u>\$ 998</u>

The amount of the acquisition price and the payment terms were determined based on agreement by both parties.

f. Lease arrangements

Lease liabilities

Related Party Category/Name	December 31	
	2023	2022
JMC	\$ 32,303	\$ 35,842

Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
JMC	\$ 429	\$ 128

Please refer to Note 14 (c) for the Lease Agreement.

g. Other transactions with related parties

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Selling and marketing expenses - commission expenses	CWE	\$ 720	\$ 720
Other income - dividend income	CWE	\$ 69,532	\$ 29,616
	JMC	8	34
		\$ 69,540	\$ 29,650
Other income - rental revenue	CWE	\$ 2,518	\$ 2,514

The Company's products are entrusted to the parent company CWE for sales. The handling fees paid according to the contract are listed in selling and marketing expenses - commission expenses.

The Company invests in the shares of its parent company, CWE, which are included in the financial assets measured at fair value through other comprehensive income. Refer to Table 3.

The Company leases a warehouse to its parent company, CWE under an agreement that expires in October 2024.

h. Remuneration for key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 61,020	\$ 56,626
Share-based payments	50,251	5,476
Post-employment benefits	999	976
	\$ 112,270	\$ 63,078

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries provided the following assets as collateral for guarantees for purchase performance and import tariffs:

	December 31	
	2023	2022
Other financial assets		
Time deposits	<u>\$ 22,568</u>	<u>\$ 31,605</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company and its subsidiaries' commitments for the purchase of property, plant and equipment to which NT\$80,661 thousand was unpaid.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
<u>December 31, 2023</u>				
Monetary foreign currency assets				
USD	\$ 115,426	30.705	(USD:NTD)	\$ 3,544,153
USD	36,427	7.0827	(USD:RMB)	1,118,495
JPY	879,364	0.2172	(JPY:NTD)	190,998
RMB	86,154	4.3352	(RMB:NTD)	373,494
MYR	3,511	0.2088	(MYR:USD)	22,511
Monetary foreign currency liabilities				
USD	18,066	30.705	(USD:NTD)	554,713
USD	8,206	7.0827	(USD:RMB)	251,965
JPY	121,511	0.2172	(JPY:NTD)	26,392
JPY	105,254	0.0071	(JPY:USD)	22,861
RMB	18,856	4.3352	(RMB:NTD)	81,744
MYR	5,938	0.2088	(MYR:USD)	38,071
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	249,332	30.705	(USD:NTD)	7,655,741
RMB	23,159	4.3352	(RMB:NTD)	100,401
<u>December 31, 2022</u>				
Monetary foreign currency assets				
USD	112,300	30.71	(USD:NTD)	3,448,724
USD	54,609	6.9646	(USD:RMB)	1,677,037

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
JPY	\$ 536,776	0.2324	(JPY:NTD)	\$ 124,747
RMB	57,556	4.4094	(RMB:NTD)	253,786
MYR	4,517	0.2181	(MYR:USD)	30,262
Monetary foreign currency liabilities				
USD	27,216	30.71	(USD:NTD)	835,808
USD	14,716	6.9646	(USD:RMB)	451,938
JPY	158,408	0.2324	(JPY:NTD)	36,814
JPY	135,023	0.0076	(JPY:USD)	31,379
RMB	12,544	4.4094	(RMB:NTD)	55,313
MYR	7,995	0.2181	(MYR:USD)	53,556
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	238,535	30.71	(USD:NTD)	7,325,418
RMB	21,359	4.4094	(RMB:NTD)	94,181
(Concluded)				

Please refer to Note 25 for information relating to net foreign exchange gains and losses. Due to the variety of foreign currency transactions and functional currencies of each entity, it is impractical to disclose net foreign exchange gains and losses by each significant foreign currency.

36. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees; b. Information on investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 7)

11) Information on investees (Table 8)

c. Information on investments in Mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (None)
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reportable segments of the Company and subsidiaries were as follows:

- Chang Wah Technology Co., Ltd. - for the main operating activities, refer to Note 1.
- CWTS - for the main operating activities, refer to Note 12.
- SHAP - for the main operating activities, refer to Note 12.
- Shing Zheng Investment - for the main operating activities, refer to Note 12.
- SHEC - for the main operating activities, refer to Note 12.
- SHPC - for the main operating activities, refer to Note 12.
- SHS - for the main operating activities, refer to Note 12.

- MSHE - for the main operating activities, refer to Note 12.
- WSP - for the main operating activities, refer to Note 12.
- CWES - for the main operating activities, refer to Note 12.

a. Segments revenues and operating results

Please refer to Table 11 for the analysis of the Company and its subsidiaries' revenue and results from continuing operations by reportable segment.

Segment profit represents the profit before tax earned by each segment not including interest income, non-operating incomes and expenses, share of profit of subsidiaries accounted for using the equity method, share of profit of subsidiaries, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2023	2022
Segment assets		
Chang Wah Technology Co., Ltd.	\$ 18,897,959	\$ 17,680,089
CWTS	223,892	156,905
SHAP	6,164,006	6,203,008
Shing Zheng Investment	1,020,290	917,924
SHEC	1,156,561	1,376,481
SHPC	552,071	587,893
SHS	1,594,746	1,739,486
MSHE	2,060,328	2,777,064
WSP	1,101,112	1,109,134
CWES	845,449	773,408
Adjustments and eliminations	<u>(13,649,464)</u>	<u>(14,492,740)</u>
	<u>\$ 19,966,950</u>	<u>\$ 18,828,652</u>
Segment liabilities		
Chang Wah Technology Co., Ltd.	\$ 8,994,048	\$ 7,905,282
CWTS	123,491	62,724
SHAP	74,705	127,628
Shing Zheng Investment	1,573	668
SHEC	200,465	259,820
SHPC	162,106	149,941
SHS	362,635	555,362
MSHE	1,200,070	2,220,280
CWES	281,986	283,886
Adjustments and eliminations	<u>(1,767,573)</u>	<u>(2,910,352)</u>
	<u>\$ 9,633,506</u>	<u>\$ 8,655,239</u>

c. Other segment information

	Depreciation and Amortization	Impairment Losses of Accounts Receivable Recognized (Reversed) in Profit and Loss	Losses (Gains) on Disposal of Property, Plant and Equipment	Impairment Losses (Reversal) of Non-financial Assets
For the year ended December 31, 2023				
Chang Wah Technology Co., Ltd.	\$ 457,733	\$ 72	\$ (960)	\$ 23,064
CWTS	146	(1,447)	-	(289)
SHAP	3,092	-	(4)	-
SHEC	25,903	-	(46)	2,119
SHPC	73,016	-	(3)	156
SHS	126,473	-	-	(43,299)
MSHE	129,704	867	(902)	12,351
CWES	<u>2,461</u>	<u>(2,547)</u>	<u>(110)</u>	<u>(977)</u>
	<u>\$ 818,528</u>	<u>\$ (3,055)</u>	<u>\$ (2,025)</u>	<u>\$ (6,875)</u>
For the year ended December 31, 2022				
Chang Wah Technology Co., Ltd.	\$ 350,891	\$ (1,137)	\$ -	\$ 47,390
CWTS	162	1,450	-	(136)
SHAP	3,248	-	-	-
SHEC	28,225	-	18	(2,151)
SHPC	84,436	-	92	188
SHS	125,218	-	2	41,825
MSHE	133,052	3,752	(57)	17,157
CWES	<u>2,599</u>	<u>2,647</u>	<u>(478)</u>	<u>(542)</u>
	<u>\$ 727,831</u>	<u>\$ 6,712</u>	<u>\$ (423)</u>	<u>\$ 103,731</u>

d. Revenue from major products and services

For the revenue analysis of the main products and services of the Company and its subsidiaries, please refer to Note 24.

e. Geographical information

The Company and its subsidiaries operate in two principal geographical areas - Taiwan and Asia.

The Company and its subsidiaries' revenue from external customers by country of operations and information about its non-current assets by location of assets is detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 2,519,030	\$ 3,884,869	\$ 3,203,312	\$ 2,732,549
Asia	8,035,457	9,276,519	2,082,904	2,288,771
Others	<u>1,026,758</u>	<u>1,269,896</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,581,245</u>	<u>\$ 14,431,284</u>	<u>\$ 5,286,216</u>	<u>\$ 5,021,320</u>

Non-current assets exclude financial assets at FVTOCI, deferred tax assets, other financial assets, as well as refundable deposits and net defined benefit assets recognized under other non-current assets.

f. Information about major customers

The customer that contributed 10% or more to the Company and its subsidiaries' revenue was as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
CWE (Parent company)	<u>\$ 1,762,499</u>	<u>15</u>	<u>\$ 3,103,011</u>	<u>22</u>

TABLE 1

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 3)	Interest Rate (%)	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	\$ 322,403	\$ 322,403	\$ -	0.8-3.0	2	\$ -	Repayments of borrowings	\$ -	None	\$ 956,096	\$ 956,096	Note 2	
2	SH Asia Pacific Pte. Ltd.	Malaysia SH Electronics Sdn. Bhd.	Other receivables	Yes	1,842,300	921,150	921,150	4.18	2	-	Financing of funds	-	None	6,089,201	6,089,201	Note 2	

Note 1: The nature of financing is as follows:

1. Business relationship
2. The need for short-term financing

Note 2: The maximum amount of the total loan of funds provided by subsidiary for the companies or parties and the same object that needs short-term financing shall not exceed net worth in the latest audited or reviewed financial statements of the loan company. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the term of the loan shall not exceed five years.

Note 3: Amount was eliminated from the consolidated financial statements.

TABLE 2

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Amount Provided to Each Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	Shanghai Chang Wah Electromaterials Inc.	b	\$ 1,980,782	\$ 119,289	\$ 119,289	\$ 119,289	\$ -	1.2	\$ 4,951,956	Yes	No	Yes	

Note 1: The amount of guarantees to any individual entity shall not exceed 20% of the Company's net worth. The maximum amount of guarantees shall not exceed 50% of the Company's net worth.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company with which it does business.
- b. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- d. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- e. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD
 DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Parent company	Financial assets at fair value through other comprehensive income	33,190,000	\$ 1,158,331	4.81	\$ 1,158,331
	JMC Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	17,000	622	0.02	622
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,832,000	237,009	2.31	237,009
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income	50,000	3,060	0.01	3,060
	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	949,000	47,450	0.21	47,450
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,857,000	134,261	0.25	134,261
	Acter Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,191,000	211,403	0.96	211,403
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income	50	-	5.00	-
	Convertible bonds Gloria Material Technology Corp.	-	Financial assets at fair value through profit or loss	110,000	11,732	-	11,732
	Yulon Finance Corporation	-	Financial assets at fair value through profit or loss	30,000	3,051	-	3,051
	Fund Yuanta Taiwan High-yield Leading Company Fund B	-	Financial assets at fair value through profit or loss	7,000,000	79,100	-	79,100

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares Chang Wah Electromaterials Inc.	Ultimate parent company	Financial assets at fair value through other comprehensive income	5,621,000	\$ 196,173	0.82	\$ 196,173	Note
	Chang Wah Technology Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income	15,414,642	514,849	1.62	514,849	
	JMC Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	195,000	7,137	0.23	7,137	
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income	941,000	41,216	2.83	41,216	

(Concluded)

Note: Refer to Note 23, the Company's shares held by subsidiaries are treated as treasury shares.

TABLE 4

Chang Wah Technology Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount (Note 2)	
The Company	Stock - ordinary shares Chang Wah Materials Inc.	Financial assets at fair value through other comprehensive income	Note 1	-	20,679,000	\$ 626,574	12,511,000	\$ 422,429	-	\$ -	-	33,190,000	\$ 1,158,331

Note 1: Acquired through the open market.

Note 2: The amount of investments accounted for using the equity method includes equity in investees' net income and loss and shareholder adjustment items. Financial assets at fair value through other comprehensive income include adjustments for changes in value at fair value.

Note 3: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 5

Chang Wah Technology Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company name	Related Party	Relationship	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Term		Ending Balance
The Company	Chang Wah Electromaterials Inc.	Parent company	Sale	\$ (1,731,541)	(26)	60 days	Not significantly different	Note 32	\$ 443,791	37
	SH Asia Pacific Pte. Ltd.	Subsidiary	Sale	(229,768)	(3)	30 days	Not significantly different	30 days	-	-
	CWTC (Shanghai) Inc.	Subsidiary	Sale	(198,110)	(3)	180 days	Not significantly different	180 days	90,667	8
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Sale	(944,327)	(38)	60 days	Not significantly different	60 days	225,779	42
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Sale	(678,427)	(58)	45 days	Not significantly different	45 days	141,890	63
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Sale	(645,482)	(99)	60 days	Not significantly different	60 days	112,252	100
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Sale	(911,055)	(52)	15 days	Not significantly different	15 days	64,828	24
	Shanghai Chang Wah Electromaterials Inc.	Sister company	Sale	(140,108)	(8)	45 days	Not significantly different	45 days	16,678	6
	Malaysian SH Electronics Sdn. Bhd.	Sister company	Sale	(183,730)	(10)	30 days	Not significantly different	30 days	25,409	9

Note 1: Amount was eliminated from the consolidated financial statements.

Note 2: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 6

Chang Wah Technology Co., Ltd. and Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Chang Wah Electromaterials Inc.	Parent company	Accounts receivable \$ 443,791	3.57	\$ -	-	\$ 438,934	\$ -
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Accounts receivable 225,779 (Note 2)	4.07	-	-	225,779	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Accounts receivable 141,890 (Note 2)	4.59	-	-	127,918	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Accounts receivable 112,252 (Note 2)	5.03	-	-	112,252	-
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Sister company	Other receivables 921,150 (Note 2)	Note 1	-	-	-	-

Note 1: The amounts include other receivables such as intercompany loan and interest receivable, hence the turnover rate is not applicable.

Note 2: The amount was eliminated from the consolidated financial statements.

Note 3: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 7

Chang Wah Technology Co., Ltd. and Subsidiaries

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transactions Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	The Company	SH Asia Pacific Pte. Ltd.	Parent to subsidiary	Sales	\$ 229,768	By contract terms	1.98
0	The Company	CWTC (Shanghai) Inc.	Parent to subsidiary	Sales	198,110	By contract terms	1.71
1	SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Subsidiary to subsidiary	Other receivables	921,150	By contract terms	4.61
2	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Sales	944,327	By contract terms	8.15
2	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Accounts receivable	225,779	By contract terms	1.13
3	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Sales	678,427	By contract terms	5.86
3	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Accounts receivable	141,890	By contract terms	0.71
4	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Sales	645,482	By contract terms	5.57
4	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	112,252	By contract terms	0.56
5	SH Electronics Suzhou Co., Ltd.	The Company	Subsidiary to parent	Sales	911,055	By contract terms	7.87
5	SH Electronics Suzhou Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	Subsidiary to subsidiary	Sales	140,108	By contract terms	1.21
5	SH Electronics Suzhou Co., Ltd.	Malaysian SH Electronics Sdn. Bhd.	Subsidiary to subsidiary	Sales	183,730	By contract terms	1.59

Note: Amount was eliminated from the consolidated financial statements.

TABLE 8

Chang Wah Technology Co., Ltd. and Subsidiaries

INFORMATION ON INVESTES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	SH Asia Pacific Pte. Ltd.	Singapore	Trading of electronic components and equipment; investing activities	\$ 3,273,072	\$ 3,273,072	21,206,103	100	\$ 6,362,514	\$ 577,373	\$ 591,444	Notes 1, 2, 4
The Company	Shing Zheng Investment Co., Ltd.	Taiwan	General Investments	490,000	490,000	49,000,000	49	246,895	37,823	6,679	Notes 2, 3, 4
The Company	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	574,415	574,415	23,000,000	100	1,293,227	305,357	302,269	Notes 1, 2, 4
SH Asia Pacific Pte. Ltd.	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	665,326	665,435	5,235,000	100	1,101,112	120,423	120,423	Notes 1, 4

Note 1: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 2: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction, the amortization of the investment cost premium and dividends received by subsidiaries from the Company.

Note 3: The carrying amount is the balance after deducting the shares of the Company held by Shing Zheng Investment Co., Ltd. of NT\$261,137 thousand.

Note 4: Amount was eliminated from the consolidated financial statements.

TABLE 9

Chang Wah Technology Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023 (Note 4)	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 61,410	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 7,965	100	\$ 7,965	\$ 100,401	\$ -	
Shanghai Chang Wah Electronics Inc.	Acting as an agent for IC packaging materials and equipment	122,820	2	-	-	-	-	83,863	69	58,181	391,138	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	260,993	2	-	-	-	-	163,504	100	163,504	1,156,199	698,048	
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	107,468	2	-	-	-	-	74,791	100	86,186	490,636	322,488	
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	767,625	2	-	-	-	-	188,923	100	195,035	1,229,253	125,080	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Notes 1 and 5)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 6)	
			Outward	Inward
Chang Wah Technology Co., Ltd.	\$ 64,308	\$ 1,401,468	\$ -	\$ -

Note 1: Translated into NTD using the exchange rate at the balance sheet date.

Note 2: Methods of investment 1: Direct investment.

Methods of investment 2: Investments through a holding company registered in a third region.

Note 3: The basis for investment income (loss) recognition is the financial statement audited and attested, and the amount was eliminated from the consolidated financial statements.

Note 4: The accumulated remittance of profit from investment by SH Electronics Chengdu Co., Ltd. is RMB161,196 thousand (US\$22,785 thousand). The accumulated remittance of profit from investment by SH Precision Chengdu Co., Ltd. is RMB76,215 thousand (US\$10,688 thousand). The accumulated remittance of profit from investment by SH Electronics Suzhou Co., Ltd. is RMB28,407 thousand (US\$4,000 thousand).

Note 5: This includes the investment of US\$2,000 thousand in CWTC (Shanghai) Inc., US\$23,279 thousand in SH Electronics Chengdu Co., Ltd., US\$8,035 thousand in SH Precision Chengdu Co., Ltd., US\$3,659 thousand in SH Electronics Suzhou Co., Ltd. and US\$8,670 thousand in Shanghai Chang Wah Electronics Inc. approved by the Ministry of Economic Affairs.

Note 6: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China dated August 29, 2008, the Company obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of Ministry of Economic Affairs. The ceiling amount of the investment in Mainland China is not applicable to the Company.

TABLE 10**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	450,953,925	47.44

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

TABLE 11

Chang Wah Technology Co., Ltd. and Subsidiaries

SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2023

	CWTC	CWTS	SHAP	Shing Zheng Investment	SHEC	SHPC	SHS	MSHE	WSP	CWES	Adjustments and Eliminations	Total
Revenues from external customers	\$ 6,184,979	\$ 269,930	\$ 395,561	\$ 14,300	\$ 478,775	\$ 3,996	\$ 455,654	\$ 1,536,103	\$ -	\$ 2,241,947	\$ -	\$ 11,581,245
Inter-segment revenues	440,412	-	69,445	24,193	694,801	651,366	1,299,382	944,360	-	10	(4,123,969)	-
Segment revenues	\$ 6,625,391	\$ 269,930	\$ 465,006	\$ 38,493	\$ 1,173,576	\$ 655,362	\$ 1,755,036	\$ 2,480,463	\$ -	\$ 2,241,957	\$ (4,123,969)	\$ 11,581,245
Segment income (expense)	\$ 520,549	7,947	(8,391)	\$ 38,506	\$ 128,872	\$ 61,570	\$ 162,635	\$ 398,132	\$ (86)	\$ 101,901	\$ 36,649	\$ 1,448,284
Interest income	129,695	394	118,083	995	30,139	7,881	23,541	23,659	13	3,455	(52,743)	285,112
Other non-operating income and expenses	251,314	21	21,899	-	19,003	3,495	11,356	47,490	-	7,810	(32,348)	330,040
Share of profits of subsidiaries accounted for using the equity method	908,357	-	490,240	-	-	-	-	-	133,089	-	(1,531,686)	-
Finance cost	(92,639)	(27)	(69)	-	-	(254)	(1,138)	(51,667)	-	(194)	52,740	(93,248)
Profit before tax	1,717,276	8,335	621,762	39,501	178,014	72,692	196,394	417,614	133,016	112,972	(1,527,388)	1,970,188
Income tax expense (benefit)	152,764	370	44,389	1,678	14,510	(2,099)	7,471	112,257	12,592	29,109	-	373,041
Net profit	\$ 1,564,512	\$ 7,965	\$ 577,373	\$ 37,823	\$ 163,504	\$ 74,791	\$ 188,923	\$ 305,357	\$ 120,424	\$ 83,863	\$ (1,527,388)	\$ 1,597,147

For the year ended December 31, 2022

	CWTC	CWTS	SHAP	Shing Zheng Investment	SHEC	SHPC	SHS	MSHE	WSP	CWES	Adjustments and Eliminations	Total
Revenues from external customers	\$ 8,171,611	\$ 330,509	\$ 696,330	\$ 9,613	\$ 557,686	\$ 5,014	\$ 533,733	\$ 1,965,090	\$ -	\$ 2,161,698	\$ -	\$ 14,431,284
Inter-segment revenues	588,859	-	78,801	14,494	892,326	786,426	2,230,082	854,137	-	10	(5,445,135)	-
Segment revenues	\$ 8,760,470	\$ 330,509	\$ 775,131	\$ 24,107	\$ 1,450,012	\$ 791,440	\$ 2,763,815	\$ 2,819,227	\$ -	\$ 2,161,708	\$ (5,445,135)	\$ 14,431,284
Segment income (expense)	\$ 1,570,497	\$ 8,605	\$ 45,328	\$ 23,617	\$ 232,410	\$ 101,159	\$ 522,732	\$ 543,123	\$ (82)	\$ 99,666	\$ (25,395)	\$ 3,121,660
Interest income	41,374	611	14,727	820	9,896	1,355	12,052	7,912	1	982	(15,322)	74,408
Other non-operating income and expenses	381,451	114	22,431	237	56,893	4,365	(1,110)	46,148	-	7,723	(32,776)	485,476
Share of profits of subsidiaries accounted for using the equity method	1,311,132	-	1,259,193	-	-	-	-	-	163,302	-	(2,733,627)	-
Finance cost	(44,550)	(35)	(104)	-	-	(413)	(3,598)	(11,878)	-	(2,023)	15,312	(47,289)
Profit before tax	3,259,904	9,295	1,341,575	24,674	299,199	106,466	530,076	585,305	163,221	106,348	(2,791,808)	3,634,255
Income tax expense	444,003	439	13,907	207	26,126	833	133,754	141,977	-	28,040	-	789,286
Net profit	\$ 2,815,901	\$ 8,856	\$ 1,327,668	\$ 24,467	\$ 273,073	\$ 105,633	\$ 396,322	\$ 443,328	\$ 163,221	\$ 78,308	\$ (2,791,808)	\$ 2,844,969

INDEPENDENT AUDITORS' REPORT

Chang Wah Technology Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Chang Wah Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2023 is described as follows:

Recognition of Revenue from Specific Customers

Due to the pressure of having to meet expected targets and market expectations, the possibility of overstating sales may arise. Operating revenue in 2023 has decreased substantially compared with that of 2022, especially revenue from specific customers, whose amount is inconsistent with the market trend and is significant to the overall operating revenue. Therefore, the recognition of revenue from specific customers with significant sales amounts and changes was deemed a key audit matter.

Our audit procedures performed in response to the abovementioned key audit matter are as follows:

1. We obtained an understanding of and tested the effectiveness of the implementation of internal controls over sales.
2. We selected appropriate samples from the sales revenue receipts of specific customers, examined purchase orders, shipping documents and proof of payments as pertaining to the same transaction counterparties.
3. We obtained details on sales returns and allowances for the year and after the reporting period and checked for major abnormalities in sales returns and allowances for the purpose of confirming the authenticity of the sales recognized before the balance sheet date.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 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.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,445,315	18	\$ 2,996,293	18
Financial assets at fair value through profit or loss (Notes 4 and 7)	93,883	1	57,708	-
Accounts receivable, net (Notes 4, 5 and 9)	557,298	3	730,691	4
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	630,549	4	704,821	4
Other receivables (Notes 9 and 32)	48,007	-	74,322	-
Inventories (Notes 4, 5 and 10)	948,669	5	1,282,188	7
Other current assets	57,906	-	42,199	-
Total current assets	<u>5,781,627</u>	<u>31</u>	<u>5,888,222</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	1,792,136	9	1,322,063	8
Investments accounted for using the equity method (Notes 4 and 12)	8,003,037	42	7,658,536	43
Property, plant and equipment (Notes 4, 13 and 32)	2,737,027	14	2,259,762	13
Right-of-use assets (Notes 4 and 14)	73,492	-	80,299	-
Investment properties (Notes 4, 15 and 32)	137,408	1	140,610	1
Goodwill (Notes 4 and 16)	131,195	1	131,195	1
Other Intangible assets (Notes 4 and 17)	98,201	1	32,471	-
Deferred tax assets (Notes 4 and 26)	95,723	1	45,392	-
Prepayments for equipment	22,053	-	86,515	1
Other financial assets - non-current (Notes 11 and 33)	20,400	-	29,400	-
Other non-current assets (Notes 22 and 32)	5,660	-	5,624	-
Total non-current assets	<u>13,116,332</u>	<u>69</u>	<u>11,791,867</u>	<u>67</u>
TOTAL	<u>\$ 18,897,959</u>	<u>100</u>	<u>\$ 17,680,089</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 2,545,000	14	\$ 2,100,000	12
Contract liabilities - current (Notes 4, 24 and 32)	202,024	1	252,590	1
Notes payable	341	-	170	-
Accounts payable (Note 20)	273,991	1	386,599	2
Accounts payable - related parties (Notes 20 and 32)	433,662	2	506,540	3
Dividends payable (Note 32)	760,431	4	661,540	4
Other payables (Notes 21, 22 and 32)	582,275	3	703,254	4
Current tax liabilities (Note 26)	297,464	2	343,832	2
Lease liabilities - current (Notes 4, 14 and 32)	9,307	-	9,316	-
Current portion of long-term borrowings (Note 18)	602,061	3	-	-
Other current liabilities	16,491	-	12,453	-
Total current liabilities	<u>5,723,047</u>	<u>30</u>	<u>4,976,294</u>	<u>28</u>
NON-CURRENT LIABILITIES				
Contract liabilities - non-current (Notes 4 and 24)	18,180	-	51,861	-
Long-term borrowings (Note 18)	2,909,181	16	2,473,985	14
Deferred tax liabilities (Notes 4, 5 and 26)	273,175	2	327,471	2
Lease liabilities - non-current (Notes 4, 14 and 32)	67,417	-	73,283	1
Other non-current liabilities (Notes 22 and 32)	3,048	-	2,388	-
Total non-current liabilities	<u>3,271,001</u>	<u>18</u>	<u>2,928,988</u>	<u>17</u>
Total liabilities	<u>8,994,048</u>	<u>48</u>	<u>7,905,282</u>	<u>45</u>
EQUITY (Notes 4 and 23)				
Ordinary shares	380,215	2	386,569	2
Capital surplus	6,033,692	32	6,205,329	35
Retained earnings				
Legal reserve	894,391	5	633,251	4
Special reserve	10,317	-	225,382	1
Unappropriated earnings	2,877,254	15	3,244,984	18
Total retained earnings	3,781,962	20	4,103,617	23
Other equity	(30,821)	-	(334,695)	(2)
Treasury shares	(261,137)	(2)	(586,013)	(3)
Total equity	<u>9,903,911</u>	<u>52</u>	<u>9,774,807</u>	<u>55</u>
TOTAL	<u>\$ 18,897,959</u>	<u>100</u>	<u>\$ 17,680,089</u>	<u>100</u>

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

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 6,625,391	100	\$ 8,760,470	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>5,619,633</u>	<u>85</u>	<u>6,707,648</u>	<u>77</u>
GROSS PROFIT	1,005,758	15	2,052,822	23
UNREALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES	<u>1,944</u>	<u>-</u>	<u>(1,784)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,007,702</u>	<u>15</u>	<u>2,051,038</u>	<u>23</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	56,043	1	64,189	1
General and administrative expenses	193,986	3	218,092	2
Research and development expenses	237,052	3	199,397	2
Expected credit losses (gains)	<u>72</u>	<u>-</u>	<u>(1,137)</u>	<u>-</u>
Total operating expenses	<u>487,153</u>	<u>7</u>	<u>480,541</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>520,549</u>	<u>8</u>	<u>1,570,497</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 32)				
Interest income	129,695	2	41,374	-
Other income	191,452	3	120,501	1
Other gains and losses	59,862	1	260,950	3
Finance costs	(92,639)	(2)	(44,550)	-
Share of profit of subsidiaries	<u>908,357</u>	<u>14</u>	<u>1,311,132</u>	<u>15</u>
Total non-operating income and expenses	<u>1,196,727</u>	<u>18</u>	<u>1,689,407</u>	<u>19</u>
PROFIT BEFORE INCOME TAX	1,717,276	26	3,259,904	37
INCOME TAX BENEFIT EXPENSE (Notes 4 and 26)	<u>152,764</u>	<u>2</u>	<u>444,003</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>1,564,512</u>	<u>24</u>	<u>2,815,901</u>	<u>32</u>

(Continued)

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ 290	-	\$ 1,139	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	331,821	5	(214,527)	(3)
Unrealized gains and losses on investments in equity instruments designated as at fair value through other comprehensive income (loss) of subsidiaries accounted for using the equity method	5,033	-	(19,039)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(58)	-	(228)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(54,928)	(1)	286,533	3
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>10,986</u>	<u>-</u>	<u>(57,332)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>293,144</u>	<u>4</u>	<u>(3,454)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,857,656</u>	<u>28</u>	<u>\$ 2,812,447</u>	<u>32</u>
EARNINGS PER SHARE (Note 27)				
Basic	\$ 1.67		\$ 3.01	
Diluted	1.67		3.01	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity			Total Equity		
	Ordinary Shares	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income		Unearned Employee Benefits	Treasury Shares
BALANCE AT JANUARY 1, 2022	\$ 364,131	\$ 17,109	\$ 5,872,815	\$ 346,521	\$ 105,738	\$ 2,093,758	\$ 2,546,017	\$ (261,162)	\$ 90,532	\$ -	\$ (342,001)	\$ 8,287,441
Appropriation of earnings	-	-	-	-	-	(286,730)	-	-	-	-	-	-
Legal reserve	-	-	-	286,730	119,644	(19,644)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,307,663)	(1,307,663)	-	-	-	-	(1,307,663)
Cash dividends to shareholders	-	-	-	-	-	(1,307,663)	(1,307,663)	-	-	-	-	(1,307,663)
Net profit for the year ended December 31, 2022	-	-	-	286,730	119,644	(1,307,663)	(1,307,663)	-	-	-	-	(1,307,663)
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	2,815,901	2,815,901	-	-	-	-	2,815,901
	-	-	-	-	-	911	911	229,201	(233,566)	-	-	(3,454)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,816,812	2,816,812	229,201	(233,566)	-	-	2,812,447
Convertible bonds converted to ordinary shares (Note 19)	20,068	(17,109)	210,127	-	-	-	-	-	-	-	-	213,086
Purchase of the Company's shares by subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	(244,012)	(244,012)
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	-	-	-	-	-	-	7,102
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments (Note 28)	2,370	-	115,284	-	-	-	-	-	-	-	-	117,654
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,451	48,451	-	(48,451)	-	-	6,405
BALANCE AT DECEMBER 31, 2022	\$ 386,569	\$ -	\$ 6,205,329	\$ 633,251	\$ 225,382	\$ 3,244,984	\$ 4,105,617	\$ (31,961)	\$ (19,485)	\$ (111,249)	\$ (586,013)	\$ 9,774,807
Appropriation of earnings	-	-	-	-	-	(261,140)	-	-	-	-	-	-
Legal reserve	-	-	-	261,140	(215,065)	(215,065)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,903,950)	(1,903,950)	-	-	-	-	(1,903,950)
Cash dividends to shareholders	-	-	-	-	-	(1,903,950)	(1,903,950)	-	-	-	-	(1,903,950)
Net profit for the year ended December 31, 2023	-	-	-	261,140	(215,065)	(1,950,025)	(1,903,950)	-	-	-	-	(1,903,950)
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	1,564,512	1,564,512	(43,942)	336,854	-	-	1,564,512
	-	-	-	-	-	232	232	292,912	(17,551)	-	-	293,144
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,564,744	1,564,744	(43,942)	336,854	-	-	1,857,656
Cancellation of treasury shares (Note 23)	(6,324)	-	(247,891)	-	-	-	-	-	-	-	254,215	-
Purchase of the Company's shares by subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(22,178)
Disposal of the Company's shares by subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	-	6,324
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	-	-	-	-	-	-	11,855
Share-based payments (Note 28)	-	-	-	-	-	-	-	-	-	-	-	11,855
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	17,551	17,551	-	(17,551)	-	-	179,131
BALANCE AT DECEMBER 31, 2023	\$ 380,245	\$ -	\$ 6,033,692	\$ 894,391	\$ 10,317	\$ 2,877,254	\$ 3,781,962	\$ (75,903)	\$ 127,818	\$ (82,736)	\$ (261,137)	\$ 9,903,911

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

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,717,276	\$ 3,259,904
Adjustments for:		
Depreciation expense	445,456	340,189
Amortization expense	12,277	10,702
Expected credit losses (gains)	72	(1,137)
Loss (gain) on financial assets at fair value through profit or loss	(32,172)	20,700
Finance costs	92,639	44,550
Interest income	(129,695)	(41,374)
Dividend income	(122,493)	(90,995)
Share-based compensation	71,426	5,608
Share of the profit of subsidiaries	(908,357)	(1,311,132)
Gain on disposal of property, plant and equipment	(960)	-
Impairment loss recognized on non-financial assets	23,064	47,390
Unrealized gain (loss) on transactions with subsidiaries	(1,944)	1,784
Others	(19,815)	(9,716)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,003)	30,418
Accounts receivable	173,321	33,078
Accounts receivable - related parties	74,272	282,927
Other receivables	34,018	8,554
Inventories	310,455	(309,028)
Other current assets	(18,587)	9,250
Other non-current assets	2,595	11
Contract liabilities - current	(50,566)	180,559
Notes payable	171	170
Accounts payable	(112,608)	(183,247)
Accounts payable - related parties	(72,878)	(52,121)
Other payables	11,474	102,467
Other current liabilities	4,038	6,962
Contract liabilities - non-current	(33,681)	18,902
Other non-current liabilities	950	124
Cash generated from operations	1,465,745	2,405,499
Interest received	125,135	40,303
Dividends received	640,847	76,358
Interest paid	(73,065)	(26,303)
Income taxes paid	(292,831)	(169,457)
Net cash generated from operating activities	<u>1,865,831</u>	<u>2,326,400</u>

(Continued)

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (430,222)	\$ (845,683)
Proceeds from disposal of financial assets at fair value through other comprehensive income	291,970	141,813
Acquisition of property, plant and equipment	(978,509)	(999,239)
Proceeds from disposal of property, plant and equipment	4,188	-
Acquisition of long-term equity investments accounted for using the equity method	-	(290,000)
Increase in refundable deposits	(392)	-
Decrease in other receivables - related parties	-	388,425
Acquisition of intangible assets	-	(131)
Net cash inflow on acquisition of subsidiary	-	40,895
Acquisition of investment property	-	(261,628)
Decrease in other financial assets	9,000	20,300
Increase in other non-current assets	(3,175)	(1,498)
Increase in prepayments for equipment	<u>(75,777)</u>	<u>(145,816)</u>
Net cash used in investing activities	<u>(1,182,917)</u>	<u>(1,952,562)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,705,000	2,676,612
Repayments of short-term borrowings	(1,260,000)	(1,854,096)
Redemption of corporate bonds	-	(775)
Proceeds from long-term borrowings	2,648,173	1,635,592
Repayments of long-term borrowings	(1,610,916)	(898,480)
Increase in guarantee deposits received	-	213
Repayment of the principal portion of lease liabilities	(9,470)	(6,372)
Cash dividends paid	(1,805,059)	(892,995)
Treasury shares sold to employees	98,380	-
Acquisition of subsidiaries	<u>-</u>	<u>(774,415)</u>
Net cash used in financing activities	<u>(233,892)</u>	<u>(114,716)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	449,022	259,122
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,996,293</u>	<u>2,737,171</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,445,315</u>	<u>\$ 2,996,293</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Chang Wah Technology Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chang Wah Technology Co., Ltd. (the “Company”) was incorporated under the provisions of the Company Act on December 24, 2009. It mainly manufactures industrial plastic products and electronics components, and sells electronics components and machinery and tools.

The shares of the Company have been trading on the TPEX since September 2016. The subsidiary, SH Electronics Taiwan Co., Ltd. (SHT), merged with the Company in January 2022.

As of December 31, 2023 and 2022, the parent company, Chang Wah Electromaterials Inc. (CWE), owned 47.44% and 46.55%, respectively, of the Company’s issued ordinary shares for both years.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors and authorized for issue on March 12, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: When this amendment is applied for the first time, partial disclosure provisions are waived.

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the parent company only financial statements were reported to the board of directors and authorized for issue, the Company is continuously assessing the possible impact that the initial application of the other standards and the amendments and interpretations will have on its financial position and financial performance and disclose the relevant impact when the assessment is completed.

- d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the parent company only balance sheets and parent company only statements of cash flows in 2023. The other financial assets were reclassified to cash and cash equivalents with a carrying amount of \$768,328 thousand and \$1,006,266 thousand on December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Amount before Adjustment	Adjustments	Amount after Adjustment
Net cash used in investing activities	\$ (1,714,624)	\$ (237,938)	\$ (1,952,562)
Net increase in cash and cash equivalents	<u>497,060</u>	<u>(237,938)</u>	<u>259,122</u>
Cash and cash equivalents at the beginning of the year	<u>1,730,905</u>	<u>1,006,266</u>	<u>2,737,171</u>

(Continued)

	Amount before Adjustment	Adjustments	Amount after Adjustment
Cash and cash equivalents at the end of the year	<u>\$ 2,227,965</u>	<u>\$ 768,328</u>	<u>\$ 2,996,293</u> (Concluded)

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For readers' convenience, the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the parent company only financial statements shall prevail. However, the accompanying parent company only financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Business combinations involving entities under common control are not accounted for using the acquisition method at the carrying amounts of the entities.

e. Foreign currencies

In preparing the parent company only financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates closing at the date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the financial statements of the Company and its foreign operations (including subsidiaries in other countries or using currencies different from the currency of the Company) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work in progress, finished goods, merchandise and consumable supplies. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries, a subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Difference between the carrying amount of the investment and the fair value of consideration paid or received is directly recognized in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization or depreciation) that would have been recognized had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

Unrealized gains and losses resulting from downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use and depreciated accordingly.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or companies of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Other intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (other than goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting

impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value. Any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable (including from related parties) at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost,

which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii Financial asset is more than 30 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated separately for the purpose of repurchase. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. Treasury shares

The Company's shares held by its subsidiaries may be recognized as treasury shares based on the cost of acquisition and the Company's percentage of ownership in a subsidiary.

o. Revenue recognition

The Company identifies contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company to customers and the performance obligations are satisfied. Unearned sales revenues are recognized as contract liabilities until the performance obligations are satisfied.

Revenue is measured at fair value, which is the transaction price (net of commercial discounts and quantity discounts) agreed to by the Company with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Company transfers a promised good to a customer and the date the customer pays for that good is one year or less, the Company does not adjust the promised amount of consideration for any effect of a significant financing component.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Commission and revenue from the rendering of services

Commission is charged on the basis of calculation as stated in the contract, while revenue from the rendering of services is from the procurement of raw materials on behalf of customers and the provision of technical support services. Since the period between the date of service transferred and the date of collection is less than one year, the Company does not adjust the promised amount of consideration for the effect of the significant financing component.

p. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the

lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as other operating income, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost as well as past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that rereasurement is recognized in profit or loss.

t. Share-based payment arrangements

1) Employee share options and restricted shares for employees granted to the employees of the Company

The fair value at the grant date of the employee share options and restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the

employees purchase is confirmed.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. At each balance sheet date, the Company reviews its estimate of the number of employee share options and restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options, capital surplus - restricted shares for employees and other equity - unearned employee benefits.

2) Employee share options and restricted shares for employees granted to the employees of subsidiaries

Employee share options and restricted shares for employees granted by the Company to the employees of its subsidiaries for settlement by the Company's equity instruments are treated as capital contributions to the subsidiaries. The share options are measured at the fair value of the equity instruments on the grant date, and recognized over the vesting period as an increase in the carrying amount of the investments in the subsidiaries with a corresponding credit to capital surplus - employee share options, capital surplus - restricted shares for employees and other equity - unearned employee benefits.

u. Taxations

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC., an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If a temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also

reviewed at each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current tax and deferred tax are also recognized in other comprehensive income.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its material accounting estimate. The Company reviews the estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. The net realizable value of inventories is mainly evaluated based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

c. Income taxes

Since a portion of the earnings is expected to be used for expanding foreign operations, it will not be remitted in the foreseeable future. The realization of deferred income tax liabilities mainly depends on the scale of operation expansion in the future. If the actual investment amount in the future is less than the expected investment amount, it will be recognized as deferred income tax liabilities and under profit or loss in the period of occurrence.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 50	\$ 50
Checking accounts and demand deposits	2,006,968	1,804,131
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	<u>1,438,297</u>	<u>1,192,112</u>
	<u>\$ 3,445,315</u>	<u>\$ 2,996,293</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 79,100	\$ 55,020
Domestic convertible bonds	<u>14,783</u>	<u>2,688</u>
	<u>\$ 93,883</u>	<u>\$ 57,708</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Investments in equity instruments		
Domestic listed shares	<u>\$ 1,792,136</u>	<u>\$ 1,322,063</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company entered into a securities-lending agreement with SinoPac Securities. During the lending period, the Company retains the risks and the returns of these financial assets; therefore, they were not excluded. As of December 31, 2023 and 2022, the carrying amounts of the securities lent out were NT\$48,854 thousand and NT\$11,536 thousand, respectively.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2023	2022
Accounts receivable		
Measured at amortized cost		
Gross carrying amount	\$ 557,576	\$ 730,897
Less: Allowance for impairment loss	<u>278</u>	<u>206</u>
	<u>\$ 557,298</u>	<u>\$ 730,691</u>
Accounts receivable - related parties		
Measured at amortized cost		
Gross carrying amount	<u>\$ 630,549</u>	<u>\$ 704,821</u>
Other receivables		
Measured at amortized cost		
Gross carrying amount	<u>\$ 48,007</u>	<u>\$ 74,322</u>

For the Company's related credit management policies, refer to Note 31.

The loss allowance for the Company's accounts receivable is recognized by using the lifetime expected credit loss. The lifetime expected credit losses on accounts receivable are estimated by reference to the past default experience of the customers, current financial position of the customers, economic condition of the industry in which the customers operate, as well as the industry outlook. The Company writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. When the debtor has been placed under liquidation, or when the accounts receivable are past due. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable.

December 31, 2023

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,135,369	\$ 52,200	\$ 556	\$ -	\$ -	\$ 1,188,125
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(278)</u>	<u>-</u>	<u>-</u>	<u>(278)</u>
Amortized cost	<u>\$ 1,135,369</u>	<u>\$ 52,200</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,847</u>

December 31, 2022

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,355,690	\$ 79,616	\$ 412	\$ -	\$ -	\$ 1,435,718
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>(206)</u>
Amortized cost	<u>\$ 1,355,690</u>	<u>\$ 79,616</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,435,512</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 206	\$ 1,343
Recognition (reversal) in current year	<u>72</u>	<u>(1,137)</u>
Balance, end of year	<u>\$ 278</u>	<u>\$ 206</u>

10. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 135,542	\$ 277,445
Supplies	58,983	45,478
Work in progress	353,288	421,544
Finished goods	304,087	403,499
Merchandise	69,037	98,871
Consumable supplies	<u>27,732</u>	<u>35,351</u>
	<u>\$ 948,669</u>	<u>\$ 1,282,188</u>

The nature of operating costs for the years ended December 31, 2023 and 2022 is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 5,760,723	\$ 6,904,188
Write-downs of inventories	23,064	47,390
Inventory obsolescence loss	9,428	-
Revenue from sale of scraps	(177,429)	(245,549)
Others	<u>3,847</u>	<u>1,619</u>
	<u>\$ 5,619,633</u>	<u>\$ 6,707,648</u>

11. OTHER FINANCIAL ASSETS

	December 31	
	2023	2022
Non-current		
Pledged time deposits (Note 33)	<u>\$ 20,400</u>	<u>\$ 29,400</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investments in subsidiaries		
SH Asia Pacific Pte. Ltd. (SHAP)	\$ 6,362,514	\$ 6,332,870
Malaysian SH Electronics Sdn. Bhd. (MSHE)	1,293,227	992,548
Shing Zheng Investment Co., Ltd. (Shing Zheng Investment)	508,032	482,949
CWTC (Shanghai) Inc. (CWTS)	<u>100,401</u>	<u>94,181</u>
	8,264,174	7,902,548
Less: Shares held by subsidiaries accounted for as treasury shares (Note 23)	<u>261,137</u>	<u>244,012</u>
	<u>\$ 8,003,037</u>	<u>\$ 7,658,536</u>

The proportion of ownership and voting rights at the end of the year was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
SHAP	100%	100%
MSHE	100%	100%
Shing Zheng Investment	49%	49%
CWTS	100%	100%

The Company purchased 100% equity interest in MSHE from its subsidiary SHAP for a total amount of USD18,700,415.81 due to the Group's internal organizational restructuring. The settlement date of the contract to purchase and sell shares was December 30, 2022.

The Company invested in and established Shing Zheng Investment in January 2022, and recognized it as a subsidiary due to substantial control over the latter. Furthermore, the Company participated in Shing Zheng Investment's capital increase in cash of NT\$200,000 thousand in April 2022 and acquired 20,000 thousand ordinary shares; after the acquisition of shares, the Company's percentage of shareholding increased to 49%.

On January 1, 2022, the subsidiary SHT, in which the Company's percentage of shareholding was 100%, merged with the Company. Assets acquired and liabilities assumed at the date of acquisition were as follows:

Current assets

Cash and bank deposits	\$ 40,895
Accounts receivable, net	31,963
Accounts receivable - related parties	818,830
Other receivables	31,667
Inventories	644,784
Other current assets	10,699

Non-current assets

Property, plant and equipment	361,990
Right-of-use assets	24,465
Investment properties	8,219
Intangible assets	3,089
Deferred tax assets	11,650
Prepayments for equipment	3,946

(Continued)

Other financial assets - non-current	\$ 20,000
Other non-current assets	1,922

Current liabilities

Short-term borrowings	100,000
Contract liabilities - current	60,660
Accounts payable	147,912
Accounts payable - related parties	51,130
Other payables	254,153
Current tax liabilities	94,654
Lease liabilities	1,737
Other current liabilities	4,437

Non-current liabilities

Contract liabilities - non-current	32,959
Deferred tax liabilities	79
Lease liabilities	23,415
Guarantee deposits received	783
Other non-current liabilities	<u>1,402</u>

Net assets	<u>\$ 1,240,798</u> (Concluded)
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13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2023

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ 232,919	\$ 768,164	\$ 2,447,137	\$ 1,127,865	\$ 5,559	\$ 21,052	\$ 336,667	\$ 916,156	\$ 5,855,519
Additions	-	4,654	172,133	116,322	1,661	1,401	31,445	584,729	912,345
Disposals	-	-	(8,736)	(1,363)	-	(574)	(12,057)	-	(22,730)
Reclassification	-	-	-	-	-	-	2,738	-	2,738
Balance at December 31, 2023	<u>232,919</u>	<u>772,818</u>	<u>2,610,534</u>	<u>1,242,824</u>	<u>7,220</u>	<u>21,879</u>	<u>358,793</u>	<u>1,500,885</u>	<u>6,747,872</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2023	-	(516,325)	(1,822,581)	(961,925)	(4,285)	(16,838)	(205,842)	-	(3,527,792)
Depreciation	-	(50,865)	(226,494)	(131,836)	(490)	(2,512)	(39,657)	-	(431,852)
Disposals	-	-	7,328	1,363	-	574	10,237	-	19,502
Reclassification	-	-	-	-	-	-	(2,738)	-	(2,738)
Balance at December 31, 2023	-	<u>(547,186)</u>	<u>(2,041,747)</u>	<u>(1,092,398)</u>	<u>(4,773)</u>	<u>(18,776)</u>	<u>(238,000)</u>	-	<u>(3,942,880)</u>
<u>Accumulated impairment</u>									
Balance at January 1 and December 31, 2023	-	(29,736)	(10,201)	(27,966)	-	-	(62)	-	(67,965)
Carrying amount at December 31, 2023	<u>\$ 232,919</u>	<u>\$ 195,896</u>	<u>\$ 558,586</u>	<u>\$ 122,460</u>	<u>\$ 2,447</u>	<u>\$ 3,103</u>	<u>\$ 120,731</u>	<u>\$ 1,500,885</u>	<u>\$ 2,737,027</u>

For the year ended December 31, 2022

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2022	\$ -	\$ 88,718	\$ 766,312	\$ 82,605	\$ 1,627	\$ 7,434	\$ 54,627	\$ 328,610	\$ 1,329,933
Additions	143,546	82,410	294,306	149,345	88	1,328	84,339	517,661	1,273,023
Disposals	-	-	(17,750)	(3,255)	-	(260)	(1,567)	-	(22,832)
Reclassification	89,375	59,440	-	-	-	-	(15,770)	-	133,045
Absorption and consolidation counted	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	<u>232,919</u>	<u>768,164</u>	<u>2,447,137</u>	<u>1,127,865</u>	<u>5,559</u>	<u>21,052</u>	<u>336,667</u>	<u>916,156</u>	<u>5,855,519</u>

(Continued)

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Accumulated depreciation									
Balance at January 1, 2022	\$ -	\$ (29,948)	\$ (369,019)	\$ (70,259)	\$ (68)	\$ (3,876)	\$ (26,627)	\$ -	\$ (499,797)
Depreciation	-	(29,423)	(197,287)	(71,451)	(371)	(2,402)	(29,210)	-	(330,144)
Disposals	-	-	17,750	3,255	-	260	1,567	-	22,832
Reclassification	-	(16,628)	-	-	-	-	11,705	-	(4,923)
Absorption and consolidation counted	-	(440,324)	(1,274,025)	(823,470)	(3,844)	(10,820)	(163,277)	-	(2,715,760)
Balance at December 31, 2022	-	(516,323)	(1,822,581)	(961,925)	(4,283)	(16,838)	(205,842)	-	(3,527,792)
Accumulated impairment									
Balance at January 1 and December 31, 2022	-	-	(3,363)	-	-	-	-	-	(3,363)
Absorption and consolidation counted	-	(29,736)	(6,838)	(27,966)	-	-	(62)	-	(64,602)
Balance at December 31, 2022	-	(29,736)	(10,201)	(27,966)	-	-	(62)	-	(67,965)
Carrying amount at December 31, 2022	<u>\$ 232,919</u>	<u>\$ 222,105</u>	<u>\$ 614,355</u>	<u>\$ 137,974</u>	<u>\$ 1,276</u>	<u>\$ 4,214</u>	<u>\$ 130,763</u>	<u>\$ 916,156</u>	<u>\$ 2,259,762</u>

(Concluded)

The following items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main building	10-35 years
Renovation	2-25 years
Machinery and equipment	2-10 years
Tooling equipment	2-5 years
Transportation equipment	3-5 years
Office equipment	3 years
Other equipment	2-10 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Carrying amount		
Land	\$ 40,611	\$ 43,245
Buildings	32,072	35,782
Transportation equipment	<u>809</u>	<u>1,272</u>
	<u>\$ 73,492</u>	<u>\$ 80,299</u>
	For the Year Ended December 31	
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 3,595</u>	<u>\$ 39,335</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,634	\$ 2,630
Buildings	7,305	4,444
Transportation equipment	463	116
Other equipment	<u>-</u>	<u>56</u>
	<u>\$ 10,402</u>	<u>\$ 7,246</u>

Except for the additions to depreciation of the right-of-use assets listed above, there was no significant sublease or impairment of the Company's right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	<u>\$ 9,307</u>	<u>\$ 9,316</u>
Non-current	<u>\$ 67,417</u>	<u>\$ 73,283</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.9235-2.171	1.9235-2.171
Buildings	0.6661-1.5085	0.35-0.6661
Transportation equipment	1.1033	1.1033

c. Material leasing activities and terms

The Company leases land from the government. The lease period will expire in December 2031, and the Company has the option to extend or to terminate the lease contract. The Company does not have a purchase option to acquire the leased land at the expiration of the lease period. The government has the option to adjust the lease payments based on changes in announced land value.

The Company leases buildings from its associate, JMC Electronics Co., Ltd. (JMC). The lease term will expire in August 2026, under certain conditions, and the Company has the options to extend or terminate the lease contract. The Company does not have bargain purchase option to acquire the leasehold buildings at the expiration of the lease period.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 4,108</u>	<u>\$ 4,086</u>
Expenses relating to low-value asset leases	<u>\$ 796</u>	<u>\$ 755</u>
Total cash outflow for leases	<u>\$ 16,014</u>	<u>\$ 12,304</u>

The Company's leases of certain staff dormitories and offices as short-term leases and certain other equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>For the year ended December 31, 2023</u>			
Cost			
Balance at January 1 and December 31, 2023	\$ 95,653	\$ 68,048	\$ 163,701
Accumulated depreciation			
Balance at January 1,2023	-	(23,091)	(23,091)
Depreciation	-	(3,202)	(3,202)
Balance at December 31,2023	-	(26,293)	(26,293)
Carrying amount at December 31,2023	<u>\$ 95,653</u>	<u>\$ 41,755</u>	<u>\$ 137,408</u>
<u>For the year ended December 31, 2022</u>			
Cost			
Balance at January 1,2022	\$ -	\$ -	\$ -
Additions	185,026	76,602	261,628
Reclassification	(89,373)	(41,988)	(131,361)
Absorption and consolidation counted	-	33,434	33,434
Balance at December 31,2022	<u>95,653</u>	<u>68,048</u>	<u>163,701</u>
Accumulated depreciation			
Balance at January 1,2022	-	-	-
Depreciation	-	(2,799)	(2,799)
Reclassification	-	4,923	4,923
Absorption and consolidation counted	-	(25,215)	(25,215)
Balance at December 31,2022	<u>-</u>	<u>(23,091)</u>	<u>(23,091)</u>
Carrying amount at December 31,2022	<u>\$ 95,653</u>	<u>\$ 44,957</u>	<u>\$ 140,610</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	10-35 years
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The Company's investment properties are located at the Nanzih Technology Industrial Park and Daliao Dist., Kaohsiung. The Company's management was unable to reliably measure the fair value of the investment property located at the Nanzih Technology Industrial Park because the land belongs to the government, and the Company only holds the building's ownership. The market transactions are not frequent and comparable properties in the active market and alternative reliable measurements of fair value are not available; therefore, the Company and its subsidiaries determined that the fair value of the investment property is not reliably measurable. The fair value of the investment property located at the Daliao Dist., Kaohsiung was determined based on the valuation methodology carried out by an independent valuation firm (non-related party of the Company) on February 10, 2022. The fair value was assessed as NT\$138,096 based on the lease scope on December 31, 2023 and 2022. The valuation was measured using the sales comparison approach and the cost comparison approach. Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed on December 31, 2023 and 2022 and the aforementioned fair value assessed by the independent valuation firm.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2023	2022
Year 1	\$ 4,903	\$ 7,871
Year 2	2,520	5,040
Year 3	210	2,520
Year 4	<u>-</u>	<u>210</u>
	<u>\$ 7,633</u>	<u>\$ 15,641</u>

16. GOODWILL

The Company merged with its subsidiary, SHT, in January 2022 and recognized goodwill of NT\$131,195 thousand mainly relating to the control premium.

The Company carried out impairment testing on the recoverable amount of goodwill at the end of the annual reporting period. The recoverable amount was determined based on the value in use. The value in use calculation used the cash flow projections in the financial budgets covering a 5-year period, using an annual discount rate of 8.78% and 8.66% as of December 31, 2023 and 2022, respectively. Based on the assessment result, the recoverable amount exceeded the carrying amount; hence, there was no need to recognize any impairment loss on goodwill.

17. OTHER INTANGIBLE ASSETS

	December 31	
	2023	2022
Computer software	\$ 23,667	\$ 28,011
Patents	<u>74,534</u>	<u>4,460</u>
	<u>\$ 98,201</u>	<u>\$ 32,471</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-10 years
Patents	10-20 years

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Credit loans	<u>\$ 2,545,000</u>	<u>\$ 2,100,000</u>
Range of interest rate (%)	1.55-1.68	1.18-1.83

b. Long-term borrowings

	December 31	
	2023	2022
Credit loans		
Maturities before June 2030, interest rates at 0.595%-1.7938% and 0.47%-1.67% p.a., respectively	\$ 3,511,242	\$ 2,473,985
Less: Current portion	<u>602,061</u>	<u>-</u>
	<u>\$ 2,909,181</u>	<u>\$ 2,473,985</u>

- 1) The Company has committed to maintain certain percentages and amounts for the current ratio, debt ratio, interest coverage ratio and total equity in the consolidated financial statements during the loan period, which are reviewed at least once every six months. If the Company is not in compliance with the aforementioned restrictions on the financial ratios and amounts, the Company should make improvements by the end of the year of submission of the annual consolidated financial statements or by the end of the second quarter of the next year's consolidated financial statements. If the restrictions are met, the Company will be deemed as not in violation of the restrictions, however, the interest rate will be raised. The Company's consolidated financial statements for the year ended December 31, 2023 was not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement of NT\$7,200,000 thousand with seven banks led by First Commercial Bank in December 2020. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$5,760,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial institutions and enriching medium-term working capital. In addition, the Company may extend the loan period by 2 years after obtaining the consent of the seven banks, within the period of six months starting from 4 years after the initial drawdown date.
- 3) In September 2019, the Company obtained the approval letter from the Ministry of Economic Affairs (MOEA), Republic of China according to "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan." In accordance with the regulations, the Company is required to complete its investments within 3 years from the date of approval of the letter. The Ministry of Economic Affairs approved the change of the scheduled investment plan and the extension of the investment completion date to July 2024 due to the progress of the plant expansion and the significant increase in production capacity caused by the epidemic.

19. BONDS PAYABLE - FOR THE YEAR ENDED DECEMBER 31, 2022 ONLY

a. Liability component

1) Secured domestic convertible bonds

For the year ended December 31, 2022

	Face Value	Discounts on Bonds Payable	Total
Balance, beginning of the year (included in current - portion of bonds payable)	\$ 221,200	\$ (6,032)	\$ 215,168
Converted into ordinary shares	(220,400)	5,903	(214,497)

(Continued)

	Face Value	Discounts on Bonds Payable	Total
Execution of redemption rights	\$ (800)	\$ 21	\$ (779)
Amortization	<u>-</u>	<u>108</u>	<u>108</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

2) Financial assets at FVTPL

	For the Year Ended December 31, 2022
Balance, beginning of the year	\$ 1,416
Converted into ordinary shares	(1,411)
Execution of redemption rights	(4)
Adjustment for valuation	<u>(1)</u>
Balance, end of the year	<u>\$ -</u>

b. Equity component

	For the Year Ended December 31, 2022
Balance, beginning of the year	\$ 52,430
Converted into ordinary shares	(52,240)
Execution of redemption rights	<u>(190)</u>
Balance, end of the year	<u>\$ -</u>

The Company issued first secured domestic convertible bonds in July 2021. The bonds were issued at 120.56% of the face value. The total amount issued was NT\$1,808,462 thousand with a face value of NT\$100 thousand each, zero coupon rate and issuance period of 5 years. Hua Nan Commercial Bank and E. SUN Commercial Bank acted as guarantee banks. According to the regulations, the liabilities and conversion rights are separately recognized as liabilities and capital surplus – options, respectively; the embedded derivatives (redemption rights and put options) are recognized separately from the contract and included in financial assets at FVTPL. Liability components of non-derivative bonds are measured at amortized cost using the effective interest method (effective interest rate is 0.6034%). The discount amortization is recognized in current profit or loss.

The over-the-counter trading of the convertible bonds was terminated in January 2022, the abovementioned secured convertible bonds with a face value of NT\$1,499,200 thousand have been converted into 20,068 thousand ordinary shares (par value of NT\$1) of the Company. The benchmark date of capital increase on March 17, 2022, it is recorded under capital collected in advance. The portion of the net amount of conversion exceeding the par value of the ordinary shares is accounted for as capital surplus - convertible bond premium in the amount of NT\$262,367 thousand in 2022; in addition, due to the exercise of the conversion right of bonds, the capital surplus - options recognized in the original issue decreased by NT\$52,240 thousand in 2022. The redemption right of this convertible bonds was exercised by the Company. The capital surplus - options recognized in the original issue by NT\$190 thousand was transferred to capital surplus - convertible bonds of expired share options.

20. ACCOUNTS PAYABLE

	December 31	
	2023	2022
Accounts payable	<u>\$ 273,991</u>	<u>\$ 386,599</u>
Accounts payable - related parties	<u>\$ 433,662</u>	<u>\$ 506,540</u>

The Company has in place financial risk management policies to ensure that all payables are repaid within the credit period.

21. OTHER PAYABLES

	December 31	
	2023	2022
Salaries and bonuses	\$ 263,466	\$ 269,142
Purchases of equipment	69,858	204,156
Employees' compensation and remuneration of directors	48,110	36,969
Payables for chemical products	39,104	35,494
Others	<u>161,737</u>	<u>157,493</u>
	<u>\$ 582,275</u>	<u>\$ 703,254</u>

22. RETIREMENT BENEFIT PLAN

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan in the Republic of China. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted a defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company makes contributions equal to a certain percentage of total monthly salaries to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); The Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company defined benefit plans and other long-term employee benefit were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 8,323	\$ 4,771
Fair value of plan assets	(7,798)	(7,366)
Present value of other long-term employee benefit obligation appropriated	<u>11,699</u>	<u>10,639</u>
	12,224	8,044
Recognized under other payables	<u>(11,699)</u>	<u>(10,639)</u>
Net defined benefit liabilities (assets) (Note)	<u>\$ 525</u>	<u>\$ (2,595)</u>

Note: Net defined benefit liabilities are recognized under other non-current liabilities; net defined benefit assets are recognized under other non-current assets.

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Present Value of Other Long-term Employee Benefit Obligation Appropriated	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2023	<u>\$ 4,771</u>	<u>\$ (7,366)</u>	<u>\$ 10,639</u>	<u>\$ 8,044</u>
Service cost				
Current service cost	124	-	3,055	3,179
Past service cost	3,601	-	-	3,601
Interest expense (income)	<u>72</u>	<u>(111)</u>	<u>131</u>	<u>92</u>
Recognized in profit or loss	<u>3,797</u>	<u>(111)</u>	<u>3,186</u>	<u>6,872</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(45)	-	(45)
Actuarial loss (gain)				
Experience adjustments	<u>(245)</u>	<u>-</u>	<u>1,756</u>	<u>1,511</u>
Recognized in other comprehensive income (the portion of other long-term employee benefits is recognized in profit or loss)	<u>(245)</u>	<u>(45)</u>	<u>1,756</u>	<u>1,466</u>
Contributions from the employer	-	(276)	-	(276)
Benefits paid	<u>-</u>	<u>-</u>	<u>(3,882)</u>	<u>(3,882)</u>
	<u>-</u>	<u>(276)</u>	<u>(3,882)</u>	<u>(4,158)</u>
Balance at December 31, 2023	<u>\$ 8,323</u>	<u>\$ (7,798)</u>	<u>\$ 11,699</u>	<u>\$ 12,224</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Absorption and consolidation counted	<u>5,168</u>	<u>(6,635)</u>	<u>6,683</u>	<u>5,216</u>
Service cost				
Current service cost	136	-	3,662	3,798

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Present Value of Other Long-term Employee Benefit Obligation Appropriated	Net Defined Benefit Liabilities (Assets)
Interest expense (income)	\$ 26	\$ (33)	\$ 28	\$ 21
Recognized in profit or loss	<u>162</u>	<u>(33)</u>	<u>3,690</u>	<u>3,819</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(580)	-	(580)
Actuarial loss (gain)				
Changes in financial assumptions	(566)	-	(187)	(753)
Experience adjustments	<u>7</u>	<u>-</u>	<u>2,404</u>	<u>2,411</u>
Recognized in other comprehensive income (the portion of other long-term employee benefits is recognized in profit or loss)	<u>(559)</u>	<u>(580)</u>	<u>2,217</u>	<u>1,078</u>
Contributions from the employer	-	(118)	-	(118)
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,951)</u>	<u>(1,951)</u>
	<u>-</u>	<u>(118)</u>	<u>(1,951)</u>	<u>(2,069)</u>
Balance at December 31, 2022	<u>\$ 4,771</u>	<u>\$ (7,366)</u>	<u>\$ 10,639</u>	<u>\$ 8,044</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans and other long-term employee benefit are as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Operating costs	\$ 7,301	\$ 3,316
General and administrative expenses	<u>1,327</u>	<u>2,720</u>
	<u>\$ 8,628</u>	<u>\$ 6,036</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate (%)	1.5	1.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0.0-10.0	0.0-10.0

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (383)</u>	<u>\$ (170)</u>
0.25% decrease	<u>\$ 407</u>	<u>\$ 178</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 397</u>	<u>\$ 173</u>
0.25% decrease	<u>\$ (376)</u>	<u>\$ (166)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	<u>\$ 250</u>	<u>\$ 96</u>
Average duration of the defined benefit obligation	22.3 years	14.7 years

23. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>1,750,000</u>
Shares authorized	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Number of shares issued and fully paid (in thousands)	<u>950,539</u>	<u>966,422</u>
Shares issued	<u>\$ 380,215</u>	<u>\$ 386,569</u>

The Company had passed the revision of its articles of incorporation regarding par value per share in its shareholders' meeting in June 2022. The par value per share had been changed from NT\$1 to NT\$0.4, and the reissuance of the shares was completed on September 5, 2022.

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors resolved to cancel treasury shares in May 2023 which were bought back in 2018 and had not been transferred to employees within five years. The Company canceled 15,883 thousand treasury shares on July 6, 2023, which was the date for capital reduction. The amount of capital reduction was NT\$6,354 thousand. The difference between the cost and the cancelled shares decreased capital surplus - share issue premium by NT\$68,068 thousand and capital surplus - treasury share transaction by NT\$179,823 thousand, respectively.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,082,840	\$ 4,224,188
Convertible bonds premium	1,784,093	1,784,093
Treasury share transactions	51,195	81,484
Expired options of convertible bonds	190	190
Expired employee share options	89	89
May be used to offset deficits only		
Share of change in equity of subsidiaries	1	1
May not be used for any purpose		
Restricted stocks for employees	<u>115,284</u>	<u>115,284</u>
	<u>\$ 6,033,692</u>	<u>\$ 6,205,329</u>

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

c. Retained earnings and dividend policy

After the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each quarter. If there is any surplus at the end of each quarter, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous quarter, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve

has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

Before the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- 1) Determine the best capital budget.
- 2) Determine the amount of financing needed to meet the previous capital budget.
- 3) Determine the amount of capital to be financed by retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In accordance with the Rule issued by FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2023, 2022 and 2021 had been approved by the Company's board of directors. The appropriations and dividends per share were as follows:

	For the Second Half of Year, 2022	For the First Half of Year, 2022	For the Second Half of Year, 2021	For the First Half of Year, 2021
Resolution Date of the Company's board of directors in its meeting	March 16, 2023	November 4, 2022	March 17, 2022	November 5, 2021
Legal reserve	<u>\$ 133,177</u>	<u>\$ 153,349</u>	<u>\$ 133,381</u>	<u>\$ 55,332</u>
Special reserve (reversal)	<u>\$ 31,557</u>	<u>\$ 54,752</u>	<u>\$ 64,892</u>	<u>\$ (34,256)</u>
Cash dividends	<u>\$ 765,496</u>	<u>\$ 661,540</u>	<u>\$ 646,123</u>	<u>\$ 246,872</u>
Cash dividends per share (NT\$)	<u>\$ 0.81</u>	<u>\$ 0.70</u>	<u>\$ 1.72</u>	<u>\$ 0.68</u>

	For the Three Months Ended December 31, 2023	For the Three Months Ended September 30, 2023	For the Three Months Ended June 30, 2023	For the Three Months Ended March 31, 2023
Resolution Date of the Company's board of directors in its meeting	March 12, 2024	November 7, 2023	August 8, 2023	May 5, 2023
Legal reserve	<u>\$ 30,266</u>	<u>\$ 42,310</u>	<u>\$ 46,838</u>	<u>\$ 38,815</u>
Special reserve (reversal)	<u>\$ (1,456)</u>	<u>\$ (10,787)</u>	<u>\$ 21,104</u>	<u>\$ (256,939)</u>
Cash dividends	<u>\$ 389,721</u>	<u>\$ 380,216</u>	<u>\$ 380,215</u>	<u>\$ 378,023</u>
Cash dividends per share (NT\$)	<u>\$ 0.41</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

In addition to the above-mentioned cash dividends, the appropriations of earnings for 2022 and 2021 were resolved by the shareholders in their meetings in May 2023 and June 2022, respectively. The appropriations of earnings for 2023 are subject to the resolution by the shareholders in their meeting to be held in May 2024.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (31,961)	\$ (261,162)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(54,928)	286,533
Related income tax	<u>10,986</u>	<u>(57,332)</u>
Balance, end of the year	<u>\$ (75,903)</u>	<u>\$ (31,961)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (191,485)	\$ 90,532
Recognized for the year		
Unrealized gains and losses - equity instruments	331,821	(214,527)

(Continued)

	For the Year Ended December 31	
	2023	2022
Share from subsidiaries accounted for using the equity method	\$ 5,033	\$ (19,039)
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(17,551)</u>	<u>(48,451)</u>
Balance, end of the year	<u>\$ 127,818</u>	<u>\$ (191,485)</u> (Concluded)

3) Unearned employee benefits

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ (111,249)	\$ -
Issuance of employee restricted stock awards	-	(117,654)
Share - based payment expense	24,962	5,608
Share from subsidiaries accounted for using the equity method	<u>3,551</u>	<u>797</u>
Balance, end of the year	<u>\$ (82,736)</u>	<u>\$ (111,249)</u>

e. Treasury shares

Purpose of Treasury Shares	Thousand Shares				December 31	
	Beginning of Year	Change The Par Value of Shares	Addition	Reduction	Thousand Shares	Amount
For the year ended December 31, 2023						
Transferring to employees	21,365	-	-	21,365	-	\$ -
Shares held by subsidiaries	<u>7,088</u>	<u>-</u>	<u>612</u>	<u>147</u>	<u>7,553</u>	<u>261,137</u>
	<u>28,453</u>	<u>-</u>	<u>612</u>	<u>21,512</u>	<u>7,553</u>	<u>\$ 261,137</u>
For the year ended December 31, 2022						
Transferring to employees	8,546	12,819	-	-	21,365	\$ 342,001
Shares held by subsidiaries	<u>-</u>	<u>-</u>	<u>7,088</u>	<u>-</u>	<u>7,088</u>	<u>244,012</u>
	<u>8,546</u>	<u>12,819</u>	<u>7,088</u>	<u>-</u>	<u>28,453</u>	<u>\$ 586,013</u>

For the above-mentioned treasury shares transferred to employees, the decrease in 2023 included the actual transfer and the cancellation of the shares that have not been transferred to employees in five years under the law. Refer to Notes 28 (b) and 23 (a).

The Company's shares acquired and held by the subsidiary, Shing Zheng Investment, for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at FVTOCI) based on the percentage of ownership held by the Company. The Company does not hold more than 50% of the shares of Shing Zheng Investment; therefore, its rights to hold the Company's shares are the same as those of other ordinary shareholders. Refer to Table 3 for details of the subsidiaries' ownership of the Company's shares. In 2023, the subsidiary sold 300 thousand shares of the Company held by it at disposal price of NT\$13,408 thousand, and the carrying amount of treasury shares attributed to the Company was NT\$5,053 thousand, which was based on the proportion of shareholdings, and the gain on disposal of NT\$1,517 thousand was recognized as capital surplus

-treasury stock transactions. As of December 31, 2023 and 2022, the market value of the above treasury shares was NT\$252,276 thousand and NT\$210,519 thousand based on the Company's shareholding at the end of the year, respectively.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights.

24. OPERATING REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from sale of goods	\$ 6,599,805	\$ 8,663,682
Commission and revenue from the rendering of services	24,329	95,405
Other operating revenue	<u>1,257</u>	<u>1,383</u>
	<u>\$ 6,625,391</u>	<u>\$ 8,760,470</u>

a. Refer to Note 4 (o) for information relating to the contracts with customers.

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	<u>\$ 1,187,847</u>	<u>\$ 1,435,512</u>	<u>\$ 1,279,718</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 220,204</u>	<u>\$ 304,451</u>	<u>\$ 11,371</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the the satisfaction of performance obligations and the customer's payment.

Revenue recognized in the current year from the satisfaction of performance obligations of the contract liabilities at the beginning of the year was as follows:

	For the Year Ended December 31	
	2023	2022(Note)
Sale of goods	<u>\$ 211,398</u>	<u>\$ 88,596</u>

Note: The beginning contract liability recognized as income for the year ended December 31, 2022 included the amount absorbed in the consolidated subsidiary, SHT.

c. Disaggregation of revenue

For the year ended December 31, 2023

	Reportable Segments			Total
	IC Lead frames	LED Lead frames	Others	
<u>Type of revenue</u>				
Sale of goods	\$ 5,878,796	\$ 721,009	\$ -	\$ 6,599,805
Commission and rendering of services	24,329	-	-	24,329
Other	<u>310</u>	<u>440</u>	<u>507</u>	<u>1,257</u>
	<u>\$ 5,903,435</u>	<u>\$ 721,449</u>	<u>\$ 507</u>	<u>\$ 6,625,391</u>

For the year ended December 31, 2022

	Reportable Segments			Total
	IC Lead frames	LED Lead frames	Others	
<u>Type of goods revenue</u>				
Sale of goods	\$ 7,956,956	\$ 652,332	\$ 54,394	\$ 8,663,682
Commission and rendering of services	95,405	-	-	95,405
Other	<u>347</u>	<u>479</u>	<u>557</u>	<u>1,383</u>
	<u>\$ 8,052,708</u>	<u>\$ 652,811</u>	<u>\$ 54,951</u>	<u>\$ 8,760,470</u>

d. Partially completed contracts

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	December 31	
	2023	2022
Sale of goods		
Fulfill in 2023	\$ -	\$ 252,590
Fulfill in 2024	202,024	51,861
Fulfill in 2025 and subsequent years	<u>18,180</u>	<u>-</u>
	<u>\$ 220,204</u>	<u>\$ 304,451</u>

25. PROFIT BEFORE INCOME TAX

Profit before income tax includes the items as follows:

a. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income	\$ 122,493	\$ 90,995
Compensation Income	37,072	-
Government grants	20,080	15,407
Rental income	7,917	7,858
Others	<u>3,890</u>	<u>6,241</u>
	<u>\$ 191,452</u>	<u>\$ 120,501</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gain	\$ 30,462	\$ 284,906
Gain (loss) arising from financial assets at fair value through profit or loss	32,172	(20,700)
Others	<u>(2,772)</u>	<u>(3,256)</u>
	<u>\$ 59,862</u>	<u>\$ 260,950</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 93,362	\$ 41,281
Amortization of syndicated loan fee	2,880	2,880
Interest on lease liabilities	1,353	1,078
Amortization of discounts on bonds payable	-	108
Others	10	5
Less: Amounts included in the cost of qualifying assets	<u>(4,966)</u>	<u>(802)</u>
	<u>\$ 92,639</u>	<u>\$ 44,550</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized amount	<u>\$ 4,966</u>	<u>\$ 802</u>
Capitalization rates (%)	0.47-1.652	0.095-1.436

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Depreciation		
Property, plant and equipment	\$ 431,852	\$ 330,144
Right-of-use assets	10,402	7,246
Investment properties	<u>3,202</u>	<u>2,799</u>
	<u>\$ 445,456</u>	<u>\$ 340,189</u>
Analysis of depreciation by function		
Operating costs	\$ 421,153	\$ 316,184
Operating expenses	21,101	21,206
Non-operating income and expenses	<u>3,202</u>	<u>2,799</u>
	<u>\$ 445,456</u>	<u>\$ 340,189</u>
Amortization		
Computer software	\$ 10,800	\$ 9,835
Patents	541	597
Other non-current assets	<u>936</u>	<u>270</u>
	<u>\$ 12,277</u>	<u>\$ 10,702</u>
Analysis of amortization by function		
Operating costs	\$ 4,935	\$ 3,057
Operating expenses	<u>7,342</u>	<u>7,645</u>
	<u>\$ 12,277</u>	<u>\$ 10,702</u>

e. Employee benefits

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 23,944	\$ 23,487
Defined benefit plans	<u>3,686</u>	<u>129</u>
	27,630	23,616
Other employee benefits	<u>712,031</u>	<u>696,848</u>
	<u>\$ 739,661</u>	<u>\$ 720,464</u>
Analysis of employee benefits by function		
Operating costs	\$ 479,539	\$ 452,919
Operating expenses	<u>260,122</u>	<u>267,545</u>
	<u>\$ 739,661</u>	<u>\$ 720,464</u>

f. Compensation of employees and remuneration of directors

In accordance with the Company's Articles, the Company accrues employees' compensation and remuneration of directors at the rates of 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. The

employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Company's board of directors in March 2024 and 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Employees' compensation - cash	<u>\$ 17,387</u>	<u>\$ 32,969</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>
<hr/>		
Accrual rate		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.2	0.1

The difference between the amounts recognized and approved by the Company's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Others

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment (included in operating costs)	<u>\$ 960</u>	<u>\$ -</u>

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 268,979	\$ 360,910
Adjustments for prior years	(54,315)	(25,666)
Income tax on unappropriated earnings	31,799	21,099
Deferred tax		
In respect of the current year	<u>(93,699)</u>	<u>87,660</u>
	<u>\$ 152,764</u>	<u>\$ 444,003</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 1,717,276</u>	<u>\$ 3,259,904</u>
Income tax expense calculated at the statutory rate	\$ 343,455	\$ 651,981
Non-recognizable gains in determining taxable income	(32,258)	(14,804)
Income tax on unappropriated earnings	31,799	21,099
Unrecognized temporary differences	(135,917)	(188,607)
Adjustment for prior years	<u>(54,315)</u>	<u>(25,666)</u>
	<u>\$ 152,764</u>	<u>\$ 444,003</u>

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Exchange differences on translating the financial statements of foreign operations	\$ (10,986)	\$ 57,332
Remeasurement on defined benefit plan	<u>58</u>	<u>228</u>
	<u>\$ (10,928)</u>	<u>\$ 57,560</u>

c. Current tax liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 297,464</u>	<u>\$ 343,832</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Loss on inventory valuation and obsolescence	\$ 24,157	\$ 4,613	\$ -	\$ 28,770
Difference between tax-report and financial report - revenue recognition	8,314	12,932	-	21,246
				(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Exchange differences on translating the financial statements of foreign operations	\$ 7,956	\$ -	\$ 10,986	\$ 18,942
Others	<u>4,965</u>	<u>21,858</u>	<u>(58)</u>	<u>26,765</u>
	<u>\$ 45,392</u>	<u>\$ 39,403</u>	<u>\$ 10,928</u>	<u>\$ 95,723</u>
<hr/> <u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 324,317	\$ (51,142)	\$ -	\$ 273,175
Others	<u>3,154</u>	<u>(3,154)</u>	<u>-</u>	<u>-</u>
	<u>\$ 327,471</u>	<u>\$ (54,296)</u>	<u>\$ -</u>	<u>\$ 273,175</u> (Concluded)

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Absorption and Consolidation Counted	Balance, End of Year
<hr/> <u>Deferred tax assets</u>					
Temporary differences					
Loss on inventory valuation and obsolescence	\$ 9,487	\$ 9,478	\$ -	\$ 5,192	\$ 24,157
Difference between tax-report and financial report - revenue recognition	2,748	2,028	-	3,538	8,314
Exchange differences on translating the financial statements of foreign operations	65,288	-	(57,332)	-	7,956
Others	<u>16,157</u>	<u>(14,112)</u>	<u>-</u>	<u>2,920</u>	<u>4,965</u>
	<u>\$ 93,680</u>	<u>\$ (2,606)</u>	<u>\$ (57,332)</u>	<u>\$ 11,650</u>	<u>\$ 45,392</u>
<hr/> <u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 242,110	\$ 82,207	\$ -	\$ -	\$ 324,317
Others	<u>-</u>	<u>2,847</u>	<u>228</u>	<u>79</u>	<u>3,154</u>
	<u>\$ 242,110</u>	<u>\$ 85,054</u>	<u>\$ 228</u>	<u>\$ 79</u>	<u>\$ 327,471</u>

e. Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Net profit for the year	<u>\$ 1,564,512</u>	<u>\$ 2,815,901</u>
<u>Weighted average number of ordinary shares outstanding (in thousands of shares)</u>		
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	934,746	935,470
Effect of potentially dilutive ordinary shares		
Employees' compensation	694	1,210
Employee restricted stock awards	<u>2,209</u>	<u>79</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>937,649</u>	<u>936,759</u>

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee restricted stock awards

The issuance of employee restricted stock awards (RSAs) for the year 2022 of no more than 6,365 thousand ordinary shares (par value of NT\$0.4) has been approved by the Company's shareholders in their meeting held in June 2022. The grants will be made free of charge. Under the aforementioned resolution, the Company's board of directors approved the issuance of RSAs of 5,925 thousand shares (par value of NT\$0.4) in October 2022. The grant date and the issuance date will be on October 11, 2022. The fair value of employee restricted stock awards at the date of grant was \$30.6 per share.

Vesting conditions of the aforementioned arrangement are as follows:

- 1) Three years from the date of new employee restricted stocks for employees who are still in employment and achieved their individual KPI each year.
- 2) The maximum percentage of shares that can be vested in each year is 20% for three years, 30% for four years and 50% for five years.

Employee restricted stocks that have been granted but have not yet met the vesting conditions are as follows:

- 1) During each vesting period, no key management personnel granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose

of, any shares under the unvested RSAs. After the employee meets the vesting conditions, the shares will be transferred to the employee's personal pool account in accordance with the trust custody agreement.

- 2) The right of attendance, proposal, speech, vote and election should be executed in accordance with the contract of stock trust.
- 3) Except for the restrictions mentioned above, the right of restricted shares is the same as the issued ordinary shares of the Company before meeting the vesting conditions (including the right of interest, dividends, capital surplus; share option for cash capital increase).

b. Treasury shares transferred to employees

For the purposes of motivating the employees and enhancing internal cohesion, in May 2023, the Company's board of directors transferred treasury shares that were purchased in 2018 to employees of the parent company, Company and its subsidiaries that met certain criteria. The grant date was June 19, 2023. The number of 5,482 thousand shares was transferred, and the transfer price was NT\$18 per share. After the execution, the Company recognized remuneration costs of NT\$46,464 thousand, capital surplus - treasury stock transactions of NT\$136,162 thousand and decreased capital surplus - share issue premium of NT\$73,280 thousand. Besides, the Company transferred shares to employees of subsidiary, than decreased investments accounted for using the equity method of NT\$5,794 thousand.

The share-based payment arrangement on the grant date is calculated by using the closing price of the shares at the grant date less the performance price used to estimate the fair value of the share option.

29. NON-CASH TRANSACTIONS

The Company entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2023	2022
Investing activities affecting both cash and non-cash items		
Increase in property, plant and equipment	\$ 912,345	\$ 1,273,023
Decrease in prepayments for equipment	(63,054)	(149,169)
Decrease (increase) in payables for equipment (classified under other payables)	134,184	(123,813)
Capitalized interest	<u>(4,966)</u>	<u>(802)</u>
Cash paid	<u>\$ 978,509</u>	<u>\$ 999,239</u>
Increase in intangible assets	\$ 77,072	\$ 10,310
Decrease in prepayments for equipment	(77,072)	(10,310)
Decrease in payables for equipment (classified under other payables)	<u>-</u>	<u>131</u>
Cash paid	<u>\$ -</u>	<u>\$ 131</u>

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The overall strategy of the Company did not change significantly in 2023.

The capital structure of the Company consists of net debt and equity of the Company. The Company's long-term borrowings are subject to certain capital and financial ratio restrictions based on signed contracts. Refer to Note 18 for more information.

The key management personnel of the Company reviews the capital structure periodically in consideration of the current operation in the industry and the future development and external environmental changes. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of shares issued, repurchase and the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management of the Company believes the carrying amounts of financial assets and liabilities recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 79,100	\$ -	\$ -	\$ 79,100
Domestic convertible bonds	<u>14,783</u>	<u>-</u>	<u>-</u>	<u>14,783</u>
	<u>\$ 93,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,883</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 1,792,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,792,136</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 55,020	\$ -	\$ -	\$ 55,020
Domestic convertible bonds	<u>2,688</u>	<u>-</u>	<u>-</u>	<u>2,688</u>
	<u>\$ 57,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,708</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 1,322,063	\$ -	\$ -	\$ 1,322,063 (Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets of the Company measured at fair value based on Level 3 are derivatives at FVTPL and equity instruments investment measured at FVTOCI. The reconciliations were as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance, beginning of the year	\$ -	\$ 1,416
Conversions	-	(1,411)
Execution of redemption rights	-	(4)
Recognized in profit or loss (included in other gains and losses)	-	(1)
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of derivative assets - convertible bonds redemption rights and put options is measured using binominal tree model by using significant but unobservable inputs as fluctuation of stock price. When the fluctuation of stock price increases, the fair value is deemed to increase.

The fair value of foreign non-listed stocks is measured by the market method with reference to the evaluation multiplier of companies of the same type and the Company's operating conditions.

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets mandatorily classified as at FVTPL	\$ 93,883	\$ 57,708
Financial assets at amortized cost (Note 1)	4,703,293	4,536,859
Financial assets at FVTOCI - equity instruments	1,792,136	1,322,063
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	7,347,373	6,171,410

Note 1: The balances included financial assets at amortized cost are comprised of cash and cash equivalents, accounts receivable (including related parties), other receivables, refundable

deposits (included in other non-current assets), and other financial assets.

Note 2: The balances included financial liabilities at amortized cost are comprised of short-term borrowings, notes payable, accounts payable (including related parties), other payables, long-term borrowings (including current portion of long-term borrowings) and guarantee deposits received (recorded as other non-current liabilities).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Company are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Company for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured in 2023.

a) Foreign currency risk

The Company was exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters and by natural hedges of foreign deposits, foreign borrowings or foreign bond.

For the carrying amounts of the Company's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 35.

The Company is mainly exposed to the USD. The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

	Impact on Profit or Loss (USD)	
	For the Year Ended December 31	
	2023	2022
Profit before income tax (Note)	\$ (29,894)	\$ (26,129)

Note: This was mainly attributable to the exposure outstanding on USD including cash and cash equivalents, accounts receivable (including related parties), other receivables, other financial assets, short-term borrowings, accounts payable (including related

parties) and other payables which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Sales in USD will fluctuate based on different contracts and the business cycle.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrows funds at floating interest rates. The risk is managed by the Company by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Company can not only maintain low financing costs but have sufficient lines of credit for utilization.

The carrying amounts of the Company's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 5,400	\$ -
Financial liabilities	276,724	82,599
Cash flow interest rate risk		
Financial assets	2,023,692	2,997,405
Financial liabilities	5,856,242	4,573,985

The sensitivity analysis below was determined based on the Company's exposure to financial instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the balance sheet date was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$58,562 thousand and NT\$45,740 thousand, respectively.

c) Other price risk

The Company is exposed to other price risk through its investments in equity securities and bonds. If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$939 thousand and NT\$577 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2023 and 2022 would have increased/decreased by NT\$17,921 thousand and NT\$13,221 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation is the carrying amount of financial assets recognized in the balance sheets.

The Company's transaction counterparties are all creditworthy companies, and the relevant business units grant credit lines to their customers based on the results of each credit check, and also regularly tracks customer collections. Therefore, no significant credit risk is expected.

There are a number of major customers when it comes to accounts receivable counterparties. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by the economic or other conditions. Therefore, the Company was exposed to credit risk. The receivables balances (accounts receivable and other receivables, including related parties) with significant credit risk were as follows:

Customer	December 31	
	2023	2022
CWE (Parent company)	<u>\$ 463,252</u>	<u>\$ 562,496</u>

The Company provided endorsements for its investee companies as of December 31, 2023 and 2022. The maximum amount of credit risk for providing endorsements for the investee companies was NT\$119,289 thousand and NT\$119,308 thousand, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized credit facilities of NT\$13,182,995 thousand and NT\$14,076,756 thousand, respectively.

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the balance sheet date.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Non-interest bearing liabilities	\$ 2,050,930	\$ 632	\$ -	\$ 2,051,562
Lease liabilities	10,942	40,240	36,824	88,006
Variable interest rate liabilities	2,986,083	2,682,776	256,339	5,925,198
Fixed interest rate liabilities	202,233	-	-	202,233
Financial guarantee liabilities	<u>119,289</u>	<u>-</u>	<u>-</u>	<u>119,289</u>
	<u>\$ 5,369,477</u>	<u>\$ 2,723,648</u>	<u>\$ 293,163</u>	<u>\$ 8,386,288</u>
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 2,258,103	\$ 861	\$ -	\$ 2,258,964

(Continued)

	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 10,456	\$ 38,559	\$ 44,325	\$ 93,340
Variable interest rate liabilities	2,126,767	1,486,724	1,025,946	4,639,437
Financial guarantee liabilities	<u>119,308</u>	<u>-</u>	<u>-</u>	<u>119,308</u>
	<u>\$ 4,514,634</u>	<u>\$ 1,526,144</u>	<u>\$ 1,070,271</u>	<u>\$ 7,111,049</u> (Concluded)

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty of the financial guarantee contract. Based on expectations at the end of the year, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

32. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and related parties are disclosed as follows:

- a. Names of related parties and their relationships with the Company

Related Party Name	Relationship
Chang Wah Electromaterials Inc. (CWE)	Parent company
Wah Lee Industrial Corp. (WLC)	Investment company that adopts equity method to evaluate the parent company
JMC Electronics Co., Ltd. (JMC)	Associate
Chang Wah Energy Technology Co., Ltd. (CWET)	Associate
CWTC (Shanghai) Inc. (CWTS)	Subsidiary
SH Asia Pacific Pte. Ltd. (SHAP)	Subsidiary
SH Precision Chengdu Co., Ltd. (SHPC)	Subsidiary
SH Electronics Chengdu Co., Ltd. (SHEC)	Subsidiary
SH Electronics Suzhou Co., Ltd. (SHS)	Subsidiary
Malaysian SH Electronics Sdn.Bhd. (MSHE)	Subsidiary
Shanghai Chang Wah Electromaterials Inc. (CWES)	Subsidiary
Shing Zheng Investment Co., Ltd. (Shing Zheng Investment)	Subsidiary

- b. Operating revenues

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Revenue from sales of goods	CWE	\$ 1,731,541	\$ 3,008,336
	Subsidiaries	434,841	580,781
Commission and revenue from the rendering of services	CWE	18,758	87,327
	Subsidiaries	5,571	8,078
Other operating revenue	CWE	<u>236</u>	<u>301</u>
		<u>\$ 2,190,947</u>	<u>\$ 3,684,823</u>

Sales to related parties were under normal terms applied to similar transactions in the market. Commission and revenue from the rendering of services and other operating revenue are different from and not comparable with that of non-related parties. Payment terms are 30-180 days from the end of the month, and the general customer payment terms are 15-120 days from the end of the month.

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
MSHE	\$ 947,494	\$ 852,859
SHS	921,560	1,714,538
SHEC	677,364	867,111
WLC	18,505	15,265
CWE	<u>2,171</u>	<u>1,428</u>
	<u>\$ 2,567,094</u>	<u>\$ 3,451,201</u>

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 15-90 days from the end of the month, and the general customer payment terms are purchase 7 days after purchasing to 120 days from the end of the month.

d. Balance at period-end

Related Party Category/Name	December 31	
	2023	2022
Accounts receivable - related parties		
CWE	\$ 443,791	\$ 536,625
SHPC	94,544	113,068
CWTS	90,667	32,216
Subsidiaries	<u>1,547</u>	<u>22,912</u>
	<u>\$ 630,549</u>	<u>\$ 704,821</u>
Other receivables		
CWE	\$ 19,461	\$ 25,871
SHS	5,843	5,206
Subsidiaries	<u>3,087</u>	<u>910</u>
	<u>\$ 28,391</u>	<u>\$ 31,987</u>
Refundable deposit		
JMC	<u>\$ 615</u>	<u>\$ 724</u>
Contract liabilities - current		
CWE	<u>\$ 3,525</u>	<u>\$ -</u>
Accounts payable - related parties		
MSHE	\$ 225,779	\$ 238,655
SHEC	141,890	153,627
SHS	64,414	109,509

(Continued)

Related Party Category/Name	December 31	
	2023	2022
CWE	\$ 922	\$ 565
WLC	<u>657</u>	<u>4,184</u>
	<u>\$ 433,662</u>	<u>\$ 506,540</u>
Dividends payable		
CWE	\$ 179,968	\$ 314,944
Shing Zheng Investment	<u>6,160</u>	<u>10,034</u>
	<u>\$ 186,128</u>	<u>\$ 324,978</u>
Other payables		
Subsidiaries	\$ 15,530	\$ 15,110
CWET	7,035	-
WLC	6,876	-
CWE	<u>739</u>	<u>716</u>
	<u>\$ 30,180</u>	<u>\$ 15,826</u>
Guarantee deposits received		
CWE	<u>\$ 230</u>	<u>\$ 230</u>

(Concluded)

e. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2023	2022
CWET	\$ 6,700	\$ -
CWE	<u>50</u>	<u>998</u>
	<u>\$ 6,750</u>	<u>\$ 998</u>

The amount of the acquisition price and the payment terms determined based on agreement by both parties.

f. Disposal of property, plant and equipment - for the year ended December 31, 2023 only

Related Party Category/Name	Disposal Price	Gain (Loss) on Disposal
Subsidiaries	<u>\$ 4,302</u>	<u>\$ 960</u>

The amount of the disposal price and the payment terms were determined based on the agreement by both parties.

g. Lease arrangements

Lease liabilities

Related Party Category/Name	December 31	
	2023	2022
JMC	\$ 32,303	\$ 35,842

Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
JMC	\$ 429	\$ 128

Please refer to Note 14 (c) for the Lease Agreement.

h. Loans to related parties

Interest revenue

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
SHS	\$ -	\$ 2,697

The Company provides unsecured short-term lending to its subsidiary. The interest rates are similar with the market interest rates. For the years ended December 31, 2022, the interest rate ranges was 0.9%. As of December 31, 2022, the subsidiary was fully repaid.

i. Endorsements and guarantees provided for the related parties

Related Party Category/Name	December 31	
	2023	2022
CWES		
Amount endorsed	\$ 119,289	\$ 119,308
Amount utilized	119,289	119,308

j. Other transactions with related parties

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Selling and marketing expenses - commission expenses	CWE	\$ 720	\$ 720
Other income - dividend income	CWE	\$ 69,532	\$ 29,616
	JMC	8	34
		\$ 69,540	\$ 29,650
Other income - rental revenue	CWE	\$ 2,518	\$ 2,514

The Company's products are entrusted to the parent company CWE for sales. The handling fees paid according to the contract are listed in the selling and marketing expenses - commission expenses.

The Company invests in the shares of its parent company, CWE, which are included in the financial assets measured at fair value through other comprehensive income. Refer to Table 3.

The Company leases part of the building to its parent company, CWE under an agreement that expires in October 2024.

k. Remuneration of key management personnel

Total remuneration to directors and other key management personnel was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 39,141	\$ 39,961
Share-based payments	50,251	5,476
Post-employment benefits	<u>999</u>	<u>976</u>
	<u>\$ 90,391</u>	<u>\$ 46,413</u>

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The company provided the following assets as collateral for import tariffs:

	December 31	
	2023	2022
Other financial assets		
Time deposits	<u>\$ 20,400</u>	<u>\$ 29,400</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's commitments for the purchase of property, plant and equipment to which NT\$64,666 thousand was unpaid.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2023</u>			
Monetary foreign currency assets			
USD	\$ 115,426	30.705 (USD:NTD)	\$ 3,544,153 (Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
JPY	\$ 879,364	0.2172	(JPY:NTD)	\$ 190,998
RMB	86,154	4.3352	(RMB:NTD)	373,494
Monetary foreign currency liabilities				
USD	18,066	30.705	(USD:NTD)	554,713
JPY	121,511	0.2172	(JPY:NTD)	26,392
RMB	18,856	4.3352	(RMB:NTD)	81,744
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	249,332	30.705	(USD:NTD)	7,655,741
RMB	23,159	4.3352	(RMB:NTD)	100,401
<hr/> December 31, 2022 <hr/>				
Monetary foreign currency assets				
USD	112,300	30.71	(USD:NTD)	3,448,724
JPY	536,776	0.2324	(JPY:NTD)	124,747
RMB	57,556	4.4094	(RMB:NTD)	253,786
Monetary foreign currency liabilities				
USD	27,216	30.71	(USD:NTD)	835,808
JPY	158,408	0.2324	(JPY:NTD)	36,814
RMB	12,544	4.4094	(RMB:NTD)	55,313
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	238,535	30.71	(USD:NTD)	7,325,418
RMB	21,359	4.4094	(RMB:NTD)	94,181

(Concluded)

Please refer to Note 25 for the Company's realized and unrealized foreign exchange gains and losses. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currency.

36. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees; b. Information on investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)

- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (None)
 - 10) Information on investees (Table 7)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (None)
- d. Information of major shareholders: list of all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

37. SEGMENT INFORMATION

Segment information is not required to be disclosed in the parent company only financial statements.

TABLE 1

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
1	SH Electronics Chengtu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	\$ 322,403	\$ 322,403	\$ -	0.8-3.0	2	\$ -	Repayments of borrowings	\$ -	None	\$ 956,096	\$ 956,096	Note 2	
2	SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Other receivables	Yes	1,842,300	921,150	921,150	4.18	2	-	Financing of funds	-	None	6,089,301	6,089,301	Note 2	

Note 1: The nature of financing is as follows:

1. Business relationship.
2. The need for short-term financing.

Note 2: The maximum amount of the total loan of funds provided by subsidiary for the companies or parties and the same object that needs short-term financing shall not exceed net worth in the latest audited or reviewed financial statements of the loan company. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the term of the loan shall not exceed five years.

TABLE 2

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	Shanghai Chang Wah Electromaterials Inc.	b	\$ 1,980,782	\$ 119,289	\$ 119,289	\$ 119,289	\$ -	1.2	\$ 4,951,956	Yes	No	Yes	

Note 1: The amount of guarantees to any individual entity shall not exceed 20% of the Company's net worth. The maximum amount of guarantees shall not exceed 50% of the Company's net worth.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company with which it does business.
- b. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- d. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- e. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Parent company	Financial assets at fair value through other comprehensive income	33,190,000	\$ 1,158,331	4.81	\$ 1,158,331
	JMC Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	17,000	622	0.02	622
	Tairflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,832,000	237,009	2.31	237,009
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income	50,000	3,060	0.01	3,060
	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	949,000	47,450	0.21	47,450
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,857,000	134,261	0.25	134,261
	Acter Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,191,000	211,403	0.96	211,403
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income	50	-	5.00	-
	Convertible bonds Gloria Material Technology Corp.	-	Financial assets at fair value through profit or loss	110,000	11,732	-	11,732
	Yulon Finance Corporation	-	Financial assets at fair value through profit or loss	30,000	3,051	-	3,051
	Fund Yuanta Taiwan High-yield Leading Company Fund B	-	Financial assets at fair value through profit or loss	7,000,000	79,100	-	79,100

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares Chang Wah Electromaterials Inc.	Ultimate parent company	Financial assets at fair value through other comprehensive income	5,621,000	\$ 196,173	0.82	\$ 196,173	Note
	Chang Wah Technology Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income	15,414,642	514,849	1.62	514,849	
	JMC Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	195,000	7,137	0.23	7,137	
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income	941,000	41,216	2.83	41,216	

(Concluded)

Note: Refer to Note 23, the Company's shares held by subsidiaries are treated as treasury shares.

TABLE 4

Chang Wah Technology Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
The Company	Stock - ordinary shares Chang Wah Materials Inc.	Financial assets at fair value through other comprehensive income	Note 1	-	20,679,000	\$ 626,574	12,511,000	\$ 422,429	-	\$ -	-	\$ 1,158,331

Note 1: Acquired through the open market.

Note 2: The amount of investments accounted for using the equity method includes equity in investees' net income and loss and shareholder adjustment items. Financial assets at fair value through other comprehensive income include adjustments for change in value at fair value.

Note 3: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 5

Chang Wah Technology Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	
The Company	Chang Wah Electromaterials Inc. SH Asia Pacific Pte. Ltd. CWTC (Shanghai) Inc.	Parent company Subsidiary Subsidiary	Sale Sale Sale	\$ (1,731,541) (229,768) (198,110)	(26) (3) (3)	60 days 30 days 180 days	Not significantly different Not significantly different Not significantly different	Note 32 30 days 180 days	\$ 443,791 - 90,667	37 - 8
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Sale	(944,327)	(38)	60 days	Not significantly different	60 days	225,779	42
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Sale	(678,427)	(58)	45 days	Not significantly different	45 days	141,890	63
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Sale	(645,482)	(99)	60 days	Not significantly different	60 days	112,252	100
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Sale	(911,055)	(52)	15 days	Not significantly different	15 days	64,828	24
	Shanghai Chang Wah Electromaterials Inc. Malaysian SH Electronics Sdn. Bhd.	Sister company Sister company	Sale Sale	(140,108) (183,730)	(8) (10)	45 days 30 days	Not significantly different Not significantly different	45 days 30 days	16,678 25,409	6 9

Note: Since the par value of the Company's share is NT\$ 0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 6

Chang Wah Technology Co., Ltd. and Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Chang Wah Electromaterials Inc.	Parent company	Accounts receivable \$ 443,791	3.57	\$ -	-	\$ 438,934	\$ -
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Accounts receivable 225,779	4.07	-	-	225,779	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Accounts receivable 141,890	4.59	-	-	127,918	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Accounts receivable 112,252	5.03	-	-	112,252	-
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Sister company	Other receivables 921,150	Note 1	-	-	-	-

Note 1: The amounts include other receivables such as intercompany loan and interest receivable; hence, the turnover rate is not applicable.

Note 2: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 7

Chang Wah Technology Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	SH Asia Pacific Pte. Ltd.	Singapore	Trading of electronic components and electronics; investment activities	\$ 3,273,072	\$ 3,273,072	21,206,103	100	\$ 6,362,514	\$ 577,373	\$ 591,444	Notes 1, 2
The Company	Shing Zheng Investment Co., Ltd.	Taiwan	General Investments	490,000	490,000	49,000,000	49	246,895	37,823	6,679	Notes 2, 3
The Company	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	574,415	574,415	23,000,000	100	1,293,227	305,357	302,269	Notes 1, 2
SH Asia Pacific Pte. Ltd.	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	665,326	665,435	5,235,000	100	1,101,112	120,423	120,423	Note 1

Note 1: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 2: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction, the amortization of the investment cost premium and dividends received by subsidiaries from the Company.

Note 3: The carrying amount is the balance after deducting the shares of the Company held by Shing Zheng Investment Co., Ltd. of NT\$261,137 thousand.

TABLE 8

Chang Wah Technology Co., Ltd. and Subsidiaries
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023 (Note 4)	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 61,410	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 7,965	100	\$ 7,965	\$ 100,401	\$ -	
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	122,820	2	-	-	-	-	83,863	69	58,181	391,138	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	260,993	2	-	-	-	-	163,504	100	163,504	1,156,199	698,048	
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	107,468	2	-	-	-	-	74,791	100	86,186	490,636	322,488	
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	767,625	2	-	-	-	-	188,923	100	195,035	1,229,253	125,080	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Notes 1 and 5)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 6)	
			Outward	Inward
Chang Wah Technology Co., Ltd.	\$ 64,308	\$ 1,401,468	\$ -	\$ -

Note 1: Translated into NTD using the exchange rate at the balance sheet date.

Note 2: Methods of investment 1: Direct investment.

Methods of investment 2: Investments through a holding company registered in a third region.

Note 3: The basis for investment income (loss) recognition is the financial statement audited and attested.

Note 4: The accumulated remittance of profit from investment by SH Electronics Chengdu Co., Ltd. is RMB161,196 thousand (US\$22,785 thousand). The accumulated remittance of profit from investment by SH Precision Chengdu Co., Ltd. is RMB76,215 thousand (US\$10,688 thousand). The accumulated remittance of profit from investment by SH Electronics Suzhou Co., Ltd. is RMB28,407 thousand (US\$4,000 thousand).

Note 5: This includes the investment of US\$2,000 thousand in CWTC (Shanghai) Inc., US\$23,279 thousand in SH Electronics Chengdu Co., Ltd., US\$8,035 thousand in SH Precision Chengdu Co., Ltd., US\$3,659 thousand in SH Electronics Suzhou Co., Ltd. and US\$8,670 thousand in Shanghai Chang Wah Electromaterials Inc. approved by the Ministry of Economic Affairs.

Note 6: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China dated August 29, 2008, the Company obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of Ministry of Economic Affairs. The ceiling amount of the investment in Mainland China is not applicable to the Company.

TABLE 9**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	450,953,925	47.44

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Chang Wah Technology Co., Ltd.

Chairperson: Canon, Huang

CWTC Chang Wah Technology Co., Ltd.
Chang Wah Technology Co., Ltd.