

**Stock Code: 2302**



**RECTRON LTD.**

**2023 ANNUAL REPORT**

**Printing Date: May 31, 2024**

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

**1. Company Spokesperson and Acting Spokesperson:**

Spokesperson:

Name: Lin Jui Ping

Title: Deputy General Manager of General Administration and General Manager of the Electronic Business Department

Phone: (02) 2880-1122

Email: annielin@rectron.com.tw

Acting Spokesperson:

Name: Wang Tsuo Tzu

Title: Deputy Manager of the Accounting Department

Phone: (02) 2880-1122

Email: erica\_wang@rectron.com.tw

**2. Address and Phone Numbers of Head Office and Factory:**

Head Office:

Address: No. 192-2, Section 4, Chengde Road, Shilin District, Taipei City 11167

Phone: (02) 2880-1122

Factory:

Address: No. 71, Zhongshan Road, Tucheng District, New Taipei City 23680

Phone: (02) 2268-1314

**3. Share Transfer Agency:**

Name: IBF Securities Co., Ltd., Stock Transfer Agency Department

Address: 15F, No. 188, Section 5, Nanjing East Road, Songshan District, Taipei City 105411

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

Phone: (02) 2528-8988

**4. Certified Public Accountants and Audit Firm for the Recent Annual Financial Report:**

Accountant Names: Shih-Chin Chih, Li-Chen Lai

Firm Name: An-Hou Jianye Certified Public Accountants

Address: 68F, No. 7, Section 5, Xinyi Road, Taipei City 11049

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

Phone: (02) 8101-6666

**5. Name of Overseas Stock Exchange for Trading and Method of Obtaining Information on Overseas Securities: N/A**

**6. Company Website: [www.rectron.com.tw](http://www.rectron.com.tw)**

## Table of Contents

<b>1. Report to Shareholders .....</b>	<b>1</b>
<b>2. Company Profile</b>	
1. Date of Establishment.....	5
2. Company History .....	5
<b>3. Corporate Governance Report</b>	
1. Organization System.....	7
2. Information of Directors, Supervisors, the General Manager, Deputy General Managers, Assistant Managers, and Heads of Departments.....	9
3. Corporate Governance Practices.....	28
4. Information on Auditor's Remuneration .....	74
5. Information on Change of Auditors .....	75
6. Information on the Chairman of the Board, General Manager, and Manager responsible for financial or accounting affairs who have served in the past year in accounting firms affiliated with the auditing firm or its related entities.....	75
7. Substantial transfer or replacement of the shares of Directors, Supervisors, or major shareholders holding more than 10% of the shares in the most recent year and up to the date of the publication of the annual report .....	76
8. Information on the interrelationships among the top ten shareholders in terms of share proportion, as defined in Financial Accounting Standards Bulletin No. 6 regarding related party relationships.....	77
9. The shares held by the Company, its Directors, Supervisors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio calculated on a consolidated basis. ....	78
<b>4. Funding Status</b>	
1. Share Capital and Shares .....	79
2. Status of corporate bond issuance.....	85
3. Status of preferred stock issuance.....	85
4. Status of issuance of overseas depositary receipts.....	85
5. Handling of employee stock options.....	85
6. Status of issuance of new shares with restricted employee rights. ....	85
7. Status of issuance of new shares for mergers or acquisitions of other companies' shares.....	85
8. Implementation status of the capital utilization plan. ....	85
<b>5. Operation Overview</b>	
1. Business Contents .....	86
2. Market and production/sales overview. ....	91
3. Number of employees in the company.....	97

4. Environmental expenditure information .....	97
5. Labor-Management Relations.....	98
6. Information on information technology and cybersecurity management. ....	99
7. Key contracts and agreements. ....	100

## **6. Financial Status**

1. The summary balance sheets and income statements for the past five years.....	101
2. Financial analysis for the past five years. ....	105
3. Audit committee review report for the most recent annual financial report. ....	109
4. Latest annual financial statements. ....	110
5. Consolidated financial statements of the parent and subsidiary companies for the most recent year, with the audit verification by the accountant. ....	165
6. For the company and its affiliated enterprises, as of the date of the latest annual report publication, any financial difficulties encountered should be specified along with their impact on the financial condition of the company. ....	219

## **7. Review Analysis and Risk Assessment of Financial Status and Financial Performance**

1. Financial Status.....	220
2. Financial Performance .....	221
3. Cash Flow .....	222
4. The impact of significant capital expenditures in the most recent fiscal year on financial operations.....	223
5. The recent year's investment policy and the main reasons for profitability or loss in investments, along with improvement plans and future one-year investment plans.....	223
6. Analysis and assessment of risk factors. ....	224
7. Other important matters. ....	226

## **8. Special Notes**

1. Related information on affiliated enterprises.....	227
2. Handling of Private Offering of Marketable Securities for the Most Recent Year and up to the Date of Publication of the Annual Report.....	231
3. The Status of Holding or Disposing of the Company's Shares by a Subsidiary for the Most Recent Year and up to the Date of Publication of the Annual Report.....	231
4. Other necessary supplemental explanatory matters. ....	231

## **9. Major events in the most recent year up until the publication date of the annual report with significant impact on shareholders' equity or stock price.....**

231

## **1. Report to Shareholders**

Dear Shareholders,

First of all, I would like to thank all shareholders for their long-term support and encouragement to Rectron Group. Looking back on 2023, the global supply chain in 2022 was expected to increase material preparation levels due to the expected impact of the epidemic. However, due to the continued turmoil in the global political and economic environment in 2023, the overall consumer market was affected by poor buying sentiment. As a result, all players in the production and sales supply chain from terminals to system manufacturers are facing the problem of excessively high inventory levels. Coupled with the high factors in the 2022 base period, the company's total consolidated revenue of NT\$716,545 thousand in the fiscal year 2023, a decrease of NT\$161,088 thousand, decreasing an 18%, compared to the revenue of NT\$877,633 thousand in the year 2022. Net profit after tax for the period was NT\$86,869 thousand, compared to the net profit after tax of NT\$176,100 thousand decrease NT\$89,231 thousand, decreasing an 51% in the year 2022. Basic earnings per share after tax were NT\$0.52, decreasing an 51% from NT\$1.06 in 2022.

Looking into the future, the company will continue to actively deploy in the fields of automotive electronics, industrial control, and consumer electronics products. In addition to continuing to use its own brand marketing to expand market share and enhance competitive advantages, it also improves customer service quality and creates more growth opportunities. In the future, Rectron Group will continue to enhance its competitiveness, continue to improve product value and strengthen integration efficiency to create the greatest synergy for the entire group.

I sincerely express my gratitude to all shareholders for their long-term support and encouragement to our company and for taking time out of their busy schedules to attend. In recent years, our company has maintained stable growth and strived to create greater profits for shareholders. Even in the face of diverse future challenges, we continue to maintain a positive and proactive attitude, seeking progress and innovation, deepening our brand value, and aiming to achieve the best business performance to maximize profits for our shareholders.

Chairman LIN I-CHIN

## 1. Operating Results for the Year 2023

### (1) Achievement of Operating Plan:

Unit: NTD in thousands; %

Item	Year 2023	Year 2022	Amount of Increase (Decrease)	
	Amount	Amount	Difference Amount	Percentage of Increase (Decrease)%
Operating Revenue	716,545	877,633	(161,088)	-18%
Operating Cost	459,141	533,784	(74,643)	-14%
Operating Gross Profit	257,404	343,849	(86,445)	-25%
Operating Expenses	186,106	173,109	12,997	8%
Operating Profit (Loss)	71,298	170,740	(99,442)	-58%
Non-Operating Revenue (Expenses)	35,157	33,905	1,252	4%
Consolidated Pre-tax Net Income (Loss)	106,455	204,645	(98,190)	-48%
Income Tax Expense	19,586	28,545	(8,959)	-31%
Consolidated Total Net Income (Loss)	86,869	176,100	(89,231)	-51%

Due to there is no longer the benefit of transferring orders from the Sino-US trade war. During the fiscal year 2023, the total operating revenue of our company was NT\$ 716,545 thousand, which decreased from NT\$ 877,633 thousand in fiscal year 2022. operating gross profit for the current period decreased from NT\$ 343,849 thousand in the previous period to NT\$ 257,404 thousand. However, due to continuous efforts in private brand marketing and layout, Operating expenses increased from NT\$ 173,109 thousand to NT\$ 186,106 thousand. As a result, after-tax profits and losses for the current period were NT\$ 86,869 thousand a decrease of NT\$ 89,231 thousand from NT\$ 176,100 thousand in 2022.

### (2) Regarding the budget execution:

In accordance with the guidelines for handling public financial forecasts of publicly traded companies, the company did not have a public financial forecast for the year 2023.

### (3) Financial income and profitability analysis

Unit: %

Analysis	Item	Year 2023	Year 2022
Financial Structure (%)	Debt to Assets Ratio (%)	23.93	14.16
	Ratio of Long-Term Capital to Real Estate, Plant, and Equipment (%)	403.05	386.95
Debt-Paying Capacity (%)	Current ratio (%)	171.76	264.52
	Quick Ratio (%)	142.44	192.01
Profitability (%)	Return on assets (%)	3.89	8.23
	Return on Shareholder Equity (%)	4.79	9.66
	Net Profit Margin (%)	12.12	20.07
	Earnings Per Share (NT\$)	0.52	1.06

#### (4) Research and Development Status

The company's consolidated R&D expenses in 2023 and 2022 are NT\$1,001 thousand and NT\$1,229 thousand respectively, accounting for 0.2% of the revenue in each period. Mainly by adding electronic automated packaging processes, replacement and innovative processes, etc. In the future, the company will continue to optimize product technical, develop new products, and improve electronic automated production technical to expand the flexible use of production capacity.

## 2. Overview of 2024 Business Plan

### 1. Business Policy

- (1) Strengthen professional marketing teams at domestic and international, and actively expand agency channels and application markets through strengthening partnerships to increase company revenue.
- (2) Automated process equipment is continuously introduced and updated to reduce the risk of manpower shortage, meet customer needs, and provide products more stably.
- (3) Strengthen the integration of the two, optimize informatization and industrialization, construct a production and sales database, and maximize production and sales benefits through big data collection and analysis to enhance the company's competitive advantage.
- (4) Continue to develop car-specific small signal products and provide comprehensive product line services for automotive electronics.

### 2. Expected Sales Volume and Basis

Our company expects a 5% increase in sales volume in 2024 compared to 2023. This is mainly due to the overall global business environment in 2023 is poor and the base period is low. In addition, AI artificial intelligence is expected to drive the overall supply chain and indirectly stimulate increased end customer demand. However, the company's overall operating policy is still based on the principle of caution.

### 3. Important Sales and Marketing Policies

The company's production and marketing policy adopts a parallel strategy of planned and order-based production. This production and marketing policy is formulated on a rolling basis based on the overall industry development of the market, market supply and demand, the company's established production capacity and inventory levels, in order to control the optimal level of inventory.

## 3. Company's Future Development Strategies

1. Customer-oriented approach, closely collaborate with market-leading manufacturers to jointly develop new products and create company value.
2. Deepen relationships with existing customers, expand product lines tailored to their needs, and provide customers with diverse product services.
3. Establish capabilities for the development and mass production of critical components to increase competitive advantages.

#### **4. Impact of External Competitive, Regulatory, and Macro-Economic Environment.**

##### **1. External Competitive Environment**

Due to the rapidly changing external environment and industry fluctuations, the company faces competition from all over the world. Leveraging its years of experience in cultivating high-value customer channels in Europe and America, the company continues to reduce costs to gain a competitive advantage. It strives to create product value, service value, and differentiation value to secure customer loyalty and stability.

##### **2. Regulatory Environment**

The company adheres to national policies and regulations, and the financial, equity, audit, and legal departments stay informed about important policy or legal changes. They work in accordance with the company's internal control system and operational activities to ensure full compliance with laws and regulations, thereby ensuring smooth operations. Currently, there are no significant domestic or international regulatory changes that have a major impact on the company's finances or operations.

##### **3. Impact of Overall Business Environment**

In terms of the overall business environment, affected by the increasing geopolitical influence and the continued escalation of Sino-US trade barriers, globalized economy increases variables, the company will focus on strengthening high-value customer service value and product cost competitiveness to respond to changes in the overall operating environment.

## 2. Company Profile

**1. Establishment Date:** January 23, 1976.

### 2. Company History

1976 - Company establishment with a paid-up capital of 20,000 thousand New Taiwan Dollars (NTD) and the establishment of a factory in the Tucheng Industrial Zone.

1977 - Conducted a cash capital increase of 30,000 thousand NTD, resulting in a cumulative paid-up capital of 50,000 thousand NTD.

1981 - Conducted a surplus capital increase of 20,000 thousand NTD, resulting in a cumulative paid-up capital of 70,000 thousand NTD.

1982 - Conducted a surplus capital increase of 10,000 thousand NTD, resulting in a cumulative paid-up capital of 80,000 thousand NTD.

1983 - Conducted a surplus capital increase of 80,000 thousand NTD and a capital surplus capital increase of 20,000 thousand NTD, resulting in a cumulative paid-up capital of 180,000 thousand NTD.

1984 - Conducted a public offering, with a cash capital increase of 94,000 thousand NTD and a surplus capital increase of 26,000 thousand NTD, resulting in a cumulative paid-up capital of 400,000 thousand NTD.

1985 - The company's stocks were publicly listed. Conducted a surplus capital increase of 76,000 thousand NTD and a capital surplus capital increase of 24,000 thousand NTD, resulting in a cumulative paid-up capital of 500,000 thousand NTD.

1987 - Establishment of a sales company in Los Angeles, USA. Conducted a cash capital increase of 100,000 thousand NTD, a surplus capital increase of 50,000 thousand NTD, and a capital surplus capital increase of 50,000 thousand NTD, resulting in a cumulative paid-up capital of 700,000 thousand NTD.

1988 - Conducted a cash capital increase of 101,000 thousand NTD, a surplus capital increase of 41,300 thousand NTD, resulting in a cumulative paid-up capital of 842,300 thousand NTD.

1991 - Conducted a surplus capital increase of 76,198 thousand NTD and a capital surplus capital increase of 33,692 thousand NTD, resulting in a cumulative paid-up capital of 952,190 thousand NTD.

1994 - Shanghai RECTRON LTD. was established. Obtained ISO-9002 quality certification.

1996 - Shanghai RECTRON LTD. obtained ISO-9002 quality certification.

1997 - Conducted a capital reduction of 480,000 thousand NTD, resulting in a cumulative paid-up capital of 472,190 thousand NTD.

1998 - Conducted a cash capital increase of 600,000 thousand NTD, resulting in a cumulative paid-up capital of 1,072,190 thousand NTD.

1999 - Conducted a surplus capital increase of 107,219 thousand NTD, capital surplus reserve capital increase of 214,438 thousand NTD, and a cash capital increase of 1,000,000 thousand NTD, resulting in a cumulative paid-up capital of 2,393,847 thousand NTD. Obtained ISO9001 and QS9000 certifications.

2000 - Renamed as RECTRON LTD.

Conducted a surplus capital increase of 98,147 thousand NTD, capital surplus reserve capital increase of 272,898 thousand NTD, and an employee bonus capital increase of 5,106 thousand NTD, resulting in a cumulative paid-up capital of 2,770,000 thousand NTD.

2001 - Established Zhejiang RECTRON LTD.

2003 - Conducted a capital reduction of 900,250 thousand NTD, resulting in a cumulative paid-up capital of 1,869,750 thousand NTD.

Zhejiang RECTRON LTD. obtained QS9000 certification.

2005 - Conducted a private placement of common shares, increasing the paid-up capital by 500,000 thousand NTD, resulting in a cumulative paid-up capital of 2,369,750 thousand NTD.

Zhejiang RECTRON LTD. obtained ISO14001 certification.

2006 - Conducted a private placement of common shares, increasing the paid-up capital by 500,000 thousand NTD, resulting in a cumulative paid-up capital of 2,869,750 thousand NTD.

2007 - Conducted a capital reduction of 837,967 thousand NTD, resulting in a cumulative paid-up capital of 2,031,783 thousand NTD.

RECTRON Ltd. Tucheng Factory obtained ISO9001/TS9000-2002 certification.

2008 - Conducted a capital reduction of 550,500 thousand NTD, resulting in an accumulated paid-up capital of 1,481,283 thousand NTD.

Conducted a private placement of common shares, increasing the paid-up capital by 600,000 thousand NTD, resulting in an accumulated paid-up capital of 2,081,283 thousand NTD.

2009 - Conducted a capital reduction of 508,000 thousand NTD, resulting in an accumulated paid-up capital of 1,573,283 thousand NTD.

2010 - RECTRON Ltd. Tucheng Factory obtained ISO9001/TS16949-2009 certification.

2011 - Conducted a capital increase of 26,746 thousand NTD, resulting in an accumulated paid-up capital of 1,600,029 thousand NTD.

2014 - Conducted a capital increase of 13,000 thousand NTD, resulting in an accumulated paid-up capital of 1,613,029 thousand NTD.

2015 - Conducted a capital increase of 50,000 thousand NTD, resulting in an accumulated paid-up capital of 1,663,029 thousand NTD.

2018 - RECTRON Ltd. Tucheng Factory obtained IATF16949-2016 certification.

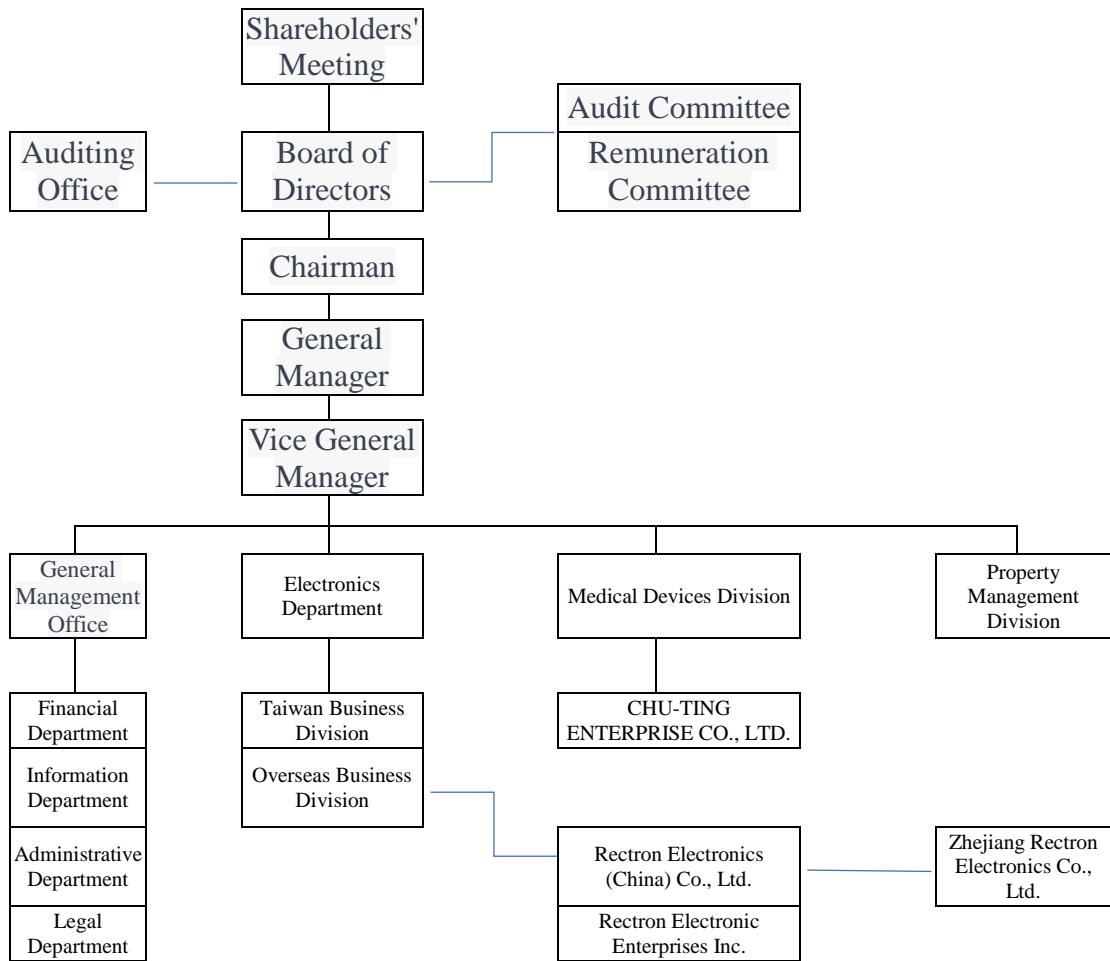
2020 - CHU-TING ENTERPRISE CO., LTD. ventured into the medical device industry, focusing on the production and manufacturing of medical masks.

### 3. Corporate Governance Report

#### 1. Organizational Chart

##### (1) Organizational Chart

###### 1. Company Organizational Chart



##### (2) Business Operations of Each Major Department

Department	Job Duties
Office of the General Manager.	<ul style="list-style-type: none"> <li>(1) Company operational strategy planning.</li> <li>(2) Formulation of company objectives and policies, supervising departments to achieve objectives.</li> <li>(3) Overall operational improvement projects, evaluation, and optimization of workflow efficiency.</li> </ul>
General Management Office	<ul style="list-style-type: none"> <li>(1) Responsible for overall company operations management.</li> <li>(2) Planning and implementation of major project matters.</li> <li>(3) Review, tracking, and recommendations for decision-making meetings, management meetings, goal management, project meetings, and other discussions.</li> <li>(4) Development, review, and revision of annual goals, business policies, and operational policies.</li> <li>(5) Consolidation, control, analysis, and reporting of annual budget and execution</li> </ul>

	<p>results.</p> <p>(6) Utilization and allocation of short-term and long-term funds.</p> <p>(7) Evaluation and management of subsidiary companies.</p> <p>(8) Planning and management of systems and regulations to clearly define employee roles and responsibilities.</p> <p>(9) Tracking and handling of individual case litigation progress.</p> <p>(10) Planning and supervision of investment business operations.</p> <p>(11) Maintenance and technical support of computer hardware and software, coordination and allocation of equipment resources.</p> <p>(12) Tracking and processing of case litigation progress.</p>
Auditing Office	<p>(1) Establishment, revision, audit, and effectiveness tracking of internal audit and internal control systems within the company.</p> <p>(2) Audit of departmental operations and execution and promotion of self-assessment operations within the company.</p>
Electronics Division	<p>(1) Market research, development, and sales of rectifier products.</p> <p>(2) Procurement of raw materials, supplier management, and control of raw materials, etc.</p> <p>(3) Manufacturing and production of rectifiers, maintenance of plant equipment, overall management of factory labor safety and health, document control, etc.</p> <p>(4) Inspection of rectifier raw materials, materials, finished products, and instrument fixtures, and promotion and execution of international standard quality management and quality assurance for rectifier and other products.</p> <p>(5) Research and development of new rectifier products, new processes, and new equipment.</p>
Medical Equipment Division	<p>(1) Market research, development, and sales of medical equipment products.</p> <p>(2) Procurement of raw materials, supplier management, and control of raw materials, etc.</p> <p>(3) Manufacturing and production of medical equipment, maintenance of plant equipment, overall management of factory labor safety and health, document control, etc.</p> <p>(4) Manufacturing and production of medical equipment.</p> <p>(5) Research and development of new medical equipment products and new processes.</p>
Property Management Division	<p>(1) Property leasing matters.</p> <p>(2) Property maintenance matters.</p>

## 2. Information of Directors, Supervisors, the General Manager, Deputy General Managers, Assistant Managers, and Heads of Departments

### 1. Information of Directors and Supervisors

March 31, 2024

J o b t i t l e	Natio nality or Place of Registra t i t l e	Name	Gender/ Age	Appointme nt Date	T e r m o f O f f i c e	Initial Date of Election	Time of Election Shares Held		Currently Shares Held		Spouse and Minor Children Current Shares Held		Under Others' Names Shares Held		Key Experie nces (Educati on) and Backgro und	Current Positions Held in the Company and Other Companies		Other Executives, Directors, or Supervisors with Spousal or Second-Degree Relative Relationships		
							Number of Shares	Shareho lding Ratio %	Number of Shares	Share holdi ng Ratio %	Num ber of Share s	Share holdi ng Ratio %	Num ber of Share s	Share holdi ng Ratio %		Company Positions	Positions in Other Companies	Job Title	Name	Rela tion ship
C h a i r m a n	Republi c of China.	Juiye Enterpri se Co., Ltd.		2022.06.23	3	1996.10.16	42,788,288	25.73	42,788,288	25.73	Not applic able	Not applic able	Not applic able	Not applic able	Not applicable	Not applicable	Not applicab le	Not applicab le	Not applicab le	
D i r e c t o r	Republi c of China.	Lin, I-Chin	Female 31~ 40 years old.	2022.06.23	3	2016.06.28	0	0	0	0	0	0	0	0	Master's Degree	Chairman and General Manager	None	Director	Lin, Weng-T eng	Father and daughter
D i r e c t o r	Republi c of China..	Juiye Enterpri se Co., Ltd.		2022.06.23	3	1996.10.16	42,788,288	25.73	42,788,288	25.73	Not applic able	Not applic able	Not applic able	Not applic able	Not applicable	Not applicable	Not applicab le	Not applicab le	Not applicab le	Not applicab le
D i r e c t o r	Republi c of China.	Represe ntative: Lin, Weng-T eng	Male 61~ 70 years old.	2022.06.23	3	1996.10.16	0	0	0	0	0	0	0	0	College degree	Director	None	Director	Lin, I-Chin	Father and daughter
D i r e c t o r	Republi c of China.	Represe ntative: Pan, Hsin-Je n	Male 31~ 40 years old.	2022.06.23	2	2020.09.14	0	0	0	0	0	0	0	0	Universi ty degree	Director	General Manager of RECTRON ELECTRONIC ENTERPRISES, INC	None	None	None
D i r e c t o r	Republi c of China.	Represe ntative: Liu,Fen g-Ching	Female 71~ 80 years old.	2022.06.23	3	2012.08.01	0	0	0	0	0	0	0	0	Universi ty degree	Director	None	None	None	None

	Republi c of China.	Represe ntative: Lin, Jui-Ping	Female 51~ 60 years old.	2022.06.23	3	2010.06.25	0	0	0	0	0	0	0	Universi ty degree	Deputy General Manager and General Manager of the Electronic Business Division	None	None	None	None
I n d e p e n d e n t D i r e c t o r	Republi c of China.	Lin, Ruey-To u	Male 61~ 70 years old.	2022.06.23	3	2016.06.28	0	0	0	0	0	0	0	Universi ty degree	None	Advisor to the Legislative Yuan Advisor to the Taipei City Government Advisor to the Taipei City Council	None	None	None
	Republi c of China.	Maa, Kwo-Ju h	Male 61~ 70 years old.	2022.06.23	3	2021.08.30	0	0	0	0	0	0	0	Master's Degree	None	President of the Corporate Governance Professionals Association, a non-profit organization	None	None	None
	Republic of China	Lee, Shiue-Che n	Male 40~ 50 years old.	2022.06.23	3	2022.06.23	0	0	0	0	0	0	0	University degree	None	Deputy General Manager of Fulai Construction Co., Ltd.	None	None	None
	Republic of China	Chang, Chia- Jung	Female 61~ 70 years old.	2023.0616	2	2023.06.16	0	0	0	0	0	0	0	College degree	None	TAIWAN TSENG-CHOW ENGINEERING CO.,LTD. Financial Manager	None	None	None

Note 1: Representatives of Juiye Enterprise Co., Ltd.: Lin, I-Chin, Lin, Weng-Teng, Pan, Hsin-Jen, Liu, Feng-Ching, Lin, Jui-Ping.

Table 1: Major shareholders of corporate shareholders

March 31, 2024	
Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Juiye Enterprise Co., Ltd.	LIN, WENG-TENG (75%), LIN, I-CHIN (25%)
Bigwig Perfect International Co., Ltd.	LIN, CHIANG-YA (98.27%)

2. Disclosure of Directors' and Supervisors' Professional Qualifications and Independence of Independent Directors:

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
Juiye Enterprise Co., Ltd. Representative: LIN, I-CHIN	Chairman and General Manager of RECTRON LTD.	Holding the position of General Manager of the company while having the status of a manager.  The remaining individuals have been verified against the independence criteria listed in the "Regulations Governing the Appointment of Independent Directors of Publicly Issued Companies and Related Compliance Matters" issued by the Financial Supervisory Commission, and still meet the relevant independence requirements.	None
Juiye Enterprise Co., Ltd. Representative: LIN, WENG-TENG	Chairman of RECTRON LTD.	The remaining individuals have been verified against the independence criteria listed in the "Regulations Governing the Appointment of Independent Directors of Publicly Issued Companies and Related Compliance Matters" issued by the Financial Supervisory Commission, and still meet the relevant independence requirements.	None

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
Juiye Enterprise Co., Ltd. Representative: PAN, HSIN-JEN	General Manager of RECTRON ELECTRONIC ENTERPRISES, INC	The remaining individuals have been verified against the independence criteria listed in the "Regulations Governing the Appointment of Independent Directors of Publicly Issued Companies and Related Compliance Matters" issued by the Financial Supervisory Commission, and still meet the relevant independence requirements.	None
Juiye Enterprise Co., Ltd. Representative: LIU,FENG-CHING	Deputy Chief Editor of Zili Evening News. Legal Director of RECTRON LTD.	The remaining individuals have been verified against the independence criteria listed in the "Regulations Governing the Appointment of Independent Directors of Publicly Issued Companies and Related Compliance Matters" issued by the Financial Supervisory Commission, and still meet the relevant independence requirements.	None
Juiye Enterprise Co., Ltd. Representative: LIN, JUI-PING	Audit Manager at KPMG United Accounting Firm. General Manager of the Electronic Business Division and Deputy General Manager of the General Management Department at RECTRON LTD.	The remaining individuals have been verified against the independence criteria listed in the "Regulations Governing the Appointment of Independent Directors of Publicly Issued Companies and Related Compliance Matters" issued by the Financial Supervisory Commission, and still meet the relevant independence requirements.	None

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
LIN, RUEY-TOU	<p>Bachelor's Degree in Business Administration from Tamkang University.</p> <p>Former Legislator, Taipei City Councilor.</p>	<p>The company follows the provisions of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies" in its establishment.</p> <p>In addition to obtaining a declaration from the independent director, the company has also reviewed the company's employee system, the director's own holdings, holdings by spouse and relatives within the second degree of kinship, the list of directors of affiliated companies, and examined the shareholder registry and financial systems of the company and its affiliated companies for the past two years to verify the absence of the aforementioned situations.</p> <p>The company has conducted searches on the Judicial Yuan's Legal Information Retrieval System, Taiwan Bills Finance Corporation, etc., and found no circumstances falling under Article 30 of the Company Act.</p> <p>Based on the audit results, the company confirms that the independent director meets the independence criteria.</p>	None

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
MAA ,KWO-JUH	<p>Master's Degree in Accounting, National Chengchi University. Certified Public Accountant of the Republic of China.</p> <p>KPMG Chief Consultant Chairman and CEO of KPMG Taiwan. President of the Professional Association of Corporate Governance.</p> <p>Adjunct Professor at the Department of Law, National Chengchi University.</p> <p>Adjunct Professor at the Department of Law, National Taiwan University.</p>	<p>The company follows the provisions of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies" in its establishment.</p> <p>In addition to obtaining a declaration from the independent director, the company has also reviewed the company's employee system, the director's own holdings, holdings by spouse and relatives within the second degree of kinship, the list of directors of affiliated companies, and examined the shareholder registry and financial systems of the company and its affiliated companies for the past two years to verify the absence of the aforementioned situations.</p> <p>The company has conducted searches on the Judicial Yuan's Legal Information Retrieval System, Taiwan Bills Finance Corporation, etc., and found no circumstances falling under Article 30 of the Company Act.</p> <p>Based on the audit results, the company confirms that the independent director meets the independence criteria.</p>	1 company

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
LEE, SHIUE-CHEN	<p>Audit Manager at KGMP United Accounting Firm, Finance.</p> <p>Finance and Accounting Manager at Hung Kuo Group.</p> <p>Deputy General Manager of Fulai Construction Co., Ltd.</p>	<p>The company follows the provisions of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies" in its establishment.</p> <p>In addition to obtaining a declaration from the independent director, the company has also reviewed the company's employee system, the director's own holdings, holdings by spouse and relatives within the second degree of kinship, the list of directors of affiliated companies, and examined the shareholder registry and financial systems of the company and its affiliated companies for the past two years to verify the absence of the aforementioned situations.</p> <p>The company has conducted searches on the Judicial Yuan's Legal Information Retrieval System, Taiwan Bills Finance Corporation, etc., and found no circumstances falling under Article 30 of the Company Act.</p> <p>Based on the audit results, the company confirms that the independent director meets the independence criteria.</p>	None

Name Conditions	Professional Qualifications and Experience	Independence status	Number of other public corporations in which the person concurrently serves as an independent director.
CHANG, CHIA- JUNG	Graduated from Ming Chuan Women's College of Commerce Taiwan Tseng-Chow Engineering CO.,LTD. Financial Manager	<p>The company follows the provisions of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies" in its establishment.</p> <p>In addition to obtaining a declaration from the independent director, the company has also reviewed the company's employee system, the director's own holdings, holdings by spouse and relatives within the second degree of kinship, the list of directors of affiliated companies, and examined the shareholder registry and financial systems of the company and its affiliated companies for the past two years to verify the absence of the aforementioned situations.</p> <p>The company has conducted searches on the Judicial Yuan's Legal Information Retrieval System, Taiwan Bills Finance Corporation, etc., and found no circumstances falling under Article 30 of the Company Act.</p> <p>Based on the audit results, the company confirms that the independent director meets the independence criteria.</p>	None

Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of individual directors and supervisors, and if they are members of the audit committee with accounting or financial expertise, their accounting or financial background and work experience should be stated. Also, indicate whether there are any circumstances under Article 30 of the Company Act.

Note 2: Independent directors should state their independence status, including but not limited to whether they or their spouses, parents, or children within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates; whether they or their spouses, parents, or children within the second degree of kinship hold shares of the Company or its affiliates or utilize others' names to hold such shares; whether they serve as directors, supervisors, or employees of related parties of the Company as referred to in Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies; and the amount of compensation received in the past two years for providing business, legal, financial, accounting or other services to the Company or its affiliates.

### 3. Board Diversity and Independence:

#### (1) Board Diversity:

The company advocates and respects a policy of board diversity to enhance corporate governance and promote the sound development of the board's composition and structure. We believe that a diverse board can contribute to the overall performance of the company. The selection of board members is based on the principle of selecting individuals with diverse and complementary capabilities across industries. This includes basic diversity factors such as age, gender, and nationality, as well as industry experience and relevant skills in areas such as finance, accounting, legal, information technology, and public utilities. Additionally, board members

possess abilities in business judgment, management, leadership decision-making, and crisis handling. Article 20 of the "Corporate Governance Practices Guidelines" states that the board as a whole should possess the following abilities to strengthen its functions and achieve the ideal goals of corporate governance:

1. Operational judgment ability. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis handling ability. 5. Industry knowledge. 6. International market perspective. 7. Leadership ability. 8. Decision-making ability.

The current status of the company's policy and implementation of diversified board members are as follows:

Conditions Name	Basic Composition										Industry Experience					Professional Abilities				Number of other public corporations in which the person concurrently serves as an independent director.	
	Nationality	Gender	Have employee status	Age					Independent Director Tenure			Professional Services and Marketing	Financial and Finance	Architecture and Engineering	Business and Supply	Information and Technology	Legal	Accounting	Engineering	Risk Management	
				31 to 40 years old	41 to 50 years old	51 to 60 years old	61 to 70 years old	71 to 80 years old	3 years or less	3 to 6 years	6 Year or more										
Chairman LIN I-CHIN	Taiwan R.O.C.	Female	✓	✓								✓	✓		✓		✓	✓	✓	None	
Director LIN, WENG-TENG	Taiwan R.O.C.	Male					✓					✓	✓	✓	✓		✓	✓	✓	None	
Director PAN,HSIN-JEN	Taiwan R.O.C.	Male	✓	✓								✓	✓		✓	✓	✓	✓	✓	None	
Director LIU,FENG-CHING	Taiwan R.O.C.	Female						✓				✓					✓		✓	None	
Director LIN, JUI-PING	Taiwan R.O.C.	Female	✓			✓						✓	✓		✓		✓	✓	✓	None	
Independent Director LIN, RUEY-TOU	Taiwan R.O.C.	Male					✓					✓	✓	✓		✓	✓	✓	✓	None	
Independent Director MAA, KWO-JUH	Taiwan R.O.C.	Male					✓			✓		✓	✓		✓	✓	✓	✓	✓	1 Company	
Independent Director LEE, SHIUE-CHEN	Taiwan R.O.C.	Male			✓				✓			✓	✓		✓	✓	✓	✓	✓	None	
Independent Director CHANG, CHIA-JUNG	Taiwan R.O.C.	Female				✓		✓				✓	✓		✓		✓			None	

The 19th Board of Directors of the company consists of 9 directors, including 4 independent directors. They possess the overall abilities of business judgment, leadership decision-making, operational management, international market perspective, and crisis handling. They have industry experience and professional expertise. One independent director has accounting and financial expertise with practical experience in practice, management, or teaching.

The average tenure of the company's directors is 9 years. All directors are nationals of the company. The composition structure includes 4 independent directors, accounting for 44.4%, and 2 directors with employee status, accounting for 22.2%. The age distribution of the directors includes 2 directors in the age range of 31-40, 1 director in the age range of 41-50, 1 director in the age range of 51-60, 4 directors in the age range of 61-70, and 1 director in the age range of 71-80. In addition to the above, the company also emphasizes gender equality in the composition of the board. The current board includes 4 female members, accounting for a high percentage of 44.4% female directors. The company will continue to strive to increase the percentage of female directors in the future.

The diversity, complementarity, and implementation of the board have already included and complied with the standards specified in Article 20 of the "Corporate Governance Best Practice Principles." In the future, the company will timely revise and enhance the diversity policy based on the operation of the board, operational requirements, and development needs. This includes but is not limited to the standards related to basic qualifications and values, professional knowledge, and skills, to ensure that board members possess the necessary knowledge, skills, and qualities for executing their duties.

(2) Board Independence:

The average tenure of independent directors in the company is below 5 years. Among them, one independent director has served for more than 3 terms consecutively. This is due to their financial expertise, familiarity with relevant laws and regulations, and specialized experience in corporate governance, which significantly benefits the company. Despite their extended tenure, they are still able to utilize their expertise and provide professional opinions for the supervision of the board. The tenure of other independent directors does not exceed 3 terms.

(3) Compliance with Securities and Exchange Act:

There are no circumstances within the meaning of Article 26(3) and (4) of the Securities and Exchange Act, including situations where there are spousal or close relatives relationships between directors, supervisors, or between directors and supervisors. None of the directors or independent directors of the company have relationships that fall within the provisions of Article 26(3) and (4) of the Securities and Exchange Act. The number of directors with spousal or close relatives' relationships within the company does not exceed half of the total seats.

4. General Manager, Deputy General Manager, Assistant Managers, and Head of Departments and Branch Offices:

March 31, 2024

Job title	Nationality	Name	Gender	Date of appointment	Shareholdings Shares		Shareholdings held by spouse and minor children		Holding shares under another person's name		Primary professional (educational) background	Current positions held by managers	with spousal or close relatives relationships in other companies			Remarks
					Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Job Title	Name	Relationship	
General Manager	Taiwan R.O.C.	Lin, I-Chin	Female	2016.06.28	-	-	-	-	-	-	Master's degree/Chairman of RECTRON LTD.	-	-	-	-	Note
Deputy General Manager and General Deputy	Taiwan R.O.C.	Lin, Jui-Ping	Female	2020.09.14	-	-	-	-	-	-	University degree/Audit Manager at KGMP United Accounting Firm.	-	-	-	-	-
General Manager of the Electronic Division	Taiwan R.O.C.	Liu, Nien-Fu	Male	2024.01.10	-	-	-	-	-	-	Deputy General Manager of Sales	-	-	-	-	-
Director of the Electronic Business Division.	Taiwan R.O.C.	Lin Shi-jie	Male	2014.05.01	-	-	-	-	-	-	Chief Engineer of Taiwan Semiconductor Corporation.	-	-	-	-	-

Note: When the Chairman of the Board and the General Manager hold the highest managerial positions and are spouses or close relatives, the reasons, justifications, necessity, and corresponding measures should be disclosed (such as increasing the number of independent director seats and ensuring that a majority of directors do not hold positions as employees or managers, etc.) along with relevant information.

The Chairman of the Board in our company also serves as the General Manager to enhance operational efficiency and decision-making execution. In order to strengthen the independence of the Board of Directors, appropriate candidates have been actively trained internally. Additionally, the Chairman closely communicates with the directors to fully understand the company's operational status and plans, and implements corporate governance initiatives. In the future, the company plans to increase the number of independent director seats to enhance the capabilities of the Board and strengthen its oversight functions. Currently, the following specific measures have been implemented:

1. Independent directors in the company possess expertise in business, law, finance, accounting, or necessary knowledge related to company operations to effectively

fulfill their supervisory roles.

2. Directors are arranged to attend professional director courses provided by external organizations such as the Securities and Futures Institute to enhance the effectiveness of the Board's operations.

3. Independent directors participate in functional committees, engage in comprehensive discussions, and provide recommendations for the Board's reference. They also communicate with the accountants and internal auditors to ensure effective corporate governance.

5. Remuneration for general directors and independent directors (individual names and remuneration methods disclosed separately)

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

Job Title	Name	Director remuneration						Percentage of Total Net Profit After Tax of A, B, C, and D After-tax net profit of NT\$86,869 thousand	Remuneration Paid to Part-Time Employees						The total amount and proportion of A, B, C, D, E, F, and G, as well as their respective percentages of net income after tax. After-tax net profit of NT\$86,869 thousand	Compensation Paid to Directors by a Re-Invested Company Other than the Company's Subsidiary				
		Remuneration (A)		Retirement and severance pay (B)		Director Compensation (C) (Note 3)			Salary, Bonuses, and Other Allowances (E)		Retirement and severance pay (F)		Employee Compensation (G)							
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report						
Corporate Director	Juiye Enterprise Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
Chairman	Juiye Enterprise Co., Ltd. Representative: Lin, I-Chin	0	0	0	0	525	525	0	0	525 0.60%	525 0.60%	576	2,506	0	0	0	1,101 1.27%	3,031 3.49%	None	
Director	Juiye Enterprise Co., Ltd. Representative: Lin, Weng-Teng	0	0	0	0	525	525	0	0	525 0.60%	525 0.60%	0	4,412	0	0	0	525 0.60%	4,937 5.68%	None	
Director	Juiye Enterprise Co., Ltd. Representative: Pan, Hsin-Jen	0	0	0	0	525	525	0	0	525 0.60%	525 0.60%	0	2,903	0	0	0	525 0.60%	3,428 3.95%	None	
Director	Juiye Enterprise Co., Ltd. Representative: Liu, Feng-Chiung	0	0	0	0	0	0	360	360	360 0.41%	360 0.41%	0	0	0	0	0	360 0.41%	360 0.41%	None	

Director	Juiye Enterprise Co., Ltd. Representative: Lin, Jui-Ping	0	0	0	0	525	525	60	60	585 0.67%	585 0.67%	1,777	2,388	95	95	0	0	0	0	2,457 2.83%	3,068 3.53%	None
Independent Director	Lin, Ruey-Tou	0	0	0	0	0	0	600	600	600 0.69%	600 0.69%	0	0	0	0	0	0	0	0	600 0.69%	600 0.69%	None
Independent Director	Maa, Kwo-Juh	0	0	0	0	0	0	600	600	600 0.69%	600 0.69%	0	0	0	0	0	0	0	0	600 0.69%	600 0.69%	None
Independent Director	Lee, Shiue-Chen	0	0	0	0	0	0	120	120	120 0.14%	120 0.14%	0	0	0	0	0	0	0	0	120 0.14%	120 0.14%	None
Independent Director	Chang, Chia-Jung	0	0	0	0	0	0	65	65	65 0.07%	65 0.07%	0	0	0	0	0	0	0	0	65 0.07%	65 0.07%	None
<p>1. Please specify the policy, system, standards, and structure of independent director remuneration and describe the correlation between the remuneration amount and factors such as responsibilities, risks, and time commitment: The remuneration for independent directors in our company is determined based on the results of the "Board of Directors' Performance Evaluation" and the provisions of the "Remuneration and Compensation Committee Organizational Regulations." It takes into account individual responsibilities, time commitment, as well as the individual's performance achievements and contributions as an independent director to provide reasonable compensation. The standards and structure of remuneration for independent directors are submitted to the Board of Directors for approval after being reviewed and approved by the Compensation Committee.</p> <p>2. Apart from the disclosure in the table above, in the most recent fiscal year, directors of the company received remuneration for services provided (such as serving as consultants to the parent company, all companies within the financial reports, or non-employee advisors to investee businesses): There is no such case.</p>																						

## 6. Remuneration for supervisors (individual names and remuneration methods)

On June 23, 2022, the company established an Audit Committee to replace the role of the supervisor. Therefore, the relevant disclosure of the supervisor's remuneration is no longer applicable from that date.

## 7. Remuneration for the General Manager and Deputy General Manager (Individual disclosure of names and remuneration methods)

December 31, 2023  
Unit: NTD in thousands

Job Title	Name	Salary (A)		Retirement benefits (B)		Bonuses and Special Expenses (C)		Employee Compensation Amount (D)				Percentage of Total Net Profit After Tax of A, B, C, and D (%)		Compensation Paid to Directors by a Re-Invested Company Other than the Company's Subsidiary	
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report		
								Cash dividend amount	Stock dividend Amount	Cash dividend amount	Stock dividend Amount				
General Manager	Lin, I-Chin	576	2,506	0	0	0		0	0	0	0	576	0.66%	2,506 2.88%	None
Deputy General Manager and General Manager of the Electronic Business Division	Lin, Jui-Ping	1,777	2,388	95	95	0		0	0	0	0	1,777	2.05%	2,388 2.75%	None

8. Remuneration for the top five highest-paid executives (Individual disclosure of names and remuneration methods)

Job Title	Name	Salary (A)		Retirement benefits (B)		Bonuses and Special Expenses (C)		Employee Compensation Amount (D)				A, B, C, and D, the total amount and the proportion (in percentage) to the net income after tax of 86,869 thousand NTD are as follows:	Compensation Paid to Directors by a Re-Invested Company Other than the Company's Subsidiary		
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report (Note 5)					
								Cash Amount	Stocks Amount	Cash Amount	Stocks Amount				
Subsidiary Business Assistant	Joseph Rocta	0	3,893	0	117	0	4,938	0	0	0	0	0 0.00%	8,9488 10.30%	None	
Vice General Manager of the Electronics Division	Liu,Nien-Fu	960	2,269	1,423	1,426	942	1,692	0	0	0	0	3,324 3.83%	5,383 6.20%	None	
Subsidiary Business Assistant	Satendra	0	2,100	0	0	0	1,301	0	0	0	0	0 0.00%	3,401 3.92%	None	
General Manager of a Subsidiary	Pan, Hsin-Jen	0	2,210	0	0	0	693	0	0	0	0	0 0.00%	2,903 3.34%	None	
General Manager	Lin, I-Chin	576	1,926	0	0	0	580	0	0	0	0	576 0.66%	2,506 2.88%	None	

9. The names of managers involved in distributing employee compensation and the distribution details are as follows

The names of managers involved in distributing employee compensation and the distribution details are as follows

December 31, 2023

Unit: NTD in thousands

	Job title	Name	Stock Amount	Cash amount	Total	The proportion (%) of the total amount to the net income after tax.
Manager	General Manager	LIN, I-CHIN	0	0	0	0%
	Deputy General Manager and General Manager of the Electronic Business Division	LIN, JUI-PING				

10. Analysis and explanation of the proportion of total remuneration to net income after tax for directors, supervisors, general manager, and deputy general manager paid by the company and all consolidated companies in the past two fiscal years, including the policies, standards, composition, procedures for determining remuneration, and their correlation with business performance.

Job Title	Proportion of total remuneration to net income after tax for directors, supervisors, general manager, and deputy general manager paid by the company in 2022.	Proportion of total remuneration to net income after tax for directors, supervisors, general manager, and deputy general manager paid by all consolidated companies in the company's 2022 consolidated financial statements.	Proportion of total remuneration to net income after tax for directors, supervisors, general manager, and deputy general manager paid by the company in 2023..	Proportion of total remuneration to net income after tax for directors, supervisors, general manager, and deputy general manager paid by all consolidated companies in the company's 2023 consolidated financial statements.
Director	3.48%	8.43%	7.31%	18.66%
General Manager and Vice General Manager	1.54%	4.09%	2.71%	5.63%

The procedure for remuneration payment is closely associated with operational performance and future risks.

The remuneration paid to directors of the Company is determined based on the percentages and scope stipulated in the Company's Articles of Incorporation. In years of profitability, an allocation of not less than 1% shall be provided for employee compensation and not more than 2% for director remuneration. If the company has accumulated losses from previous years and makes a profit in the current year, it should first make up for the losses before allocating employee and director remuneration, and the remaining balance should be allocated according to the aforementioned ratio.

In the event of accumulated losses from previous years, any profits in the current year must first be used to offset the losses before allocating funds for employee compensation and director remuneration, with the remaining balance allocated according to the aforementioned proportions. The distribution of employee and director remuneration should be resolved by the board of directors and reported to the shareholders' meeting.

The salary and compensation paid by the company include cash compensation, retirement benefits, various allowances, and other measures with substantial incentives. The scope is consistent with the requirements for disclosure in the annual report of publicly traded companies regarding director, supervisor, and manager remuneration. To establish a sound salary and compensation system for the company's directors, supervisors, and managers, the

company has established a salary and compensation committee and formulated the "Salary and Compensation Committee Organization Regulations." The Compensation Committee, in accordance with the aforementioned regulations, evaluates the Company's remuneration policies and systems for directors, supervisors, and managers from a professional and objective standpoint. It periodically reviews the performance evaluation of directors, supervisors, and managers, as well as the policies, systems, standards, and structures of remuneration. During the review process by the Compensation Committee, the remuneration should be based on the continued assessment of directors, supervisors, and managers and reference the usual industry standards, taking into account individual performance, the Company's ongoing performance, and the rationality of future risk linkage.

The remuneration of executives in the Company is determined by the Chairman of the Board, authorized by the Board of Directors, taking into account the nature of their work, responsibilities, as well as factors such as education, experience, skills, and potential development. The policies, standards, composition, and procedures for remuneration, as well as their relationship with business performance and future risks, are established in accordance with the Company's "Articles of Incorporation" and relevant management regulations.

In summary, the policies, standards, procedures for determining remuneration, and their relationship with business performance and future risks in the Company are all carried out in accordance with the provisions of the Company's "Articles of Incorporation" and relevant "Management Regulations."

### 3. Corporate Governance Practices

#### (1) Board of Directors operation situation

The Board of Directors held 8 meetings (A) during the recent fiscal year, ending on March 31, 2024. The attendance record of directors and supervisors is as follows:

Job Title	Name	Actual attendance (B)	Delegated attendance count	Actual attendance rate (%) [B/A]	remarks
Chairman	Juiye Enterprise Co., Ltd. Representative: Lin, I-Chin	8	0	100%	
Director	Juiye Enterprise Co., Ltd. Representative: Lin, Weng-Teng	6	0	75%	
Director	Juiye Enterprise Co., Ltd. Representative: Pan, Hsin-Jen	8	0	100%	
Director	Juiye Enterprise Co., Ltd. Representative: Liu, Feng-Ching	8	0	100%	
Director	Juiye Enterprise Co., Ltd. Representative: Lin, Jui-Ping	8	0	100%	
Independent Director	Lin, Ruey-Tou	7	1	87.5%	
Independent Director	Maa, Kwo-Juh	7	1	87.5%	
Independent Director	Lee, Shiue-Chen	7	1	87.5%	
Independent Director	Chang, Chia- Jing	6	0	100%	2023.06.16 Selection
Other items that shall be recorded:					
1. If any of the following circumstances occur in the operation of the board of directors, the date, term, agenda, opinions of all independent directors and the company's handling of independent directors' opinions should be described:					

1. Matters stipulated in Article 14-3 of the Securities and Exchange Act:

Meeting date	Important decisions of the Board of Directors	All independent directors and the company's handling of independent directors' opinions
19th session 6th time 2023.03.24	The proposal for profit distribution for the fiscal year 2022. .	Independent Director's opinion: None. Company's handling of independent director's opinion: None.
19th session 11th time 2023.12.27	Revise the "Internal Control System" and "Internal Audit I	Resolution: Approved by all attending directors
19th session 13th time 2024.03.15	(1)The Company's declaration on internal control system for the year 2023. (2) In response to the KPMG auditor adjustment case. (3)Amendment to the company's "Endorsement and Guarantee Measures" (4)Amendment to the company's " Operational Procedures for Loaning Funds to Others ". (5) The proposal for profit distribution for the fiscal year 2023.	

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

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

1. During the 19th board meeting of the 9th term held on August 11, 2023, when setting the Directors' remuneration distribution in 2022, directors Lin I-Chin, Lin Weng-Teng, Pan Hsin-Jen, Lin Jui-Ping abstained from voting due to their status as interested parties in the matter.
2. During the 19th board meeting of the 12th term held on January 10, 2024, when setting the remuneration plan for directors and executives of the company, directors Lin I-Chin, Lin Weng-Teng, Pan Hsin-Jen, Liu Feng-Ching, Lin Jui-Ping, and independent directors Lin Ruey-Tou, Maa Kwo-Jhu,

<p>Lee Shiue-Chen and Chang Chia-Jung abstained from voting due to their status as interested parties in this matter.</p> <p>3. Implementation of Board Evaluation:</p>				
Evaluation Period	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Conducted annually	From January 1, 2023 to December 31, 2023	Overall Board, Individual Directors, Compensation Committee	Board Self-Assessment, Director Self-Assessment, Functional Committees	<p>(1) Board performance evaluation: at least includes the degree of participation in company operations, quality of board decision-making, board composition and structure, selection and continuing education of directors, internal control, etc.</p> <p>(2) Individual director performance evaluation: at least includes the grasp of company goals and missions, recognition of director's duties, degree of participation in company operations, internal relationship management and communication, director's expertise and continuing education, internal control, etc.</p> <p>(3) Functional committee performance evaluation: degree of participation in company operations, recognition of functional committee duties, quality of functional committee decision-making, composition and member selection of functional committees, internal control, etc.</p>
<p>4. Evaluation of the goals and execution of strengthening the functions of the board in the current year and recent years (such as establishing an audit committee, enhancing information transparency, etc.):</p> <ol style="list-style-type: none"> <li>1. In addition to providing relevant laws and regulations to directors and supervisors at any time, the company prepares agenda items and related materials for directors and supervisors to review and inquire seven days before the board meeting. During the meeting, the company reports on the current business status to keep directors and supervisors informed of the company's current operations.</li> <li>2. Regularly providing various training courses and encouraging directors to actively participate in corporate governance programs to enhance the capabilities of board and supervisory members. In 2023, directors completed a total of 54 hours of training.</li> <li>3. With a commitment to operational transparency and safeguarding shareholder rights, the company regularly discloses important decisions of the board</li> </ol>				

and other relevant information on its website.

4. Every year, the company conducts performance evaluations of the board, individual directors, and functional committees, and reports the evaluation results to the board.
5. To strengthen corporate governance, the company has been covered by Directors and Officers liability insurance since June 28, 2020, and the renewal was completed on June 28, 2023.

Note: On June 23, 2023, the company established an Audit Committee to replace the role of the supervisor. Therefore, the involvement of the supervisor in the operation of the board is no longer applicable from that date.

#### Attendance of Independent Directors at Board Meetings from the most recent year to March 31, 2024

◎ : indicates personal attendance ☆ : indicates attendance by proxy \* : indicates absence

Independent Director	March 24	May 15	June 26	August 11	November 14	December 27	January 10	March 15
Lin, Ruey-Tou	◎	◎	◎	◎	◎	◎	☆	◎
Maa, Kwo-Juh	◎	◎	◎	◎	◎	☆	◎	◎
Lee, Shiue-Chen	◎	☆	◎	◎	◎	◎	◎	◎
Chang, Chia-Jung	NONE	NONE	◎	◎	◎	◎	◎	◎

Note: Independent Director Mrs. Chang, Chia-Jung was appointed on June 16, 2023.

Communication between Independent Directors, Internal Audit Manager, and Auditors (including significant matters, methods, and outcomes regarding the company's finances and business conditions):

1. The company's internal audit department submits audit reports and audit tracking tables to the Independent Directors on a monthly and quarterly basis. In regular circumstances, communication between the internal audit manager and Independent Directors takes place through email, phone, or face-to-face meetings, as needed. Additionally, the internal audit department provides an annual audit business report to the Independent Directors, communicating the audit report results and the status of other tracking reports.

2. The company's external auditors report to the Independent Directors at least once a year regarding key audit matters, financial statement reviews, or audit results for the company and its subsidiaries. They also engage in communication with the Independent Directors.
3. Summary of communication between Independent Directors, Internal Audit Manager, and Auditors over the past year:

Date	Communication with Internal Audit Director:	Communication with Auditors	Results
2023.03.24	Internal Audit Business Report for the year 2022.	Audit status of the financial reports for the year 2022.	No special recommendations from the independent directors.
2023.05.15	Internal Audit Business Report for the period from January 2023 to March 2023.	Review status of the financial reports for the first quarter of 2023.	No special recommendations from the independent directors.
2023.08.11	Internal Audit Business Report for the period from April 2023 to June 2023.	Review status of the financial reports for the first half of 2023.	No special recommendations from the independent directors.
2023.11.14	Internal Audit Business Report for the period from July 2023 to September 2023.	Review status of the financial reports for the third quarter of 2023.	No special recommendations from the independent directors.

(2) Audit Committee Operations:

## Information on the operations of the Audit Committee

The Audit Committee held four meetings during the most recent fiscal year 5 (A). The attendance of independent directors is as follows:

Job Title	Name	Number of attendance in person (B)	Delegated attendance count	Rate of attendance in person (%) (B/A)(Note 1, Note 2)	Remarks
Independent Director	Lin, Ruey-Tou	5	0	100%	
Independent Director	Maa, Kwo-Juh	4	1	80%	
Independent Director	Lee, Shiue-Chen	4	1	80%	
Independent Director	Chang, Chia-Jung	3	0	100%	2023.06.16 Selection
Other items that shall be recorded:					
1. In the event of any of the following circumstances regarding the operation of the Audit Committee, the date and session, agenda items, dissenting opinions of independent directors, reservations or significant recommendations, decision results of the Audit Committee, and the company's handling of the opinions of the Audit Committee shall be disclosed.					
(1) Matters listed in Article 14-5 of the Securities and Exchange Act.					

Meeting date	Significant Resolutions of the Audit Committee	Decision Results of the Audit Committee and the Board of Directors' handling of the opinions of the Audit Committee	
1st session, 4nd time 2023.3.24	1. The Company's operating report and financial statements for the year 2022. 2. The Company's declaration on internal control system for the year 2022. 3. Evaluation of the independent auditor's independence. 4. The proposal for profit distribution for the fiscal year 2022.	No other opinions were expressed by attending members.	
1st session, 5nd time 2023.5.15	1. The financial statements for the first quarter of 2023.	After obtaining unanimous approval, it was presented to the Board of Directors for discussion and was passed without objection by all attending directors.	
1st session, 6nd time 2023.8.11	1. The financial statements for the second quarter of the company's fiscal year 2023.		
1st session, 7nd time 2023.11.14	1. The financial statements for the third quarter of 2023. 2. Accountant Public Fees for 2023 .		
1st session, 8nd time 2023.12.27	1. Develop an operational plan for 2024. 2. The proposed audit plan for the fiscal year 2024. 3. Revise the "Internal Control System" and "Internal Audit Implementation Rules"		
<p>(2) In addition to the above matters, there were no other resolutions that were not approved by the Audit Committee but were approved by a majority of two-thirds or more of the entire board of directors.</p> <p>2. The implementation status of independent directors' recusal from matters involving conflicts of interest shall include the names of independent directors, the content of the agenda, reasons for recusal due to potential conflicts of interest, and their participation in the voting process: No such instances.</p> <p>3. Communication between Independent Directors, Internal Audit Manager, and Auditors (including significant matters, methods, and outcomes regarding the company's finances and business conditions).</p>			

(1) Hold separate meetings at least once a year between the auditors and the internal audit supervisor to discuss completed internal audits and external audit opinions, as well as communicate about audit deficiencies for the year. Opinions from the communication should be documented and reported to the board of directors.

(2) The auditors shall have separate meetings with the independent directors at least once a year to report on audit or review results and related matters to be noted.

(3) Other: In case of significant abnormal matters or when the independent directors, audit supervisor, and auditors deem it necessary to have independent communication, meetings can be held irregularly and at any time for communication purposes.

Date	Attendees	Matters discussed	Results of communication
2023/3/24	Independent Director Maa, Kwo-Juh Independent Director Lee, Shiue-Chen Audit Supervisor: Chien, Yi-Chen Auditor: Chen, Tsung-Che	Communication with the company's governance unit for the year 2022.	No objections.
2023/11/14	Independent Director Maa, Kwo-Juh Independent Director Lee, Shiue-Chen Independent Director Chang, Chiu-Jung Auditor: Chen, Tsung-Che	Communication with the company's governance unit for the third quarter of 2023.	No objections.

(3) Involvement of the supervisor in the operations of the board of directors.

On June 23, 2023, the company established an Audit Committee to replace the role of the supervisor. Therefore, the involvement of the supervisor in the operation of the board is no longer applicable from that date.

(4) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary and Explanation	
1. Does the company establish and disclose a code of practice of corporate governance in accordance with the "Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies?"	v		To establish sound corporate governance practices, our company has referred to the Corporate Governance Best Practice Principles for Listed and OTC Companies established by the Taiwan Stock Exchange and the Taipei Exchange. We have formulated our own Corporate Governance Guidelines for compliance and have disclosed them on the Market Observation Post System.	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."
2. Equity Structure and Shareholders' Equity of the Company (1) Does the Company have internal procedures in place to handle shareholders' suggestions, questions, disputes, and lawsuits, and implement these procedures accordingly? (2) Does the Company have a list of its major shareholders and a list of actual controllers of the major shareholders? (3) Does the Company establish and implement risk management and firewall mechanisms with related companies? (4) Does the Company have internal rules that prohibit insiders from trading securities using market information that is not publicly available?	v	v	(1) Shareholder suggestions or disputes are handled by a dedicated spokesperson or proxy spokesperson appointed by the company. Shareholders can submit their questions through telephone or the company's website. If legal issues are involved, assistance from legal professionals is sought. (2) The company regularly obtains the latest shareholder registry from a shareholder services agency to understand the list of major shareholders and the ultimate controllers of major shareholders. (3) Assets, financial operations, and accounting related to related-party transactions are independently operated by dedicated personnel. The head office conducts periodic audits, and transactions with related parties are conducted in accordance with the company's internal control rules. (4) The company has established the "Internal Handling Procedures for Material Information" and the "Internal Handling and Prevention of Insider Trading Procedures" to prevent unauthorized disclosure of information and ensure consistency and accuracy in the company's external communications.	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."

Item	Implementation Status										The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies																																																																																																																		
	Yes	No	Summary and Explanation																																																																																																																										
3. Composition and Responsibilities of the Board of Directors (1) The Board of Directors has formulated a policy on diversity, specific management objectives, and has effectively implemented them.	v		<p>(1)The company advocates and respects a policy of board diversity to enhance corporate governance and promote the sound development of the board's composition and structure. We believe that a diverse board can contribute to the overall performance of the company. The selection of board members is based on the principle of selecting individuals with diverse and complementary capabilities across industries. This includes basic diversity factors such as age, gender, and nationality, as well as industry experience and relevant skills in areas such as finance, accounting, legal, information technology, and public utilities. Additionally, board members possess abilities in business judgment, management, leadership decision-making, and crisis handling. Article 20 of the "Corporate Governance Practices Guidelines" states that the board as a whole should possess the following abilities to strengthen its functions and achieve the ideal goals of corporate governance:</p> <table border="1"> <thead> <tr> <th>Core elements of diversity</th> <th>Gender</th> <th>Operational judgment ability</th> <th>Accounting and financial analysis ability</th> <th>Business management ability</th> <th>Crisis management knowledge</th> <th>Industry market insight</th> <th>International market insight</th> <th>Leadership ability</th> <th>Decision-making ability</th> <th>Legal knowledge</th> </tr> </thead> <tbody> <tr> <td>Director's name</td> <td></td> </tr> <tr> <td>Lin, I-Chin</td> <td>Female</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Lin, Weng-Teng</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Pan, Hsin-Jen</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Liu, Feng-Chin</td> <td>Female</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>v</td> </tr> <tr> <td>Lin, Jui-Ping</td> <td>Female</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Lin, Ruey-Tou</td> <td>Male</td> <td></td> <td></td> <td></td> <td>v</td> <td></td> <td>v</td> <td></td> <td></td> <td>v</td> </tr> <tr> <td>Maa, Kwo-Juh</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Lee, Shue-Chen</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Chang, Chia-Jung</td> <td>Female</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> </tbody> </table>	Core elements of diversity	Gender	Operational judgment ability	Accounting and financial analysis ability	Business management ability	Crisis management knowledge	Industry market insight	International market insight	Leadership ability	Decision-making ability	Legal knowledge	Director's name											Lin, I-Chin	Female	v	v	v	v	v	v	v	v		Lin, Weng-Teng	Male	v		v	v		v	v	v		Pan, Hsin-Jen	Male	v		v	v	v	v	v	v		Liu, Feng-Chin	Female									v	Lin, Jui-Ping	Female	v	v	v	v	v	v	v	v		Lin, Ruey-Tou	Male				v		v			v	Maa, Kwo-Juh	Male	v	v	v	v	v	v	v	v	v	Lee, Shue-Chen	Male	v	v	v	v	v	v	v	v		Chang, Chia-Jung	Female		v	v	v		v	v	v		We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."
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Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(2)Besides the Compensation Committee and Audit Committee, does the company voluntarily set up other functional committees?	v		(2)The company currently has established an Audit Committee and a Compensation Committee. Regarding the establishment of other functional committees, the company has conducted an overall assessment considering the effective utilization of resources and the absence of an urgent need for their establishment at present. However, future establishment of such committees will be based on the actual operational situation.	
(3) Has the company established a board performance evaluation method and its evaluation method, conducted performance evaluations regularly every year, and reported the results of the evaluation to the board for use as a reference for individual director compensation and nomination for reappointment?	v		(3)The company has conducted evaluations in accordance with the "Board Performance Evaluation Measures," which include the overall board, individual director members, and functional committees. The evaluation methods include self-assessment within the board and self-assessment by director members. The performance evaluation of the board covers six major dimensions: 1. Understanding of company goals and missions. 2. Awareness of director responsibilities. 3. Involvement in company operations. 4. Internal relationship management and communication. 5. Director's expertise and continuous professional development. 6. Internal controls. The company's shareholder services department conducts an evaluation of the overall performance of the board of directors at the end of each fiscal year. The results of this evaluation are utilized as a reference for future director selection, nomination, and determination of individual director compensation.	

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies																																										
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(4) Does the company regularly assess the independence of its auditing CPAS?	v		<p>(4)The company's designated auditing firm is KPMG. The company follows the provisions of Article 47 of the Accountants Act and formulates independence assessment criteria based on the contents of Bulletin No. 10, "Integrity, Fairness, Objectivity, and Independence," regarding independence and professional ethics. The appointment and independence assessment of auditors Chin, Shih-Chin and Huang, Hsin-Ting for the current year were approved by the board of directors on March 15, Year 2024. The assessment criteria include:</p> <table border="1"> <thead> <tr> <th>Evaluation Items</th> <th>Evaluation Results</th> <th>Compliance with independence requirements</th> </tr> </thead> <tbody> <tr> <td>1. No significant financial interest with the client.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>2. Avoiding any inappropriate relationship with the client.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>3. The auditor must ensure the honesty, fairness, and independence of their assistants.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>4. The auditor is prohibited from auditing the financial statements of a client for whom they provided services within the previous two years.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>5. The auditor cannot allow others to use their name.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>6. The auditor cannot hold shares of the client.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>7. The auditor cannot engage in monetary loans with the client, except for normal financial transactions with the financial industry.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>8. The auditor cannot have joint investments or profit-sharing relationships with the client.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>9. The auditor cannot hold a regular job or receive a fixed salary from the client.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>10. The auditor cannot be involved in management functions that may compromise their independence.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>11. The auditor cannot engage in any other business activities that may jeopardize their independence.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>12. The auditor cannot perform auditing services for a client if they have a spousal, direct blood relative, direct relative by marriage, or fourth-degree collateral blood relationship with the client or its management personnel.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>13. The auditor cannot receive any commissions related to their professional services.</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> <p>After evaluation, both auditors have been found to meet the requirements for independence and qualification.</p>	Evaluation Items	Evaluation Results	Compliance with independence requirements	1. No significant financial interest with the client.	Yes	Yes	2. Avoiding any inappropriate relationship with the client.	Yes	Yes	3. The auditor must ensure the honesty, fairness, and independence of their assistants.	Yes	Yes	4. The auditor is prohibited from auditing the financial statements of a client for whom they provided services within the previous two years.	Yes	Yes	5. The auditor cannot allow others to use their name.	Yes	Yes	6. The auditor cannot hold shares of the client.	Yes	Yes	7. The auditor cannot engage in monetary loans with the client, except for normal financial transactions with the financial industry.	Yes	Yes	8. The auditor cannot have joint investments or profit-sharing relationships with the client.	Yes	Yes	9. The auditor cannot hold a regular job or receive a fixed salary from the client.	Yes	Yes	10. The auditor cannot be involved in management functions that may compromise their independence.	Yes	Yes	11. The auditor cannot engage in any other business activities that may jeopardize their independence.	Yes	Yes	12. The auditor cannot perform auditing services for a client if they have a spousal, direct blood relative, direct relative by marriage, or fourth-degree collateral blood relationship with the client or its management personnel.	Yes	Yes	13. The auditor cannot receive any commissions related to their professional services.	Yes	Yes	
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Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
4. Does the company allocate a sufficient number of qualified and appropriate corporate governance personnel and designate a corporate governance officer responsible for corporate governance-related matters (including, but not limited to, providing necessary information to directors and supervisors for their duties, assisting directors and supervisors in complying with laws, conducting board of directors and shareholders' meetings, preparing minutes of meetings, etc.)?	v		<p>In accordance with the company's "Corporate Governance Guidelines," the management team is responsible for fulfilling their duties and implementing the corporate governance system. According to the company's "Board of Directors Meeting Procedures" and "Remuneration Committee Organization Rules," a corporate governance working group comprising the Finance Department, Internal Audit, and Shareholders' Services has been established to handle relevant corporate governance affairs. Their responsibilities include providing necessary information to directors for the execution of their duties, ensuring compliance with laws during board of directors and shareholders' meetings, managing company registrations, preparing minutes of meetings, and assisting the board of directors in strengthening their functions to uphold the rights and interests of stakeholders and ensure equal treatment of shareholders.</p>	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(5) Whether the company has established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a stakeholder section on the company's website to address important corporate social responsibility issues raised by stakeholders.	v		<p>The company has currently disclosed a stakeholder section and an investor relations contact window on its website <a href="http://www.rectron.com.tw">www.rectron.com.tw</a>, and appropriately addresses important corporate social responsibility issues raised by stakeholders. The company respects the rights and interests of stakeholders. When the legitimate rights and interests of stakeholders are infringed upon, the company handles them appropriately based on the principles of good faith:</p> <ul style="list-style-type: none"> <li>(1) Banks and creditors: Direct communication with the company's financial supervisor or treasury personnel to provide sufficient information for their management decisions.</li> <li>(2) Employees: Direct communication through the company's internal complaint channels in written or email form, with supervision from the management department.</li> <li>(3) Suppliers: Acceptance of suggestions and communication coordination by the procurement supervisor and procurement personnel.</li> <li>(4) Consumers: Direct communication with customers by the business supervisor or sales staff, promptly addressing customer demands and product feedback, and resolving related issues immediately.</li> <li>(5) Communities or stakeholders: Communication with the company is conducted by the company's spokesperson or authorized representative. For nearby communities, communication with the communities is conducted by the plant manager on behalf of the company.</li> <li>(6) The company has currently disclosed a stakeholder section and an investor relations contact window on its website, appropriately addressing important corporate social responsibility issues raised by stakeholders.</li> </ul>	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."
6. Does the company appoint a professional stock agency to handle the affairs of the Board of Shareholders?	v		The company has appointed a professional share registrar agency, " IBF Securities Co., Ltd" Share Registrar Department," to handle shareholder meeting affairs.	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
<p>7. Information Disclosure</p> <p>(1) Does the company have a website that discloses financial and corporate governance information?</p> <p>(2) The company has implemented other forms of information disclosure (such as establishing an English website, designating dedicated personnel for collecting and disclosing company information, implementing a spokesperson system, and placing the process of corporate presentations on the company's website)?</p> <p>(3) Has the company announced and filed its annual financial report within two months after the end of the accounting year, and announced and filed its first, second, and third quarter financial reports and monthly business operations before the prescribed deadline?</p>	v		<p>(1) The company's website, <a href="http://www.rectron.com.tw">www.rectron.com.tw</a>, is used to disclose financial, operational, and corporate governance information.</p> <p>(2) The company has designated individuals responsible for collecting and disclosing company information. It has established a spokesperson and proxy spokesperson system and has set up an investor mailbox to promptly respond to investor inquiries. All relevant information that the company is required to disclose by law is promptly announced and made available for investor clarity and queries through the "Public Information Observation System."</p> <p>(3) The company completes the announcement and filing of the annual financial report within the prescribed deadline after the end of the fiscal year. It also meets the deadlines for announcing and filing the first, second, and third quarterly financial reports and provides information on monthly operating performance.</p>	We comply with the requirements of the "Corporate Governance Best Practices for Listed and OTC Companies."

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
8. Does the company have other important information that helps understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relationships, rights of stakeholders, status of education and training for directors and supervisors, implementation of risk management policies and risk measurement standards, execution of customer policies, and the company's purchase of liability insurance for directors and supervisors)?	v		<p>(1) Employee benefits: The company has always treated its employees with integrity and adhered to relevant labor laws to safeguard their legal rights and interests.</p> <p>(2) Employee Care: The company establishes personnel management regulations based on government laws and regulations such as the Labor Standards Act, Gender Equality Act, and Sexual Harassment Prevention Act as the minimum standards to protect employee rights. Regular labor-management meetings are held for effective communication. Additionally, a "Welfare Committee" is established, allocating funds monthly to organize employee welfare activities, including holiday gift vouchers, year-end party lucky draws, health check-ups, and labor, health, and group insurance.</p> <p>(3) Investor Relations: The company appoints a spokesperson and proxy spokesperson to handle shareholder suggestions or disputes, aiming to establish effective communication between the company and investors. This ensures that investors have a comprehensive understanding of the company's business performance, achievements, and long-term operational strategies.</p> <p>(4) Supplier Relationships: The company promotes "green procurement" and requires suppliers of raw materials to provide declarations guaranteeing that their products do not contain harmful substances to the environment. This ensures compliance with customer and EU RoHS regulations. Furthermore, communication with suppliers is conducted to enhance their positive impact on society and the environment.</p> <p>(5) Rights of Stakeholders: Stakeholders can communicate with the company or provide feedback through the dedicated stakeholder section on the company's website, ensuring the protection of their relevant rights and interests.</p>	Compliance with the "Corporate Governance Best Practice Principles for Listed Companies" requirements.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
			<p>(6) Directors and Supervisors Continuing Education: Please refer to the company's 2023 annual report (Section Ten).</p> <p>(7) Implementation of Risk Management Policies and Risk Measurement Standards: The company has established various internal regulations and conducts risk management assessments.</p> <p>(8) Implementation of Customer Policy: The company has established the "Code of Business Conduct" to adhere to ethical business practices. Please refer to Section Five of the company's 2023 annual report for an overview of operations.</p> <p>(9) Purchase of Directors and Supervisors Liability Insurance: In 2022, the company obtained directors and officers liability insurance coverage of USD 1 million. As of the publication of the annual report, the coverage has not expired. The renewal process will be completed before the expiration in June 2024, and important details of the insurance will be submitted to the upcoming board of directors meeting.</p>	
9. please provide an explanation of the improvements made based on the recent corporate governance evaluation published by the Corporate Governance Center of Taiwan Stock Exchange, and propose priority areas and measures for further enhancement where improvements have not yet been made: The company is continuously addressing relevant matters and measures based on the corporate governance evaluation results and in accordance with the Corporate Governance Best Practice Principles.				

(5) Composition, Responsibilities, and Utilization of the Remuneration Committee:

**(1) Compensation Committee Membership Details**

March 31, 2024

Identity (Note 1)	Name	Cond itions	Professional Qualifications and Experience (Note 2)	Independence Status (Note 3)	Number of members who are also members of the compensation committee of other public corporations.
Independent Director Convener	Lin, Ruey-Tou		Department of Business Administration, Tamkang University Legislators Taipei City Councilor	Independence status All three positions have no circumstances as described in Note 2. Furthermore, they have obtained a declaration of independence from independent directors, confirming their compliance with the legal requirements for independence (at the time of appointment and during their term).	None
Independent Director	Maa, Kwo-Juh		Master's degree in Accounting from National Chengchi University. Passed the Certified Public Accountant (CPA) Examination in Taiwan. Chief Consultant at KPMG. CEO at KPMG Taiwan. Chairman and CEO at KPMG Taiwan. President of the Corporate Governance Professionals Association, a non-profit organization	Independence status All three positions have no circumstances as described in Note 2. Furthermore, they have obtained a declaration of independence from independent directors, confirming their compliance with the legal requirements for independence (at the time of appointment and during their term).	1

Independent Director	Lee, Shiue-Chen	<p>Tamkang University, Department of Accounting</p> <p>Audit Manager at KGMP United Accounting Firm.</p> <p>Finance and Accounting Manager at Pao Lai Construction Co., Ltd.</p> <p>Finance and Accounting Manager at Hong Guo Group's affiliated business.</p> <p>Deputy General Manager of Fulai Construction Co., Ltd.</p>	<p>Independence status</p> <p>All members of the Compensation Committee meet the independence criteria as specified in Note 2. They have also obtained a declaration from the Compensation Committee members confirming their compliance with the legal requirements for independence during their appointment and tenure.</p>	None
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Note 1: For relevant work experience, professional qualifications, experience, and independence status of Compensation Committee members, please refer to the information provided in "Directors and Supervisors Data (1)."

Note 2: Independence criteria include but are not limited to the following: whether the Compensation Committee member, their spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the company or its related enterprises; whether the member, their spouse, or relatives within the second degree of kinship (or through the use of others' names) hold shares in the company and the proportion of such holdings; whether they serve as directors, supervisors, or employees of specific related companies with the company (as defined in Article 6, Paragraph 1, Subsections 5-8 of the Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Listed and OTC Companies); and the remuneration received for providing business, legal, financial, accounting, or other services to the company or its related enterprises in the past two years.

## **(2) Duties of the Compensation Committee:**

**Legal basis: Article 4 and Article 5 of the "Organizational Regulations of the Compensation Committee" of the company.**

**According to Article 4 of the regulations:**

The committee shall faithfully fulfill the following duties with the care of a good manager and submit its recommendations to the Board of Directors for discussion:

1. Establish and regularly review the performance evaluation criteria for directors, supervisors, and managers, as well as the annual and long-term performance objectives, compensation policies, systems, standards, and structures. Disclose the content of the performance evaluation criteria in the annual report.
2. Conduct regular evaluations and set performance targets for directors, supervisors, and managers. Based on the evaluation results

derived from the performance evaluation criteria, determine the content and amount of their individual compensation. The annual report should disclose the individual performance evaluation results of directors and managers, as well as the content, amount, relevance, and reasonableness of individual compensation in relation to the evaluation results, and report them at the shareholders' meeting.

The term "compensation" referred to in the above provisions includes cash compensation, stock options, bonus shares, retirement benefits or severance pay, various allowances, and other substantial incentive measures. Its scope should be consistent with the matters to be disclosed in the guidelines for items related to remuneration of directors, supervisors, and managers of publicly listed companies.

**According to Article 5, the principles for fulfilling the duties are as follows:**

1. The performance evaluation and compensation of directors, supervisors, and managers should reference the customary levels of the industry and consider the reasonable correlation with individual performance, company's operating performance, and future risks.
2. Directors and managers should not be encouraged to engage in activities that exceed the company's risk tolerance in pursuit of compensation.
3. The proportion of short-term performance-based bonuses and the timing of variable compensation payments for directors and senior executives should be determined taking into account the industry characteristics and the nature of the company's business.
4. The content and amount of compensation for directors and managers should be reasonable and considerate. The determination of directors' and managers' compensation should not significantly deviate from the financial performance. If there is a significant decline in profits or long-term losses, the annual compensation should not be higher than the previous year. If it is still higher than the previous year, a reasonable explanation should be disclosed in the annual report and reported at the shareholders' meeting.
5. When discussing the recommendations of the remuneration committee, the board of directors should consider various factors, including the amount, payment methods, and future risks of compensation.
6. If the board of directors does not adopt or modifies the recommendations of the remuneration committee, it must be approved by a two-thirds majority of the directors present at the meeting, with the agreement of a majority of the attending directors. The resolution should comprehensively consider and specifically explain whether the adopted remuneration is better than the recommendations of the remuneration committee.
7. If the remuneration approved by the board of directors is better than the recommendations of the remuneration committee, the differences and reasons should be recorded in the minutes of the board of directors' meeting. Furthermore, within two days from the

date of the board's approval, the company should make an announcement and report the information on the designated information disclosure website of the competent authority.

- For matters related to the compensation of directors and managers of subsidiary companies that require approval from the board of directors of the parent company due to the hierarchical responsibility of the subsidiary companies, the remuneration committee of the parent company should submit recommendations to the board of directors for discussion.

### **(3) Information about the Operation of the Compensation Committee**

**1. The Company has 3 members of the Compensation Committee.**

**2. Current term of the committee: July 6, 2022, to June 22, 2025. In the most recent fiscal year, the remuneration committee held two meetings (A), and the qualifications and attendance of the committee members are as follows:**

Job Title	Name	Number of attendance in person (B)	Delegated attendance count	Rate of attendance in person (%) (B/A) (Note)	Remarks
Convener	Maa, Kwo-Juh	1	1	50%	
Committee member	Lin, Ruey-Tou	2	0	100%	
Committee member	Lee, Shiue-Chen	2	0	100%	

Other items that shall be recorded:

- If the Board of Directors rejects or amends the suggestions of the Compensation Committee, the date, session number, proposal content, results of Board resolution, and the Company's handling of Compensation Committee's opinions should be recorded in details (e.g., where the compensation approved by the Board is higher than the compensation suggested by the Compensation Committee, the difference and reasons should be detailed): None.
- If any Committee member has objections and/or reservations with the resolutions of the Compensation Committee and such situations were recorded or as written statements, the committee meeting date, session number, proposal content, all members' opinions, and the handling of opinions shall be documented in details: None.
- If any Committee member has objections and/or reservations with the resolutions of the Compensation Committee and such situations were recorded or as written statements, the committee meeting date, session number, proposal content, all members' opinions, and the handling of opinions shall be documented in details: None.
- Discussions and Resolutions of the Remuneration Committee, and Company's Handling of Member Opinions:

Remuneration Committee Meeting Dates	Content and Follow-up of the Proposal	Handling of all remuneration committee opinions and company remuneration committee opinions	
2023.03.24	Distribution of employee remuneration and director and supervisor remuneration for the fiscal year 2022.	Remuneration Committee Resolution: The resolution was unanimously approved by all committee members. Company's Handling of Remuneration Committee Resolution: The resolution was approved by the attending directors without any objections, in accordance with the recommendation of the Remuneration Committee.	
2023.8.11	Discuss the details of director remuneration distribution in 2023.		

**(4) Nomination Committee Member Information and Operation Status:** The company has not established a Nomination Committee.

(6) The implementation of sustainable development and the differences with the sustainability practices guidelines of listed companies are as follows:

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
1. Is the company established with a governance framework for promoting sustainable development, including the establishment of dedicated personnel responsible for driving sustainable development initiatives, authorized by the board of directors and supervised by the board of directors?	v		The company has not yet established such a framework but will set up dedicated positions for promoting corporate social responsibility when necessary.	Future compliance with legal requirements will be ensured.
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to its operations, in accordance with the principles of materiality, and established relevant risk management policies or strategies?	v		<p>1. The company has established the "Corporate Governance Best Practice Principles" to ensure effective corporate governance, promote sustainable environmental development, and uphold social welfare. The "Insider Trading Prevention Operational Procedures," "Code of Conduct," and "Internal Control System" formulated by the company are designed to implement risk management policies. The content of these policies is developed in compliance with relevant government regulations.</p> <p>2. To enhance the management of corporate social responsibility, the company has formed a committee comprising personnel from different departments to promote corporate social responsibility as part of their job responsibilities. The Deputy General Manager of the General Administration Department is responsible for overseeing these initiatives and regularly reporting the progress and effectiveness to the board of directors.</p> <p>To fulfill our corporate social responsibility, one of our subsidiaries entered the medical equipment field in 2020 to contribute to public safety during the pandemic.</p>	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary and Explanation	
3. Environmental issues (1) Has the company established an appropriate environmental management system based on its industry characteristics?	v		(1) The company has obtained ISO 14001 certification for its environmental management system, which effectively prevents and controls environmental pollution while improving energy efficiency.	No difference found.
(2) The company is committed to enhancing energy efficiency and utilizing low-impact renewable materials to minimize environmental burdens.	v		(2) In recent years, due to energy shortages and escalating ecological damage, along with the increasingly severe issue of global warming, the company has been implementing various measures to promote energy conservation and carbon reduction. This includes the adoption of energy-saving equipment in offices, advocating for energy-saving practices, encouraging employees to conserve energy, and strengthening resource utilization and recycling to reduce the impact on the environment.	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(3) Has the company evaluated the potential risks and opportunities of climate change on its current and future operations, and taken climate-related measures in response?	v		(3)The company evaluates the potential risks and opportunities posed by climate change to its current and future operations and takes corresponding measures to address climate-related issues. The company continues to monitor the impact of climate change on its business activities and invests in pollution control equipment to reduce the environmental impact of its operations. As a manufacturing company, potential risks mainly include resource shortages, rising raw material costs, unstable transportation demand, and threats to employee safety from extreme weather conditions. These factors could potentially affect the company. To mitigate risks, the company not only stays informed about international trends but also improves energy efficiency, actively develops related products using green energy technologies, reduces water and electricity consumption, and adopts more efficient processes to lower operating costs.	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(4) The company tracks greenhouse gas emissions, water consumption, and total waste weight over the past two years and has developed policies for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, and waste management.	v		<p>(4) The company strives to meet the goal of low-carbon manufacturing. In order to increase the use of renewable energy, annual energy reduction measures are formulated and reviewed every year. In addition, the waste recycling rate can be improved by changing the use requirements of raw materials.</p> <p>Greenhouse gas emissions: 15% reduction compared to 2022.</p> <p>Carbon emission intensity: reduced by 15% compared with 2022.</p> <p>Water consumption: 6.68% less than in 2022,</p> <p>Electricity consumption: 13.08% less than in 2022</p> <p>Waste: 48.51% less than in 2022.</p>	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
4. Social Issues (1) The company has developed management policies and procedures in accordance with relevant laws and international human rights conventions.	v		<p>(1) The company complies with the International Bill of Human Rights and national labor laws, and has established employee "work rules" and a labor-management committee. Important matters are communicated and coordinated between labor and management representatives, and regular assessments and discussions on human rights issues are conducted to safeguard the rights and interests of employees.</p> <ol style="list-style-type: none"> <li>1. Employee Rights: The company ensures compliance with legal requirements for employee labor insurance, national health insurance, and retirement pension contributions.</li> <li>2. Insurance: The company has obtained public liability insurance and employee group insurance.</li> <li>3. Management Methods and Procedures: The company has developed work rules and published them on company bulletin boards and internal websites for employees to adhere to.</li> </ol>	No difference found.
(2) Has the company established and implemented reasonable employee welfare measures (including salary, vacation, and other benefits), and appropriately reflected business performance or results in employee compensation?	v		<p>(2) The company adheres to the Labor Standards Act and relevant regulations to establish various salary and benefits measures for employees. It provides competitive welfare benefits to motivate employees, conducts regular assessments, and distributes performance bonuses to share the achievements of the company's operations.</p>	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(3) The company provides a safe and healthy working environment for employees and regularly conducts safety and health education.	v		(3) The company conducts annual employee health checks and provides counseling for employees on psychological issues by physicians. It regularly organizes fire safety training and implements safety personnel to ensure a secure working environment. The company conducts regular inspections of safety precautions in the work environment. Through continuous education and training, as well as employee awareness, unsafe behaviors leading to accidents are reduced. The company promotes a smoke-free working environment to enable employees to work in a comfortable and healthy atmosphere. It regularly maintains and disinfects water supply facilities. In case of natural disasters or accidents caused by human error, the company conducts periodic fire/earthquake drills to ensure that employees are well-prepared and capable of handling emergencies according to the contingency plans, minimizing the impact on employees. Additionally, the company provides group insurance for employees, ensuring appropriate medical coverage in case of work-related injuries.	No difference found.
(4) The company establishes an effective career development and training plan for employees.	v		(4) To promote employees' career development, the company regularly conducts internal or external training programs to enhance their professional capabilities.	
(5) With regard to issues such as customer health and safety, customer privacy, marketing and labeling related to products and services, does the company comply with relevant laws and international standards, and develop relevant policies and complaint procedures to protect consumer or customer rights?	v		(5) The company values customer feedback and provides channels for customers to contact them, such as dedicated product contact points and email addresses. They also have a dedicated section for stakeholders to submit inquiries, complaints, or suggestions. The company upholds ethical and integrity principles and ensures appropriate handling and feedback to safeguard customer rights.	No difference found.

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies
	Yes	No	Summary and Explanation	
(6) Has the company established a supplier management policy, requiring suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor rights, and implemented such policy?	v		(6) The company has a supplier evaluation method that requires suppliers to meet the company's requirements for product safety and ethical standards. It encourages suppliers to enhance their social and environmental responsibilities, including compliance with labor rights, health and safety standards, environmental protection, and ethical norms. By working together with suppliers, the company strives for sustainable development and improves corporate social responsibility efforts.	No difference found.
5. Has the company referred to internationally recognized standards or guidelines for preparing non-financial reports such as sustainability reports? Has the aforementioned report obtained a confirmation or assurance opinion from a third-party verification agency?	v		The company complies with the requirements and regulations of the competent authorities and relevant laws in fulfilling its corporate social responsibility. The company has established a dedicated section on its website for corporate social responsibility, where relevant information will be disclosed, including on the company's website and public information disclosure platforms.	The company has not yet prepared a corporate responsibility report. The decision to compile such a report will be based on the company's development needs and regulatory requirements.
6. If the company has established its own sustainability guidelines based on the "Practical Guidelines for Sustainable Development of Listed and OTC Companies," please describe how they differ from the operational guidelines established.			The company has not yet established a corporate social responsibility (CSR) code, therefore this item is not applicable. However, the company actively promotes various social responsibilities and is committed to complying with the requirements outlined in the "Guidelines for Corporate Social Responsibility Practices of Listed and Over-the-Counter Companies."	

Item	Implementation Status			The Reason of Departure from the Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies	
	Yes	No	Summary and Explanation		
7. Other important information to understand the execution of sustainable development:					
<p>The company has formulated product environmental protection specifications to control products without hazardous substances. It has obtained ISO 14001: 2015 Environmental Management System Certification. The production of products complies with the EU ROHS requirements and incorporates halogen-free design., and plan to obtain ISO 45001:2018 (formerly OHSAS 18001) occupational safety and health management system certification. In terms of greenhouse gas management, the company has currently implemented a self-inspection of carbon emissions. In the future, it will cooperate with the government's requirements to implement ISO 14064 greenhouse gas emission verification/confirmation to promote corporate social responsibility and continue to meet the technical requirements of environmental protection of customer products.</p>					

(7) If the company has established corporate governance guidelines and related regulations, the inquiry methods should be disclosed. The company's website provides an "Information Disclosure" section where stakeholders can access and download relevant regulations, including corporate governance practices, code of conduct, ethical guidelines, and important board decisions. The website address is <http://www.rectron.com.tw>.

(8) Climate-related information of TWSE/ TPEx Listed companies :

Implementation status of climate-related information

Item	Implementation Status
1. Describe board and management oversight and governance of climate-related risks and opportunities.	The company's board of directors continues to pay attention to the operational risks and business opportunities derived from climate change, so it will take climate change issues into consideration. If major capital investments are considered, priority will be given to energy conservation, carbon reduction and green energy for evaluation. The company's management continues to support the company in implementing energy conservation, water conservation, waste reduction and greenhouse gas reduction management.
2. Describe how the identified climate risks and opportunities impact the company's business, strategy and finances (short-term, medium-term, long-term)	<p>Short-term impact : At present, based on the Sustainable Development Roadmap for TWSE/TPEx listed companies, future carbon tax collection and related regulations or future suppliers' requirements for GHG reduction are regarded as major risk items, and the Company's products are currently not within the scope of management regarding carbon tax or mandatory carbon trading. However, in case our products are to be required to pay additional carbon tax in the future, the main impact will be an increase in production costs.</p> <p>Medium-term impact: Product raw material costs increase, and the consumer market shifts to low-carbon products. In the future, the company will focus on low-carbon reduction control and water-saving processes to effectively control product costs and win market orders for low-carbon products.</p> <p>Long-term impact: The ESG ratings will influence the willingness of investors and banks to raise funds. Customers' requirements for ESG and their innovative ability to develop new low-carbon and low-energy products have increased. The company will implement ESG governance and invest in the long-term development of low-carbon products based on the company's sustainable business goals. Strive for more business opportunities.</p>
3. Describe the financial impact of extreme climate events and transition actions.	Due to the impact of extreme climate on the average temperature of the city, summers are hot, which increases air conditioning energy

	consumption and electricity bills. In recent years, as the technology industry continues to expand factories and increases water demand, there will be hidden dangers of water shortage. Our company's current process water demand The volume is not large, but an emergency response plan has still been established.
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	There is no climate change risk management procedure established at the moment.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be described.	A scenario analysis evaluation has not yet been used and will be considered for future development subject to the extent of the impact of climate change on the Company.
6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.	There is no transformation plan to address climate-related risks at the moment.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	As of now, carbon pricing has not been utilized as a planning tool internally, and will be considered in the future based on the evaluation of the extent of the climate change impacts and relevant regulations.
8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the information should be explained. Source and quantity of offset carbon reduction credits or quantity of renewable energy certificates (RECs)	No climate-related goals have been set at this time, and consideration will be given to the development of overall climate risks and opportunities in the future.
9. Greenhouse gas inventory and assurance, reduction targets, strategies and specific action plans (fill in 1-1 and 1-2 separately)	In accordance with the "Sustainable Development Roadmap" published by the Financial Supervisory Commission in March 2022, the Company is classified as a TWSE/TPEx listed company with a paid-in capital of less than NT\$5,000 million. The individual companies shall complete the inventory in 2026 and the verification in 2028, whilst the subsidiaries within the consolidated statements shall complete the inventory in 2027 and the verification in 2029. The Company will continue to control the implementation of GHG inventory and verification, as well as the disclosure of GHG emissions, in accordance with the guidelines and regulations issued by the competent authorities.

## 1-1 Company greenhouse gas inventory and confirmation status in the last two years

### 1-1-1 Greenhouse gas inventory information

Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/million yuan) and data coverage of greenhouse gases in the past two years.
No inventory has been conducted yet, and the Company is required by the "Sustainable Development Roadmap" to complete an inventory of individual companies by 2026.

### 1-1-2 Greenhouse Gas Confirmation Information

Describe the confidence situation in the last two years as of the publication date of the annual report, including the scope of the confidence, the organization of the confidence, the criteria for the confidence and the opinion of the confidence.
The Company has not yet conducted the assurance process, and it is required by the "Sustainable Development Roadmap" that the assurance process should be completed by 2028 for individual companies.

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

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.
The Company has not yet set the base year and data, reduction targets, strategies and concrete action plans, and will establish and implement them in accordance with the "Sustainable Development Roadmap" issued by the Financial Supervisory Commission in March 2022 in a sequential manner.

(9) The company's compliance with ethical business practices and measures:

The company has established the "Internal Handling Procedures for Material Non-public Information" and disseminated it to all employees for their compliance and awareness.

Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.Item	Operational Status		Departure from the Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies, and reasons
	Yes	No	
<p>1. Formulating Policies and Plans for Ethical Corporate Management</p> <p>(1) Has the company established a policy of ethical management approved by the board of directors and clearly stated the policy and practices of ethical management in regulations and external documents, and has the board of directors and senior management actively implemented the commitment to the management policy?</p> <p>(2) Has the company established a risk assessment mechanism for dishonest behavior, regularly analyzed and evaluated business activities with higher risk of dishonest behavior within its scope of business, and formulated measures to prevent dishonest behavior, covering at least preventive measures for each item in Article 7, Paragraph 2 of the "Code of Conduct for Integrity in Listed and OTC Companies"?</p>	v	v	<p>(1) To promote and advocate for ethical behavior, the company has established the "Code of Conduct" and "Ethical Behavior Standards," which are disclosed on the Public Information Observation System and the company's website. All employees receive guidance on the company's core values and compliance with the system. The company also requires stakeholders who have business dealings with the company, such as suppliers and contractors, to adhere to the same ethical standards as company employees.</p> <p>(2) In order to ensure the implementation of integrity practices, the company has established effective accounting and internal control systems. Internal auditors regularly assess compliance with these systems and implement relevant preventive measures for activities that pose higher risks of dishonest behavior, as outlined in Article 7, Section 2 of the "Integrity Practices for Listed Companies and Over-the-Counter Companies," or other business activities within the scope of operations. The company has also formulated the "Internal Handling of Material Information and Prevention of Insider Trading Guidelines," "Code of Conduct," and "Ethical Behavior Standards," which are published on the company's website for compliance.</p> <p>Additionally, the company has an internal reporting system in place for employees and relevant individuals to report any improper conduct, and designated management personnel handle such reports personally.</p>

Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.Item	Operational Status			Departure from the Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies, and reasons
	Yes	No	Summary and Explanation	
(3) Has the company clearly defined operating procedures, behavioral guidelines, disciplinary measures for violations, and appeal procedures in its plan to prevent dishonest behavior, and implemented and periodically reviewed and revised the aforementioned plan?	v		(3) To prevent any dishonest behavior, unauthorized information disclosure, ensure consistency and accuracy in the company's external communications, and strengthen the prevention of insider trading, the company has developed the "Code of Conduct" and the "Internal Handling of Material Information and Prevention of Insider Trading Guidelines." All employees are required to refrain from engaging in activities that may involve conflicts of interest or potential conflicts of interest, and important personnel and senior executives must regularly report their compliance with these guidelines. The company requires suppliers or other collaborators to refrain from engaging in any illegal business activities and from providing improper benefits or bribes to company employees.	No difference found.

Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.Item	Operational Status			Departure from the Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies, and reasons
	Yes	No	Summary and Explanation	
<p><b>2. Implementation of Ethical Corporate Management</b></p> <p>(1) Does the company evaluate the integrity records of its business counterparts and include clauses on ethical conduct in contracts signed with them?</p> <p>(2) Has the company established a dedicated unit under the Board of Directors to promote corporate integrity and reports regularly (at least once a year) to the Board of Directors on its integrity management policy, measures to prevent dishonest behavior, and the monitoring and implementation status?</p> <p>(3) Has the company formulated a policy to prevent conflicts of interest, established appropriate channels for reporting, and ensured its implementation?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement corporate integrity, and does the internal audit unit develop relevant audit plans based on the assessment of the risk of dishonest behavior, and use them to verify compliance with anti-dishonesty behavior plans, or commission accountants to conduct audits?</p> <p>(5) Does the company regularly conduct internal and external education and training on ethical corporate management?</p>	v		<p>(1) The company requires its business counterparts, such as suppliers or other collaborators, to adhere to the same ethical standards as the company's management and employees.</p> <p>(2) The company's Board of Directors appoints dedicated managers and internal audit teams to vigorously promote corporate integrity from different levels and perspectives. Any abnormal circumstances will be promptly reported to the Board of Directors.</p> <p>(3) The company has an internal reporting system in place, allowing employees and related individuals to report any improper professional conduct, which is then handled personally by designated management personnel.</p> <p>(4) The company has designed internal control systems for operational procedures with potential higher risks of dishonest behavior. The internal audit team implements annual audit plans based on risk assessments and submits audit reports to the Board of Directors.</p> <p>(5) The company's "Code of Conduct" is not only disclosed in the "Corporate Governance" section of the company's website but also regularly communicated within the company to ensure that every employee understands and complies with it.</p>	No difference found.

Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.Item	Operational Status			Departure from the Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies, and reasons
	Yes	No	Summary and Explanation	
3. Implementation of the Company's Whistleblowing System  (1)Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel, and appropriate personnel assigned to handle the whistleblowing?  (2)Has the company established standard operating procedures for investigating reported matters, including the actions to be taken after the investigation and relevant confidentiality measures?  (3) Does the company take measures to protect the whistleblower against inappropriate disciplinary actions?	v		(1) The company has already established an internal reporting system that allows employees and relevant individuals to report any improper professional conduct. Any behavior that violates our code of ethics will be strictly disciplined according to the company's disciplinary measures, including termination of employment and legal actions.  (2) In accordance with Article 19 of our "Code of Conduct," we have established an internal reporting mechanism that operates based on confidentiality principles for conducting investigation procedures.  (3) In accordance with Article 19 of our "Code of Conduct," we ensure the confidentiality of the whistleblower's identity and the reported content. Whistleblowers are protected from any improper treatment as a result of their reports.	No difference found.
4. Enforcing Information Disclosure  Does the company disclose the content of its integrity management guidelines and their implementation effectiveness on its website and the public information platform?	v		The company places integrity management-related regulations and promotional information on its website and internal resources for employees to access at any time. The annual reports published on the website provide detailed information on integrity management.	No difference found.

Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.Item	Operational Status		Departure from the Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies, and reasons
	Yes	No	
5. If the company has its own Code of Ethical Corporate Management in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies," please describe any departure from the code in its operation:  In addition to the "Integrity Management Guidelines" and "Code of Ethics," the company has also incorporated relevant regulations in its "Work Rules." The company, guided by principles of integrity, transparency, and accountability, establishes sound corporate governance and risk management mechanisms to create a sustainable operating environment.  To ensure the effective management of integrity operations, the company has assigned a dedicated unit responsible for policy development, prevention plans, and overseeing their implementation. This unit regularly reports to the board of directors. The company has clearly stated its integrity management policies and practices, as well as the commitment of the board of directors and management to actively implement these policies. There have been no significant deviations from the established guidelines.			
6. Other important information that helps to understand the operation of the company's business integrity (such as the company's review and revision of its established code of conduct for business integrity, etc.):  (1) The company complies with company law, securities trading law, commercial accounting law, relevant regulations for listed and OTC companies, and other applicable business laws and regulations as the basis for implementing integrity management.  (2) To establish a robust internal system for processing and disclosing significant information, prevent improper information leakage, ensure consistency and accuracy in external information disclosures, and strengthen the prevention of insider trading, the company has developed the "Internal Handling and Prevention of Insider Trading Management Regulations." These regulations specify the guidelines for directors, executives, and employees in handling significant internal information. The "Code of Ethics" of the company prohibits directors and executives from seeking personal gains through the use of company assets, information, or their positions. Additionally, to ensure the implementation of integrity management, the company has established effective accounting and internal control systems. The internal audit department conducts regular audits to assess compliance with these systems. For business activities that pose a higher risk of dishonest behavior under Article 7, Paragraph 2 of the "Integrity Management Guidelines for Listed and OTC Companies" or within the company's scope of operations, relevant preventive measures have been implemented. In conclusion, the company has implemented the provisions of the "Integrity Management Guidelines for Listed and OTC Companies."			

(10) Other significant information that enhances understanding of the company's corporate governance practices: None.

(11) Continuing Education of Directors and Supervisors for the year 2023:

Job Title	Name	Date of Education	Organizer	Course Name	Study Hours
Chairman	Lin, I-Chin	2023/10/04	Securities and Futures Institute	How directors and supervisors with non-accounting background review financial reports.	3 hours
		2023/11/15	Securities and Futures Institute	2030/2050 Green Industrial Revolution.	3 hours
Director	Lin, Weng-Teng	2023/06/13	Accounting Research and Development Foundation, Republic of China	How to Correctly Understand Governance Assessment Index mark.	3 hours
Director	Pan, Hsin-Jen	2023/10/04	Securities and Futures Institute	How directors and supervisors with non-accounting background review financial reports	3 hours
		2023/11/15	Securities and Futures Institute	2030/2050 Green Industrial Revolution.	3 hours
Director	Liu,Feng-Ching	2023/07/18	Accounting Research and Development Foundation, Republic of China	2023 Transformation Finance and Sustainability Disclosure Seminar.	3 hours
		2023/10/04	Securities and Futures Institute	How directors and supervisors with non-accounting background review financial reports.	3 hours
Director	Lin, Jui-Ping	2023/02/08	Accounting Research and Development Foundation, Republic of China	Analysis of the latest corporate governance policies and laws and common deficiencies.	3 hours
		2023/06/01	Accounting Research and Development Foundation, Republic of China	Controlled Foreign Corporation (CFC) Tax Regulations and Practices.	3 hours
Independent Director	Maa, Kwo-Juh	2023/03/21	National Federation of Certified Public Accountants Associations, Republic of China	Accountant money laundering prevention supervision and practice.	3 hours
		2023/09/08	Chinese Corporate Governance Association (CCGA)	Trends and analysis of the latest amendments to the Company Law.	3 hours
		2023/10/04	Taipei Bar Association	2023 Corporate Governance Forum-Group Enterprise Governance Seminar.	3 hours
Independent Director	Lee, Shiue-Chen	2022/09/08	Accounting Research and Development Foundation, Republic of China	Common deficiencies in "Financial Report Review" and practical analysis of important internal control regulations	6 hours
Independent Director	Chang, Chia-Jung	2023/11/28	Securities and Futures Institute	Practical seminar for directors and supervisors (including independent) and corporate governance supervisors	12 hours

(12) Manager's Participation in Governance-Related Training and Education:

Job Title	Name	Date of Education	Organizer	Course Name	Study Hours
General Manager	Lin, I-Chin	2023/10/04	Securities and Futures Institute	How directors and supervisors with non-accounting background review financial reports.	3 hours
		2023/11/15	Securities and Futures Institute	2030/2050 Green Industrial Revolution.	3 hours
Corporate Governance Officer	Lin, Jui-Ping	2023/11/28	Accounting Research and Development Foundation, Republic of China	Legal liability and case analysis related to the company's "competition for management rights".	3 hours
		2023/12/01	Accounting Research and Development Foundation, Republic of China	New developments in international sustainable disclosure standards.	3 hours
		2023/12/08	Accounting Research and Development Foundation, Republic of China	Establishing ESG sustainable strategies to enhance competitiveness.	3 hours
		2023/12/15	Accounting Research and Development Foundation, Republic of China	Corporate ethics and sustainable development..	3 hours
		2023/12/21	Accounting Research and Development Foundation, Republic of China	Common internal control management deficiencies in enterprises and analysis of practical cases.	6 hours

(13) Employee Training and Development:

The average training hours per employee in our company for the year 2023 was 5 hours.

The training courses were categorized into three major types, and their execution status is as follows:

Course Categories	Shift	Total Number of Participants	Total Training Hours	Remarks
Financial	2	2	12	
Management	9	9	42	
Environment, Health, and Safety	12	3	22	
Total	13	14	76	

(14) Information on personnel responsible for financial transparency and their relevant licenses as specified by the competent authority:

License	Number(personnel holding the licenses)	
	Internal Audit	Financial
Basic Internal Control Competency Test	1	

(15) Procedures for handling significant information

The company has established procedures related to major information processing operations. The responsible unit will regularly notify relevant peer-level supervisors to remind them whether there is any major information that needs to be disclosed in accordance with the law, and inform them of relevant regulations. In addition, in order to ensure that colleagues and manager-level directors are aware of and comply with relevant regulations, the company has formulated "Insider Trading Prevention Measures." In order to reduce the risk of insider trading, the company regularly conducts education and training for company executives and colleagues, and provides relevant educational and promotional articles to help colleagues understand the relevant regulations.

(16) Disclosure of the implementation status of internal control system

1. Internal Control Statement

RECTRON LTD.  
Internal Control System Statement

Date: March 15, 2024

Based on the results of self-assessment, the Company hereby declares the following regarding its internal control system for the year 2023:

1. It is the responsibility of the Board of Directors and Managers of the Company to establish, implement and maintain the internal control system, which the company has established. The purpose of the system is to achieve the goals of effectiveness and efficiency in operations (including profitability, performance, and safeguarding of assets), reliable reporting with timeliness, transparency, and compliance with relevant regulations and laws, providing reasonable assurance.
2. The internal control system has its inherent limitation, no matter how perfect the design is, the effective internal control system can only provide reasonable assurance for the above three objectives; moreover, the effectiveness of the internal control system may change with the change of environment and situation. However, the internal control system of the Company is provided with a self-monitoring mechanism, and the company will take corrective actions once the absence is identified.
3. The Company shall judge whether the design and implementation of the internal control system are effective or not according to the judgment items of the effectiveness of the internal control system stipulated in the "Guidelines for the Establishment of Internal Control System by Public Owned Corporations" (hereinafter referred to as "Handling Guidelines"). The internal control system assessment criteria adopted in the "handling guidelines" are based on the management control process, which divides the internal control system into five components: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring Activities. Each component includes a number of items. For the foregoing items, please refer to the provisions of "Handling Guidelines".
4. The Company has adopted the above internal control system assessment criteria to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the assessment results mentioned above, the Company believes that its internal control system as of December 31, 2023 (including the supervision and management of subsidiaries) is effectively designed and implemented to understand the degree of achieving operational effectiveness and efficiency goals, provide reliable, timely, transparent, and compliant reporting, and reasonably ensure the achievement of the aforementioned goals.
6. This statement will become a major part of the Company's annual report and public disclosure. If any of the contents disclosed above is found to be false, with concealment or other illegal matters, it will involve legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been approved by the Board of Directors of the Company on March 15, 2024. Among the 9 directors present, there were no objections, and all agreed with the content of this statement. This statement is hereby declared.

RECTRON LTD.

Chairperson: Lin, I-Chin

General Manager: Lin, I-Chin

2. The Company has not commissioned an accountant to conduct a special review of the internal control system: None.

(17) In the most recent fiscal year and up until the date of printing this annual report, there have been no penalties imposed on the Company or its insiders in accordance with the law, and there have been no major deficiencies or improvements related to penalties imposed by the Company on its insiders for violations of internal control system provisions: None.

(18) Important resolutions of the shareholders' meeting and the board of directors for the most recent fiscal year up to the date of printing of the annual report:

1.Important resolutions and matters discussed at the 2023 regular shareholders' meeting (June 16, 2023):

Attendance: Directors Lin I-Chin, Directors Pan Hsin-Jen, Directors Lin Jui-Ping and Directors Liu Feng-Ching.

Acknowledged matter	Acknowledge the result	Execution situation
(1)2022 annual operating report and financial statements (including consolidated financial statements) case	<p>The voting results of this proposal: Attendance of voting shareholders 97,082,642 voting rights. Votes in favor 96,480,981 voting rights. Votes against 15,904 voting rights. Invalid votes 0 voting rights. Abstentions/Not voted 585,757 voting rights.</p> <p>The voting results for this case are as follows: in favor votes account for 99.38% of the voting rights present at the shareholders' meeting. The original proposal is passed according to the voting results.</p>	The resolution has been fully executed according to the decision
(2) The distribution of earnings for the fiscal year 2022	<p>The voting results of this proposal: Attendance of voting shareholders 97,082,642 voting rights. Votes in favor 96,478,981 voting rights. Votes against 15,904 voting rights. Invalid votes 0 voting rights. Abstentions/Not voted 587,757 voting rights.</p> <p>The voting results for this case are as follows: in favor votes account for 99.37% of the voting rights present at the shareholders' meeting. The original proposal is passed according to the voting results.</p>	The resolution has been fully executed. The ex-dividend date for the distribution has been set as July 17 2023, and the cash dividend will be distributed on July 21, 2023

Matters for Discussion	Result of discussion	Result of implement
(1) Amendment of the company's "Articles of Incorporation" case.	<p>The voting results of this proposal: Attendance of voting shareholders 97,082,642 voting rights. Votes in favor 96,474,294 voting rights. Votes against 19,180 voting rights. Invalid votes 0 voting rights. Abstentions/Not voted 589,168 voting rights.</p> <p>The voting results for this case are as follows: in favor votes account for 99.37% of the voting rights present at the shareholders' meeting. The original proposal is passed according to the voting results.</p>	Handled in accordance with the revised rules.
Election matters	Election Results	Result of implement
By-election of one independent director Proposal	The voting results of this proposal: Number of Votes Electe 96,276,186 voting rights	Complete the process in accordance with the resolution of the shareholders' meeting
Other Proposals	Voting results	Result of implement
Resolution to Lift Restrictions on New Directors' Non-Competition Agreement	<p>The voting results of this proposal: Attendance of voting shareholders 97,082,642 voting rights. Votes in favor 96,454,055 voting rights. Votes against 29,886 voting rights. Invalid votes 0 voting rights. Abstentions/Not voted 598,701 voting rights</p> <p>The voting results for this case are as follows: in favor votes account for 99.35% of the voting rights present at the shareholders' meeting. The original proposal is passed according to the voting results.</p>	Complete the process in accordance with the resolution of the shareholders' meeting

2. Important resolutions of the board of directors in the most recent year and as of the publication date of the annual report:

Meeting date	Important decisions of the Board of Directors
19th session 6th time 2023.03.24	<ul style="list-style-type: none"> <li>(1) Approval of the Company's operating report and financial statements for the year 2022 are submitted for review.</li> <li>(2) Approval of the Company's declaration on internal control system for the year 2022 is submitted for approval.</li> <li>(3) Approval of the Evaluation of the independent auditor's independence, to be discussed.</li> <li>(4) Approval of the Resolution: The Board of Directors will discuss whether the outstanding receivables beyond the normal credit period as of December 31, 2022, should be classified as loans.</li> <li>(5) Approval of the Resolution: The performance evaluation and self-assessment report of the board members, board of directors, and functional committees for the year 2022 will be presented for public review.</li> <li>(6) Approval of the Resolution: The proposed amendment to the "Board Meeting Rules" of the company will be presented for deliberation.</li> <li>(7) Approval of the Proposal to amend certain articles of the company's "Articles of Incorporation" for discussion.</li> <li>(8) Approval of the Proposal for the distribution of profits for the fiscal year 2022 for discussion.</li> <li>(9) Approval of the Proposal for the distribution of employee compensation and director's remuneration for the fiscal year 2022 is submitted for discussion.</li> <li>(10) Approval of the By-election of one independent director position for discussion</li> <li>(11) Approval of the Presentation of the list of nominated candidates for the by-election of an independent director position for discussion.</li> <li>(12) Approval of the Discussion on lifting the restriction on the new independent director regarding non-competition.</li> <li>(13) Approval of the Proposal to establish matters related to the 2023 Shareholders' Meeting is submitted for discussion.</li> <li>(14) Approval of the Proposal to establish the acceptance period and venue for the submission of proposals and nominations by shareholders holding 1% of the shares for the 2023 Shareholders' Meeting is submitted for discussion.</li> </ul>
19th session 7th time 2023.05.15	<ul style="list-style-type: none"> <li>(1) Approval of the financial statements for the first quarter of 2023 for the company are submitted for review.</li> <li>(2) Approval of the Whether the outstanding receivables exceeding the normal credit period as of March 31, 2023, are considered as loans and advances, shall be discussed by the Board of Directors.</li> <li>(3) Approval of the Formulate the company's "standard operating procedures for handling directors' requests" and submit it for discussion.</li> <li>(4) Approval of the company's proposal to set up a corporate governance manager is proposed for discussion.</li> </ul>
19th session 8th time 2023.06.26	<ul style="list-style-type: none"> <li>(1) Approval of the Establishment of Matters Related to Ex-dividend Date for 2023, Proposal for Discussion.</li> </ul>

19th session 9th time 2023.08.11	(1) Approval of the financial statements for the second quarter of the company's fiscal year 2023 will be presented for deliberation. (2) Approval of the matter of whether the outstanding receivables beyond the normal credit period as of June 30, 2023, are considered loans in nature will be discussed in the Board of Directors meeting. (3) Approval of the proposal to purchase Directors, Supervisors, and Managers' liability insurance will be submitted to the Board of Directors for retrospective approval. (4) Approval of the 2022 director remuneration distribution case is proposed for discussion. (5) Approval of the Taiwan Shin Kong Commercial Bank loan line renewal application case, submitted for discussion. (6) Approval of the application for loan quota by Panhsin Commercial Bank Huajiang Branch was submitted for discussion
19th session 10st time 2023.11.14	(1) Approval of the financial statements for the third quarter of 2023 are submitted for review. (2) Approval of the matter regarding the outstanding receivables exceeding the normal credit period as of September 30, 2023, and whether they should be classified as loans and advances, is presented for discussion at the board meeting. (3) Approval of the Accountant fees in 2023, submitted for Review.
19th session 11nd time 2023.12.27	(1) Approval of the Proposal for the 2024 Operational Plan, to be put to a Shareholder Vote. (2) Approval of the proposed audit plan for the fiscal year 2024 is submitted for public resolution. (3) Approval of the Proposed amendment to the Company's "Internal Control System" and "Internal Audit Implementation Regulations," for deliberation.
19th session 12rd time 2024.01.10	(1) Approval of the The Company's Tucheng Factory plans to renovate based on the revitalized assets, and plans to sign a joint construction contract with a 100% investment company.. (2) Approval of the Manager appointment case. (3) Approval of the proposal to establish the remuneration plan for the directors and executives of the company is submitted for resolution.
19th session 13th time 2024.03.15	(1) Approval of the Company's operating report and financial statements for the year 2023 are submitted for review. (2) Approval of the Company's declaration on internal control system for the year 2023 is submitted for approval. (3) Approval of the proposal to change the auditor is submitted for public resolution. (4) Approval of the Assessment of the independence of visa accountants and accountant fees in 2024, proposed for discussion

(5) Approval of the performance evaluation and self-assessment report of the board members, board of directors, and functional committees for the year 2023 will be presented for public review.
(6) Approval of the proposed amendment to the company's "Board Meeting Rules" is submitted for discussion.
(7) Approval of the proposed amendment to the company's "Audit Committee Charter" of the company will be presented for deliberation
(8) Approval of the proposed amendment to the company's "Shareholders' Meeting Rules" is submitted for discussion.
(9) Approval of the proposed amendment to the company's "Endorsement and Guarantee Procedures" is submitted for discussion.
(10) Approval of the proposed amendment to the company's "Operating Procedures for Lending Funds to Others" is submitted for discussion.
(11) Approval of the Proposal for the distribution of profits for the fiscal year 2023 for discussion.
(12) Approval of the 2023 cash dividend distribution case is proposed for discussion.
(13) Approval of the Proposal for the distribution of employee compensation and director's remuneration for the fiscal year 2023 is submitted for discussion.
(14) Approval of the Proposal to establish matters related to the 2024 Shareholders' Meeting is submitted for discussion.
(15) Approval of the Proposal to establish the acceptance period and venue for the submission of proposals and nominations by shareholders holding 1% of the shares for the 2024 Shareholders' Meeting is submitted for discussion.

(19) In the recent fiscal year and up to the printing date of the annual report, there were no dissenting opinions, recorded statements, or written declarations from directors or supervisors regarding significant resolutions passed by the Board of Directors.

(20) Summary of resignations and dismissals of company personnel during the recent fiscal year up to the printing date of the annual report: None.

#### 4. Information on Auditor's Remuneration

(1) Accounting Firm Fee Information Range Table (Please check the applicable range or enter the amount)

Amount unit: NTD in thousands.

Name of accounting firm	Name of the accountant	Auditor's review period	Audit Fees	Non-Audit Fees	Total	Remarks
KPMG United Accounting Firm.	CHIH, SHIH-CHIN	2023.01.01~2023.12.31	2,880	915	3,795	Note
	LAI, LI-CHEN	2023.01.01~2023.12.31				

Note : The non-audit fees include a transfer pricing report fee of 245 thousand NTD, a tax certification fee of 450 thousand NTD, a salary information verification fee of 30 thousand NTD, and a provisional tax payment fee of 190 thousand NTD.

(1) Cases where the non-audit fees paid to the signing accountant, the accounting firm to which the signing accountant belongs, and its affiliated enterprises account for more than one-fourth of the audit fees: Primarily, the non-audit fees include a transfer pricing report fee of 245 thousand NTD, a tax certification fee of 450

thousand NTD, a salary information verification fee of 30 thousand NTD, and a provisional tax payment fee of 190 thousand NTD.

- (2) In the case of changing accounting firms and a decrease in audit fees paid for the current fiscal year compared to the previous fiscal year, the amount and proportion of the decrease in audit fees, as well as the reasons, should be disclosed: None.
- (3) In the case of a reduction in audit fees of more than 10 percent compared to the previous fiscal year, the amount and proportion of the decrease in audit fees, as well as the reasons, should be disclosed: None.

## 5. Information on Change of Auditors : .

### (1) About the previous CPAs

Date of change	March 15, 2024		
Reasons and explanation for the change	Internal adjustments within the accounting firm.		
The explanation is provided by the appointing party or the accountant. Termination or refusal of appointment.	Involved parties Circumstances	The accountant.	The appointing party.
	Voluntary termination	Not applicable	
	Not appointed anymore.	Rotation within the firm	
The reasons for issuing opinions other than Unqualified Opinions in the recent two years	None		
Differences of opinion with the issuer	Yes	Accounting principles and practices Disclosure of financial statements Audit scope and steps Others	
	None	Explanation : Not applicable	
Other matters to be disclosed (Disclosure requirements for the first through fourth items of the first objective under Article 10, Paragraph 6 of this standard.)	Not applicable		

### (2) Regarding the name of the

succeeding accounting firm.	KGMP United Accounting Firm.
Name of CPA	CHIH, SHIH-CHIN, HUANG, HSIN TING
Date of appointment	March 15, 2024
Consulting results regarding the accounting method or principle applied on specific transactions and the possible opinions on the financial reports before appointment	Not applicable
Different opinions from the succeeding CPAs as compared to the previous CPAs in writing	Not applicable

- (3) Former auditor's response regarding the matters specified in Article 10, Section 6, Subparagraphs 1 and 2: Not applicable.

## 6. The Chairman, General Manager, or individuals responsible for finance or accounting management of the company who have served in the affiliated firm of the signing auditor or its related entities in the past year: None.

**7. Changes in the transfer of share ownership and share pledge by directors, supervisors, managers, and shareholders with a stake exceeding 10% during the recent fiscal year and up to the date of printing the annual report.**

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

Job Title	Name	Year 2023		For the fiscal year ending on March 31, 2024.	
		Increase (decrease) in the number of shares held.	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held.	Increase (decrease) in the number of pledged shares
Director	Juiye Enterprise Co., Ltd. Representative: Lin, I-Chin Representative: Lin, Weng-Teng Representative: Pan, Hsin-Jen Representative: Liu, Feng-Ching Representative: Lin, Jui-Ping	- - - - - -	- - - - - -	- - - - - -	- - - - - -
Independent Director	Lin, Ruey-Tou	-	-	-	-
Independent Director	Maa, Kwo-Juh	-	-	-	-
Independent Director	Lee, Shiue-Chen	-	-	-	-
Independent Director	Chang, Chia-Jung	-	-	-	-
Manager	Lin, I-Chin	-	-	-	-
Manager	Lin, Jui-Ping	-	-	-	-
Manager	Liu, Nien-Fu	-	-	-	-
Major shareholder	Bigwig Perfect International Co., Ltd.	-	-	-	-

Note: Mr. Liu Nien-Fu will serve as manager on January 10, 2024.

(2) Share transfer information: None.

(3) Share pledge information: None.

**8. Information on related parties or relatives within the second degree of kinship among the top ten shareholders in terms of shareholding percentage:**

Information on the relationships among the top ten shareholders in terms of shareholding percentage.

Name (Note 1)	Individual hold shares.		Shares Held by Spouses and Minor Children		Total Shares Held in the Name of Other Persons		The titles or names and relationships of the top ten shareholders who are related persons, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Name (Or Name)	Relationship	
Juiye Enterprise Co., Ltd.	42,788,288	25.73	-	-	-	-	Corporate directors.	-	
Bigwig Perfect International Co., Ltd	38,141,792	22.94	-	-	-	-	-	-	
Juyang Xingye Co., Ltd	7,505,195	4.51	-	-	-	-	-	-	
New Multi Investment Co., Ltd.	4,715,000	2.84							
Chen, Yu-Chien	3,487,507	2.10	-	-	-	-	-	-	
Chang, Hsiao-Huang	2,667,000	1.60							
Chen, Mei-Chen	2,392,264	1.44							
Chang, Kuo-Cheng	1,993,452	1.20							
Wang, Shih-Hao	1,711,976	1.03	-	-	-	-	-	-	
Lin, Li-Chun	1,500,000	0.90	-	-	-	-	-	-	

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

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

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

**9. The shares held by the Company, its Directors, Supervisors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio calculated on a consolidated basis.**

Comprehensive ownership percentage.

As of March 31, 2024 (unit: shares; %)

Investment in other businesses.	Investments made by the company.		Investments of Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled		Comprehensive investments.	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Rectron Electronic Enterprise Inc.(USA)	205,000	100.00%	-	-	205,000	100.00%
Rectron Electronics (China) Co., Ltd.	20,000	100.00%	-	-	20,000	100.00%
CHU-TING ENTERPRISE CO., LTD.	14,500,000	100.00%	-	-	14,500,000	100.00%
Zhejiang Rectron Electronics Co., Ltd (Note 2)	0	0.00%	398,900 (Note 1)	100.00%	398,900 (Note 1)	100.00%

Note 1: The investment amount is disclosed in thousands of New Taiwan Dollars.

Note 2: The company has entrusted investment in mainland China companies to Rectron China Investments.

## 4. Funding Status

### 1. Share Capital and Shares

#### (1) Source of Share Capital

Year and month	Issue Price:	Authorized Capital		Paid-In Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
87.04	10	170,000,000	1,700,000,000	107,219,023	1,072,190,230	Cash capital increase 600,000,000	-	-
1999.07.28	10	300,000,000	3,000,000,000	239,384,729	2,393,847,290	Capital increase by retained earnings 107,219,020 Capital reserve to capital increase 214,438,040 Cash increase in capital. 1,000,000,000	-	-
2000.09.21	10	400,000,000	4,000,000,000	277,000,000	2,770,000,000	Capital increase by retained earnings 98,147,740 Capital reserve to capital increase 272,898,590 Employee Bonus Transferred to Capital Increase 5,106,380	-	-
2003.11.25	10	400,000,000	4,000,000,000	186,975,000	1,869,750,000	Capital reduction. 900,250,000	-	-
2005.04.22	10	400,000,000	4,000,000,000	236,975,000	2,369,750,000	Private placement cash increase in capital. 500,000,000	-	-
2006.11.21	10	400,000,000	4,000,000,000	286,975,000	2,869,750,000	Private placement cash increase in capital. 500,000,000	-	-
2007.09.27	10	400,000,000	4,000,000,000	203,178,300	2,031,783,000	Capital reduction. 837,967,000	-	-
2008.09.20	10	400,000,000	4,000,000,000	148,128,300	1,481,283,000	Capital reduction. 550,500,000	-	-
2008.12.29	10	400,000,000	4,000,000,000	208,128,300	2,081,283,000	Private placement cash increase in capital. 600,000,000	-	-
2009.10.10	10	400,000,000	4,000,000,000	157,328,300	1,573,283,000	Capital reduction. 508,000,000	-	-

2011.08.27	10	400,000,000	4,000,000,000	160,002,881	1,600,028,810	Capital increase by retained earnings 26,745,810		
2014.11.03	10	400,000,000	4,000,000,000	161,302,881	1,613,028,810	Capital increase by retained earnings 13,000,000	-	-
2015.08.27	10	400,000,000	4,000,000,000	166,302,881	1,663,028,810	Capital increase by retained earnings 50,000,000		

Shares Category	Approved Capital Stock			R e m a r k s
	Outstanding shares in circulation.	Unissued shares.	Total	
Common Share	166,302,881	233,697,119	400,000,000	

Summary declaration system-related information: Not applicable.

## (2) Shareholding structure

April 28, 2024

Shareholder Structure Number	Governmen t institutions.	Financial institutions.	Other Corporations	Individuals.	Foreign institutions and foreigners.	Total
Number of Persons	0	2	19	21,194	27	21,242
Number of Shares Held	0	9,469	93,288,323	71,812,118	1,192,971	166,302,881
Shareholding Ratio	0%	0.01%	56.10%	43.17%	0.72%	100%

### (3) Ownership Structure

#### 1. Distribution of Ordinary Shares

April 28, 2024

Shareholding Levels	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1 to 999	13,137	2,541,810	1.53%
1,000 to 5,000	6,302	13,414,994	8.07%
5,001 to 10,000	950	7,712,611	4.64%
10,001 to 15,000	256	3,301,477	1.99%
15,001 to 20,000	180	3,374,400	2.03%
20,001 to 30,000	154	3,965,808	2.38%
30,001 to 40,000	61	2,195,692	1.32%
40,001 to 50,000	50	2,307,846	1.39%
50,001 to 100,000	86	5,959,088	3.58%
100,001 to 200,000	25	3,413,400	2.05%
200,001 to 400,000	22	6,246,366	3.76%
400,001 to 600,000	6	3,100,556	1.86%
600,001 to 800,000	3	1,866,359	1.12%
800,001 to 1,000,000	0	0	0.00%
1,000,001 and above	10	106,902,474	64.28%
<b>Total</b>	<b>21,242</b>	<b>166,302,881</b>	<b>100.00%</b>

2. Distribution of Preferred Shares: As of now, the company has not issued any preferred shares.

(4) List of Major Shareholders

Name of Major Shareholders	Shares	Number of Shares Held	Percentage of Shareholding
Juiye Enterprise Co., Ltd.		42,788,288	25.73%
Bigwig Perfect International Co., Ltd.		38,141,792	22.94%
Juyang Xingye Co., Ltd		7,505,195	4.51%
New Multi Investment Co., Ltd.		4,715,000	2.84%
Chen, Yu-Chien		3,487,507	2.10%
Chang, Hsiao-Huang		2,667,000	1.60%
Chen, Mei-Chen		2,392,264	1.44%
Chang, Kuo-Cheng		1,993,452	1.20%
Wang, Shih-Hao		1,711,976	1.03%
Lin, Li-Chun		1,500,000	0.90%

(5) Per Share Market Price, Net Asset Value, Earnings, Dividends, and Related Information.

Per Share Market Price, Net Asset Value, Earnings, and Dividends Data

Item	Fiscal Year		Year 2022	Year 2023	As of March 31, 2024, for the current fiscal year
	Highest	Lowest	20.45	23.75	20.17
Per Share Market Price	Average		16.74	18.79	18.95
	Before Distribution		11.12	10.68	10.85
	After Distribution (Note 2)		10.32	10.68	10.54
Per Share Net Asset Value (Note 1)	Weighted Average Shares Outstanding		166,302,881	166,302,881	166,302,881
	Per Share Earnings		1.06	0.52	0.11
Dividends per Share	Cash Dividends		133,042,305	Note 2	-
	Free Stock Dividends	Earnings Stock Dividends	-	-	-
	Stock Dividends	Capital Surplus Stock Dividends	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Investment Return Analysis	Return on Equity (Note 3)		15.79	36.13	172.27
	Return on Assets (Note 4)		20.93	Note 2	61.13
	Cash Dividend Yield (%) (Note 5)		4.78	Note 2	1.64

Note 1: The figures are based on the year-end issued shares and the distribution approved at the subsequent shareholders' meeting.

Note 2: The profit distribution plan for 2023 was approved by the board of directors on March 15, 2024, but it has not yet been ratified by the 2024 shareholders' meeting.

Note 3: P/E ratio = Average closing price per share for the year / Earnings per share.

Note 4: Payout ratio = Average closing price per share for the year / Cash dividend per share.

Note 5: Dividend yield = Cash dividend per share / Average closing price per share for the year.

(6) Dividends and Distribution Status

1. The dividend policy of the company is as follows:

In accordance with the company's articles of incorporation, if there is a surplus in the annual financial statements after payment of all taxes and the offsetting of prior-year losses as required by law, ten percent (10%) of the remaining balance shall be allocated to the legal reserve for retained earnings. However, this requirement does not apply when the legal reserve for retained earnings has reached the total capital of the company.

If necessary, the board of directors may propose the allocation of special retained earnings, which are adjusted according to legal requirements or business needs, and retain them accordingly. After considering these factors, any remaining profits can be distributed. The distribution percentages are as follows:

(1) Employee compensation ratio shall not be lower than one percent (1%).

(2) Compensation for directors and supervisors shall not exceed two percent (2%).

(3) The remaining profits shall be determined by the board of directors and proposed to the shareholders' meeting for approval.

The distribution of employee bonuses in the form of stock dividends may include eligible employees of subsidiary companies, and the allocation ratio shall be determined by the board of directors.

As the company is in a period of growth, considering business expansion, long-term financial planning, and meeting shareholders' demand for cash flow, the annual cash dividend shall not be less than ten percent (10%) of the total amount of cash and stock dividends. The ratio of cash dividends shall be determined by the board of directors and proposed to the shareholders' meeting for approval.

2. Proposed dividend distribution for the current shareholders' meeting:

The profit distribution for the fiscal year 2023 has been approved by the board of directors on March 15, 2024, with a cash dividend of NT\$51,553,893 (NT\$0.31 per share of free distribution to shareholders). However, it has not yet been approved by the shareholders' general meeting in 2024.

(7) The proposed issuance of bonus shares for the current year's shareholders' meeting will have no impact on the company's business performance and earnings per share.

(8) Employee bonuses and director/supervisor remuneration

1. Information related to employee bonuses and director/supervisor remuneration as stated in the company's articles of incorporation:

If there is a surplus in the annual financial statements, the company shall allocate no less than one percent (1%) as employee compensation and no more than two percent (2%) as compensation for directors and supervisors. However, when the company has accumulated losses, an amount should be reserved in advance for offsetting, and then employee compensation and director/supervisor remuneration should be allocated based on the aforementioned ratios.

2. Basis for estimating employee bonuses and director/supervisor remuneration for the current period, calculation basis for distributing stock dividends, and accounting treatment in case of differences between the estimated and actual distribution amounts:

If there are changes in the amounts of employee bonuses and director/supervisor remuneration as approved by the shareholders' meeting on profit distribution, the differences should be accounted for as adjustments based on accounting estimates and recognized in the subsequent fiscal year's income statement. This does not affect the financial statements that have already been recognized.

3. Information regarding proposed employee bonuses approved by the board of directors:

(1) Cash dividends of NT\$1,100,000 are proposed to be distributed to employees.

Director and supervisor remunerations of NT\$2,100,000 are proposed to be distributed.

This proposal has been approved by the Board of Directors but is pending approval at the 2024 Shareholders' Meeting.

(2) Proposed distribution of employee stock dividends and the proportion to the current period's net income after tax and the total amount of employee dividends: N/A.

(3) Calculation of earnings per share after considering the proposed distribution of employee dividends and director and supervisor remunerations: N/A.

4. Distribution of retained earnings from the previous year for employee dividends and director and supervisor remunerations (including the number of shares distributed, amounts, and share prices), any differences with recognized employee dividends and director and supervisor remunerations should be disclosed, along with the reasons and handling: There is no difference between the distribution of retained earnings from the previous year by the company and the proposed distribution approved by the Board of Directors.

(9) Share repurchases by the company: As of now, the company has not repurchased any of its own

shares.

- 2. Bond Issuance by the Company:** As of now, the company has not issued any corporate bonds.
- 3. Preferred Shares Issuance by the Company:** As of now, the company has not issued any preferred shares.
- 4. American Depository Receipts (ADRs) Issuance by the Company:** As of now, the company has not issued any ADRs.
- 5. Employee Stock Options Issuance by the Company:** As of now, the company has not issued any employee stock options.
- 6. Accumulated information until the printing date of the annual report regarding managers who obtained employee stock options and the top ten employees in terms of the number of stock options exercisable, including their names, acquisition details, and exercise status:** Not applicable.
- 7. Restricted Employee Stock Issuance by the Company:** As of now, the company has not issued any restricted employee stocks.
- 8. Accumulated information until the printing date of the annual report regarding managers who obtained restricted employee stocks and the top ten employees in terms of the number of shares acquired, including their names and acquisition status:** Not applicable.
- 9. Issuance of New Shares in Merger or Acquisition of Other Companies:** As of now, the company has not conducted any mergers or acquisitions that involved the issuance of new shares.
- 10. Execution Status of Fund Utilization Plan:** None.

## 5. Operation Overview

### 1. Business Contents

#### (I) Business Scope :

(A) The main business activities of the company are as follows:

- (1) CC01080 Electronic components manufacturing.
- (2) F119010 Wholesale of electronic materials.
- (3) F219010 Electronic materials retail.
- (4) F113030 Wholesale of precision instruments.
- (5) F213040 Retail of precision instruments.
- (6) F401010 International trade.
- (7) I301010 Information software services.
- (8) I301020 Data processing services.
- (9) I301030 Electronic information supply services.
- (10) F118010 Wholesale of computer software.
- (11) F218010 Retail of information software.
- (12) E605010 Computer equipment installation.
- (13) E604010 Mechanical installation.
- (14) CC01060 Wired communication equipment manufacturing.
- (15) F113020 Wholesale of electrical appliances.
- (16) F213010 Retail of electrical appliances.
- (17) F113070 Wholesale of telecommunications equipment.
- (18) F213060 Retail of telecommunications equipment.
- (19) H701010 Residential and commercial property development and leasing.
- (20) H701020 Industrial factory development and leasing.
- (21) H701040 Specialized zone development.
- (22) H701050 Investment in public infrastructure construction.
- (23) I102010 Investment consulting.
- (24) I103060 Management consulting.
- (25) CB01030 Pollution control equipment manufacturing.
- (26) F113100 Wholesale of pollution control equipment.
- (27) F213100 Retail of pollution control equipment.
- (28) J101030 Waste removal.
- (29) J101040 Waste disposal.
- (30) J101060 Waste (wastewater) treatment.
- (31) J101090 Waste cleaning.
- (32) CD01030 Automobile and its components manufacturing.
- (33) F114030 Wholesale of automobile and motorcycle parts.
- (34) F214030 Retail of automobile and motorcycle parts.
- (35) J901020 General hotel industry.
- (36) F501030 Beverage shops.
- (37) F501060 Restaurant industry.
- (38) F104110 Wholesale of textiles, clothing, shoes, hats, umbrellas, and fashion accessories.
- (39) F204110 Retail of textiles, clothing, shoes, hats, umbrellas, and fashion accessories.
- (40) F105050 Wholesale of furniture, bedding, kitchenware, and decorative items.
- (41) F205040 Retail of furniture, bedding, kitchenware, and decorative items.
- (42) F109070 Wholesale of educational, musical instruments, and recreational products.
- (43) F209060 Retail of educational, musical instruments, and recreational products.

- (44) F111090 Wholesale of building materials.
- (45) F211010 Retail of building materials.
- (46) E801010 Interior decorating.
- (47) I503010 Landscape and interior design.
- (48) ZZ99999 Permitted activities not restricted or prohibited by law.

(B) The revenue distribution of the company for the year 2023 is as follows: Semiconductors account for 93.02%, Medical Equipment accounts for 2.30%, and Other sectors account for 4.68%.

(C) The current product lineup of the company includes:

1. Rectifiers:

- (1) Bridge rectifiers
- (2) Fast recovery bridge rectifiers
- (3) High-efficiency fast recovery bridge rectifiers
- (4) Schottky rectifiers
- (5) High-voltage Schottky rectifiers
- (6) Low forward voltage drop Schottky rectifiers
- (7) High-temperature (H Type) Schottky rectifiers
- (8) Diode rectifiers
- (9) Fast rectifiers
- (10) High-efficiency rectifiers
- (11) Ultra-high-efficiency rectifiers
- (12) TVS transient voltage suppressors
- (13) High-voltage (>220V) TVS transient voltage suppressors
- (14) Low-voltage (<10V) TVS transient voltage suppressors
- (15) Zener diodes
- (16) Automotive power diodes
- (17) High-power surface mount Schottky rectifiers
- (18) High-power surface mount diodes
- (19) Trench Schottky diodes

2. Transistor Field:

- (1) Power transistors
- (2) Trench Metal-Oxide-Semiconductor Field-Effect Transistor (Trench MOSFET)
- (3) Super-Junction Metal-Oxide-Semiconductor Field-Effect Transistor (Super-Junction MOSFET)
- (4) Metal-Oxide-Semiconductor Field-Effect Transistor (MOSFET) for Automotive Applications

3. Small Signal Products:

- (1) ESD (Electrostatic Discharge) protection devices
- (2) Schottky diodes
- (3) Switching diodes
- (4) Zener diodes

(5) Digital transistors

4. Third-generation semiconductors:

- (1) Silicon Carbide (SiC) Schottky 650V-1200V
- (2) Silicon Carbide (SiC) MOSFET 650V-1200V

(D) Future Research and Development Plans

- (1) Low-loss Schottky wafer with a high groove structure.
- (2) High voltage (>300V) trench Schottky wafer.
- (3) High voltage (200V-500V) transient voltage suppressor wafer.
- (4) Low voltage (<5V) transient voltage suppressor wafer.
- (5) High voltage (1700V) SiC Schottky wafer.

(2) Sector Overview:

(A) Current Industry Status and Development:

Due to the specific needs in various fields, semiconductor devices have rapidly developed into two distinct branches. One branch is represented by microelectronic devices, characterized by low power and high density, serving as tools for information viewing, transmission, and processing. The other branch is power electronic devices, known for high power and high reliability. Power semiconductor products have a wide range of applications. As electronic products integrate multiple functions, each function requires independent power supply with specific voltage or current. Power conversion using power semiconductors is essential.

Power devices, with the capability of energy conversion and circuit control, are crucial components for electrical energy processing. They enable the control of high-power operations with low-power signals. With the automotive industry transitioning towards electronics and electrification, the demand for power devices is expected to increase, especially for high-current and high-voltage products.

Similar to the IC industry, the entire power semiconductor industry involves specifications design, wafer manufacturing, and final packaging, making it highly comparable to the IC industry. Most foreign power semiconductor manufacturers adopt the IDMs (Integrated Device Manufacturer) model, encompassing specifications design, wafer manufacturing, and device packaging. In Taiwan, most power semiconductor companies also follow the IDM model. However, there are also fabless design companies focusing solely on specifications design, as well as companies specializing in wafer manufacturing (wafer foundries) or device packaging. Currently, most MOSFET manufacturers in Taiwan are primarily design companies, while wafer manufacturing is outsourced to professional wafer foundries. Domestic diode manufacturers in Taiwan operate under the IDM model, as diode manufacturing processes are relatively simple and can be handled in-house. In addition to producing MOSFETs for domestic clients, Taiwanese wafer foundries have the advantage of superior manufacturing capabilities, allowing them to provide foundry services for a select few power semiconductor companies abroad, particularly for IGBTs. This represents an important opportunity for Taiwanese manufacturers in the power semiconductor industry.

**(B) Interrelationships among Upstream, Midstream, and Downstream in the Industry:**

The structure of discrete component industry can generally be divided into upstream chip materials, midstream wafer manufacturing and packaging/testing, and downstream application areas including machine tools, automotive electronics, telecommunications, information technology, and consumer electronics.

Upstream materials are similar to those used in integrated circuits and include wafers/epiwafer, precious metals, non-ferrous metals, aluminum alloys, and non-metallic materials. While Taiwan is partially self-sufficient in wafers/epiwafer, other materials like precious metals (gold, silver, platinum) and some non-ferrous metals rely on imports. The major domestic manufacturers in the upstream segment include companies like Taiwan Silicon Crystal, Hanlei, and Jiajing, supplying wafer materials and diffusion materials.

In the midstream segment of wafer manufacturing and packaging/testing, many companies have adjusted their strategies and actively integrated upstream by engaging in the research and manufacturing of epiwafer.

Downstream applications cover a wide range, including information technology, telecommunications, consumer electronics, machine tools, automotive electronics, automotive, and office equipment, as well as solar energy, making the market extremely vast.

**(C) Product Development Trends:**

Diode components have been polarized in recent years. High-voltage and high-current applications such as electromechanical devices require high-power components with higher voltage tolerance for regulation and rectification. On the other hand, electronic information products demand smaller, more precise diode components for protection. Therefore, there is a sustained market demand for various types of diodes due to different usage scenarios.

Regarding production technology, the functionality and electrical characteristics of discrete components are determined during the wafer manufacturing stage. Product characteristics are closely related to the wafer fabrication process. Many companies are integrating into higher-level processes, such as chip diffusion and epiwafer manufacturing. This integration helps with material cost control and provides flexibility in production scheduling by allowing the production of different chip functionalities based on specific product requirements.

Diodes, classified by packaging methods, have evolved from traditional axial packaging, power packaging (TO type), and bridge packaging towards smaller surface-mount devices (SMD). Currently, SMD is the mainstream and fastest-growing packaging method, with further miniaturization in the direction of DFN packaging.

In terms of product development, it progresses from general standard products at the lowest technological level to high-voltage, high-speed, and Schottky high-power rectifier diodes at higher technological levels. With the increasing applications of MOSFETs, further development of MOSFETs, IGBTs, and SiC devices is necessary to meet market demands.

**(D) Competitive Situation:**

Currently, there are not many domestic manufacturers of diodes in the country. Most of them

have shifted their assembly processes to mainland China, where self-production capabilities have improved in recent years. Therefore, the main business strategy in the market competition is to lower production costs and expand market share to achieve economies of scale.

(3) Technology and R&D Overview :

1. Research and development expenses are as follow:

Fiscal Year Explanation	Year 2023	2024 Q1	Unit: NTD in thousands
	Consolidated financial reports	Consolidated financial reports	
Research and development expenses	12,463	1,531	
Net operating revenue	716,545	147,257	
Proportion of net operating revenue	1.74%	1.04%	

2. Successful technology or product developments:

In response to the global demand for electronic products, diodes/transistors, as fundamental electronic components, have a steady demand. The company continues to upgrade its automated equipment to increase production capacity in line with business orders. Additionally, the company focuses on enhancing competitiveness in high-end markets by dedicating efforts to the research and production of related components for smart mobile phone power applications and new energy vehicle battery management systems. This has led to the company's leading position in the market. The following are the summarizations of the successful new products and technologies developed in the past two years:

1. General Purpose Diodes.
2. Fast Recovery Diodes.
3. Bridge Rectifiers.
  - (1) Establishment of RSM fully automated production line.
  - (2) Establishment of RBU fully automated production line.
4. Ultra Small Surface Mount Bridge Rectifiers (MINI-BRIDGES).  
DIP Bridge ULBF610 (Bridge Rectifier).
5. Schottky Diodes.
  - (1) LOW VF Schottky products.
  - (2) 150V High Voltage Schottky products.
  - (3) 200V High Voltage Schottky products.
  - (4) MBR series Schottky products.
  - (5) High Current Schottky products.
  - (6) Mass production of Schottky with reduced grain size.
  - (7) Low-loss Schottky products.
  - (8) Low VF 100/120V Schottky products.
  - (9) Low VF 150/200V Schottky products.

(10) High Temperature (High T<sub>j</sub> Type) Schottky products.

(11) Trench Low VF 60V Schottky products.

Region	Amount (in thousand NTD)	Percentage (%)	(12)
Taiwan	24,761	3.46	Trench
United States	76,180	10.63	Low VF
Asia	604,450	84.36	45V
Europe	10,196	1.42	Schottky
Other countries	958	0.13	

products.

(13) 0.5A 30V Schottky wafer.

6. High Voltage Rectifiers.
7. Electrostatic Protection Devices.
8. High-Efficiency Recovery Diodes and Ultra-Fast Recovery Diodes. STD GPP/SF (EPI) 200V 3A products with reduced grain size.
9. Full series Transient Voltage Suppressors (T.V.S) TVS diodes. Transient Voltage Suppressors of 5KW and above.
10. Surface Mount Devices (SMD)
11. High Power Surface Mount Devices TO252, TO263.
12. Insulated High Power Rectifiers (IT0-220).
13. 0.5 and 1 Watts SMA Zener Diodes.
14. 600V-800V Metal-Oxide-Semiconductor Field-Effect Transistors.
15. 20~300V SGT Mosfet.

(4) Long-term and short-term business development plans:

As part of the short-term development plan, the company will continue to drive production automation, focusing on refining existing processes to improve yield, reduce production costs, and enhance product competitiveness.

In the long term, the company aims to develop high-value products such as MOFET/SiC/ESD protection as part of its business expansion strategy. This includes offering customers a wider range of choices and superior product quality and services to effectively expand the company's market share.

## 2. Market and production/sales overview.

(1) Market Analysis

1. Product Sales Regions (Consolidated for 2023)

In 2023, our company's product line focused on diode rectifiers, making the Asian region the highest in terms of sales structure

Region	Amount (in thousand NTD)	Percentage (%)
Taiwan	24,761	3.46
United States	76,180	10.63
Asia	604,450	84.36
Europe	10,196	1.42
Other countries	958	0.13

## 2. Major Competitors

In recent years, it has continuously improved its technology and product specification optimization. Its main competitors have been positioned according to their product categories. For example, the small signal category corresponds to ONSEMI and ROHM, and the medium and high power category mainly faces Infineon and Vishay; its products match The accuracy and compatibility reaches over 80%, optimizing customers' parts selection and improving the overall product cost-effectiveness.

## 3. Market Supply and Demand Outlook and Business Objectives

In 2023, as the epidemic comes to an end, various regions are unblocking, uncertainties such as the Russia-Ukraine war, consumption habits and economic environment have been adjusted, global market consumption has weakened, and manufacturers will adjust production capacity and eliminate raw material inventories in 2023. The overall market is oversupplied, so the growth of the overall semiconductor market has slowed down, and some peers have experienced a decline compared with the previous period.

As the Sino-US trade war and the game between major powers intensify, export sales and the de-Chinaization of foreign brand customers are issues that global companies are gradually facing. This has prompted the manufacturing industry to move outside the emerging Asia-Pacific region, and accelerated the return of Taiwanese businessmen. China's status as the world's factory will slightly decrease in 2023, and Southeast Asia has gradually increased its proportion in the international division of labor in the semiconductor industry.

Our company's products belong to the category of semiconductor discrete components, including rectifiers, small-signal products, and power management products. As fundamental components, they have a wide range of applications in various sectors such as home appliances, telecommunications, audio-visual, computers, multimedia, as well as emerging markets in new energy solutions like electric vehicles and 5G applications. These products are essential, and with the increasing reliance on electronic products in the middle class of emerging markets and the development of the Greater China region, as well as the growth of portable electronic products, there is an expected significant demand and growth opportunity for global power management components. In recent years, it has continued to focus on the new energy vehicles and electric two-wheeled vehicle markets, and has also invested in related development of the AI market, which has certain bets on future market share and revenue.

## 4. Favorable and unfavorable factors for future development and corresponding strategies:

Favorable factors:

The company has established a strong presence in European and American markets over the years, and with the increasing awareness of renewable energy applications, there is an expected surge in the replacement of new energy vehicles. This provides an opportunity to expand the market reach through existing sales channels. And because the European, American and Southeast Asian markets already have a complete sales team and agents operating in this region, the regional proportion of revenue is effectively dispersed, which reduces the company's revenue risk; it promotes foreign big brand customers and also effectively attracts similar customers to adopt the company. Branded products increase customers' sense of security and trust.

Unfavorable factors:

The market downturn has led to disorderly competition. When selecting customers, price is the first priority. It is necessary to invest marketing resources and manpower, constantly communicate with customers, increase resource investment and recovery time, and increase raw materials, inflation and exchange rate fluctuations, resulting in costs and Uncertainty of delivery date.

The Sino-US trade war has affected the company's export sales and international brand customers to localize their origins in China. The company has actively allocated production locations accordingly; however, China also requires domestic sales and local brands to localize their origins, which the company must plan for, which is intangible. China also decentralizes resource allocation.

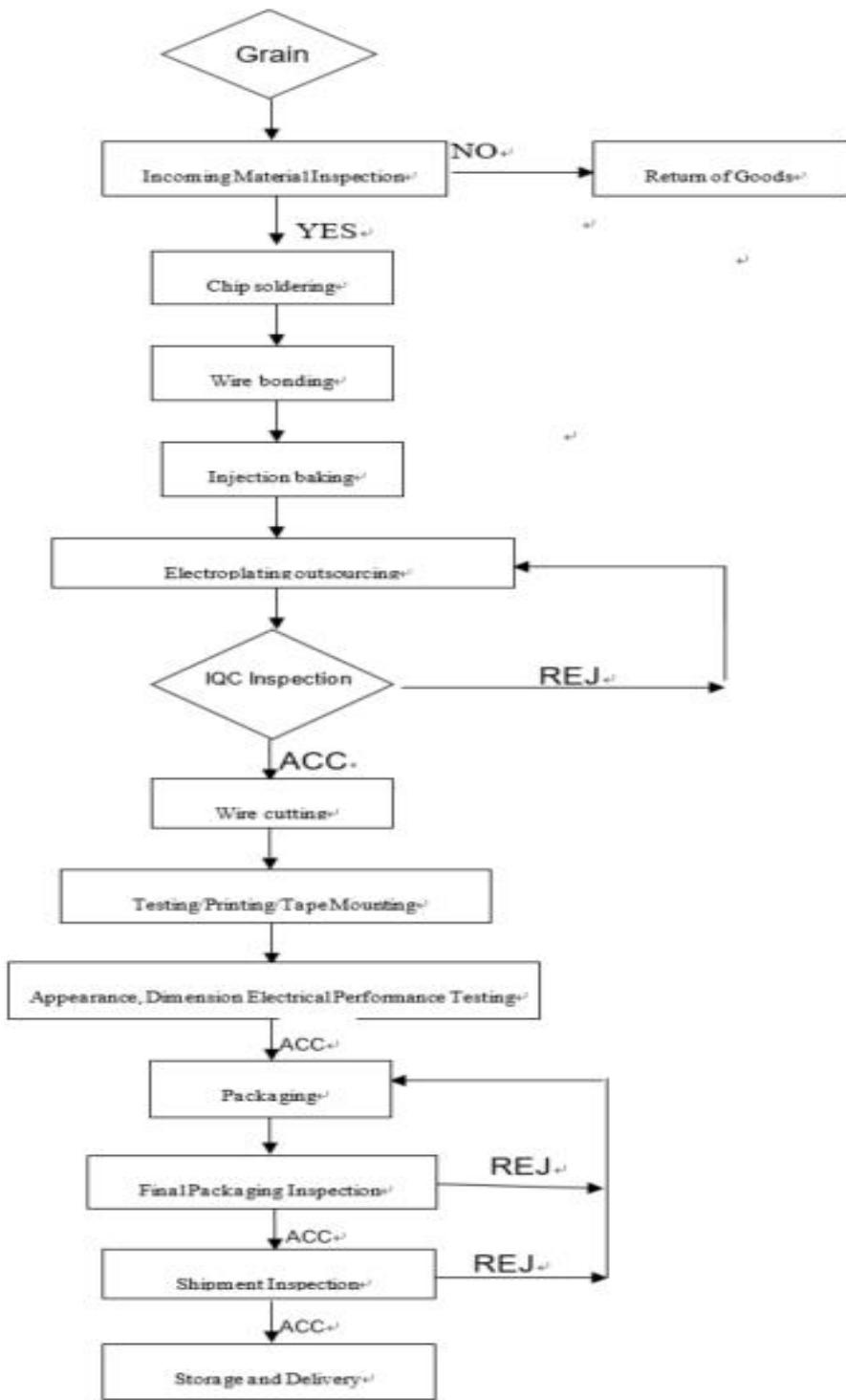
The company has gradually increased the proportion of high-profit products, continuously invested in applications with higher specifications and higher market demand, avoided price competition and low-specification markets, and maintained good relationships with the supply chain to ensure stable supply. increasing customer satisfaction.

(2) Major product applications and production processes

(1) Major product applications:

The company's main products are used in household appliances, communication devices, computers, and new energy vehicles.

(2) Production processes:



### (3) Main Raw Material Supply Situation

The main materials used in the production of our company's power semiconductor devices are non-special components. We maintain good technical cooperation and long-term business relationships with our suppliers, ensuring a high level of supply stability.

### (4) Customer Names and Purchase (or Sales) Amounts for any Year in the Past Two Years that Accounted for more than 10% of the Total Purchase (or Sales) Amount, and Explanation of the Changes. Due to contractual agreements and the confidentiality of customer names and transaction parties, especially when they involve individuals who are not related parties, they will be represented by code names.

1. Key suppliers in the recent two years

Unit: NTD in thousands

Item	Year 2022				Year 2023				As of the fiscal year ending on March 31, 2024			
	Name	Amount	Percentage of net purchase amount for the full year. (%)	Relation to the issuer	Name	Amount	Percentage of net purchase amount for the full year. (%)	Relation to the issuer	Name	Amount	Percentage of the net purchase of the current fiscal year(%)	Relation to the issuer
1	Z25	52,312	14	Note 1	T11	48,989	14	Note 1	Z35	8,929	13	Note 1
2	Z28	27,832	7	Note 1	Z25	38,215	11	Note 1	Z30	7,491	11	Note 1
	Others	299,666	79	Note 1	Others	255,029	75	Note 1	Others	51,716	76	Note 1
Total	Net purchase	379,810	100		Net purchase	342,233	100		Net purchase	68,136	100	

Note 1: Non-related persons

Note 2: Reasons for Changes in the List of Major Purchasing Customers in the Last Two Years: The main reason is that some electronics industries have increased or decreased their purchases due to delivery conditions, quality, and prices. Based on the consideration of the timeliness of customer orders, they have gradually switched to manufacturers with better delivery times and better quality.

## 2. Key customers in the recent two years

Unit: NTD in thousands

Item	Year 2022				Year 2023				As of March 31, 2024			
	Name	Amount	Percentage of the net sales of the year(%)	Relation to the issuer	Name	Amount	Percentage of the net sales of the year(%)	Relation to the issuer	Name	Amount	Sales-to-Net Sales Ratio for the period ending the previous quarter of the current fiscal year (%).	Relation to the issuer
1	T14	120,033	14	Note 1	T14	102,905	14	Note 1	T21	21,137	14	Note 1
2	T18	104,981	12	Note 1	T21	76,046	11	Note 1	T14	17,479	12	Note 1
	Others	652,619	74		Others	537,594	75		Others	108,641	74	
Total	Net sales	877,633	100		Net sales	716,545	100		Net sales	147,257	100	

Note 1: Non-related persons

Note 2: Reasons for the changes in the list of major customers in the past two years: There have been no significant changes among the major customers, mostly variations in their sales rankings.

## (5) Production value for the past two years.

### Production value for the past two years.

Unit: Thousand NTD ; KPS

Production Volume	Year	Year 2022			Year 2023		
		Production Capacity (K)	Production Volume (K)	Production Value	Production Capacity (K)	Production Volume (K)	Production Value
Main product							
Diodes		600,000	523,708	147,424	610,000	419,613	114,545
Face Masks		60,000	8,405	21,013	14,400	4,873	12,183
Total		660,000	532,113	168,437	624,000	424,486	126,727

## (6) Sales Volume in the Past Two Years

### Table of sales volume and value of the recent two years

Unit: Thousand NTD; K/PS

Sales volume	Year	Year 2022				Year 2023			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	values	Volume	values	Volume	values	Volume	values
Main product									
Rectifier diodes		8,770	6,899	509,897	773,090	7,477	5,231	830,939	661,300
Face Masks		9,063	64,035	1,031	1,365	2,415	16,344	53	129
Others		-	19,999	-	12,245	-	23,812	-	9,729
Total		17,834	90,933	510,929	786,700	9,891	45,387	830,992	671,158

### 3. Number of employees in the company.

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

March 31, 2024

Year		Year 2022	Year 2022	As of the end of the current fiscal year March 31, 2024
Number of Employees	Staff Members	94 persons	96 persons	96 persons
	Total Workforce	71 persons	54 persons	52 persons
	Total	165 persons	150 persons	148 persons
Average age		48 years old	48 years old	49 years old
Average years of service		14 years	14 years	15 years
Educational attainment distribution Ratio	Doctorate	0 persons	0 persons	0 persons
	Master's degree	2 persons	2 persons	2 persons
	College degree	62 persons	65 persons	64 persons
	High school	63 persons	54 persons	53 persons
	Below high school	38 persons	37 persons	29 persons

### 4. Environmental expenditure information

- (1) The company's factory is located in the Tucheng Industrial Zone, New Taipei City. Our company complies with environmental regulations and takes relevant environmental protection measures to prevent pollution.
- (2) In response to the requirements of the European Union's environmental directive (ROHS), the company adopts green design, green management, green manufacturing management, and green marketing management. The company actively requests that the raw materials supplied by its suppliers comply with ROHS regulations, enabling the smooth export of products to the European region.
- (3) In the past two years, the company has not incurred any losses or disposals due to environmental pollution.

## 5. Labor-Management Relations

1. List of employee welfare measures, training and development programs, retirement system, and their implementation, as well as the agreements and measures for safeguarding employee rights.

(1) Employee welfare measures include

- (a) Group insurance, accident insurance, and medical insurance.
- (b) Subsidies for marriage, funeral, and joyous occasions.
- (c) Annual company trips.
- (d) Bonuses during major festivals.
- (e) Retirement benefits system.

(2) Employee training and development

The company organizes periodic external training programs to enhance employees' skills, knowledge, and work efficiency. The effectiveness of education and training is assessed and included in the performance evaluation criteria.

(3) Retirement system and its implementation:

To ensure stable post-retirement lives for our employees, our company has established a labor retirement policy in accordance with the law. We have also set up a Labor Retirement Reserve Supervisory Committee, which regularly allocates retirement reserves to the "Labor Retirement Reserve Fund" account at the Taiwan Bank, based on a fixed ratio of the total payroll expenses. This is done to safeguard the rights of our employees. Starting from July 1, 2005, we have also adopted the government's new retirement policy, whereby a monthly contribution of 6% of the employee's total wages is made to the employee's individual retirement account. For employees who voluntarily contribute to their retirement funds, an additional amount is deducted from their monthly salary based on their voluntary contribution rate, which is then remitted to the Bureau of Labor Insurance's individual retirement account.

(4) Agreements between labor and management and measures for safeguarding employee rights:

The company has established legal provisions for working conditions and has implemented systems such as work rules. In addition to complying with the Labor Standards Act to protect employees' rights at work, there is a mechanism for resolving labor disputes. As a result, the labor-management relationship in the company has always been harmonious, and there have been no labor disputes. The employees have a strong sense of belonging and there are no issues regarding labor disputes. Furthermore, the company maintains open channels of communication through autonomous management within the organization. Regular employee trips are organized externally to alleviate work-related stress and fatigue.

2. Specify the losses incurred due to labor disputes in the most recent fiscal year and up to the date of the annual report's printing, and disclose the estimated amounts and strategies to address current and potential future losses: None.

## **6. Information on information technology and cybersecurity management.**

### **1. Information Security Organization:**

The company has established a cross-departmental task force called the "Information Security Management Team." The team is led by the Vice President of Administration and is responsible for planning and executing the company's information security initiatives. They also develop measures for information security management, crisis reporting, and emergency response.

### **2. Information Security Policy:**

The company's information security policy is to "maintain the confidentiality, integrity, availability, and legality of the company's information, and to prevent unauthorized use, disclosure, alteration, destruction, or loss of assets in the event of human error, intentional sabotage, or natural disasters, which could impact the company's operations or compromise its interests."

In addition to adhering to the requirements of the information security policy, the company regularly conducts information security awareness programs and provides employee training.

### **3. Risk Control for Information Security:**

With rapidly evolving cyber-attack techniques, it is impossible to completely avoid paralyzing network attacks from any third party. Network attacks can occur through methods such as email phishing, network spoofing, or brute force attacks, resulting in the introduction of malicious programs into the company's internal network for disruption or data theft. Disruptive attacks can lead to operational interruptions, while data theft attacks can result in the leakage of important operational data or personal information of employees and customers.

The company actively plans and implements information security measures to continuously improve the information security environment and reduce information security risks. In terms of management, relevant management standards are established in areas such as policy and system, organizational responsibilities, manpower security, document control, asset management, communication and operation management, access control, physical environment, system development and maintenance, business continuity management, security incident management, and regulatory compliance. On the technical side, various measures are deployed, including network firewalls, intrusion detection systems, email security systems, automated detection and updating of operating systems, virus protection systems, network access systems, security monitoring systems, and vulnerability scanning systems. Internal auditors and organizations conduct annual audits of the company's information security management system. The security operations, risk control, and incident improvements are reviewed annually and reported to the Information Security Committee to control and reduce information security risks.

### **4. Employee Information Security Training:**

Basic information security education and training are provided to new employees upon their onboarding. Regular information security education and training are conducted for employees to enhance their

awareness of information security. Internal information audit findings are addressed through immediate information security controls and preventive measures to minimize the risk of employees leaking confidential information about the company and its clients. In the event of external information security incidents, timely information security notifications are issued to strengthen the company's information security maturity and raise employee awareness of defending against external malicious attacks. These measures provide information security assurance for the company's production and operational activities.

5. In 2023, no significant network attacks that impacted the company's operations occurred.

#### 6. Management Measures:

Our company places great importance on the field of information security and is committed to building a comprehensive defense architecture to ensure the confidentiality, integrity, and availability of company, customer, and supplier data.

(1) Network protection includes the deployment of firewalls for multi-layered isolation and protection.

(2) Access control is implemented through permission management and various authentication methods.

(3) Each endpoint is required to install antivirus software for virus defense and early warning.

The company will take a more proactive approach in terms of information security strategy, incident response mechanisms, and technical infrastructure to assess the exposure level of information security risks and plan appropriate insurance measures to ensure optimal control of information security risks.

**In the most recent fiscal year and up to the date of printing of the annual report, there have been no significant losses, potential impacts, or necessary measures resulting from major information and communication security incidents:** The company has not been affected by any significant information and communication security incidents that would impact its operations in the most recent fiscal year up to the date of printing of the annual report.

### 7. Key contracts and agreements.

Type of contract	Parties involved	Contract start and end date	Key content	Restrictions
Financing agreement	Hua Nan Commercial Bank, Nansongshan Branch	2023.05-2024.05	Financing borrowings	None
Financing agreement	Panshin Commercial Bank Huaijiang Branch	2023.08-2024.08	Financing borrowings	None
Financing agreement	Shin Kong Commercial Bank, Chang'an Branch	2023.09-2024.09	Financing borrowings	None

## 6. Financial Overview

### 1. The summary balance sheets and income statements for the past five years.

1. Condensed Consolidated Balance Sheet (in accordance with International Financial Reporting Standards)

Unit: NTD in thousands

Fiscal Year		IFRS - Consolidated				
		2019 years	2020 years	2021 years	2022 years	2023 years
Item						March 31, 2024
Current asset		427,486	593,096	566,969	602,181	834,662
Property, plant, and equipment		458,819	495,901	514,703	497,837	458,587
Intangible Assets		0	0	0	0	0
Other Assets		1,065,267	1,057,527	1,066,168	1,054,001	1,041,053
Total Assets		1,951,572	2,146,524	2,147,840	2,154,019	2,334,302
Current Liability	Before distribution.	254,899	327,037	272,767	227,647	485,954
	After distribution.	254,899	277,037	172,767	94,605	Note 3
Non-Current Liability		80,175	80,601	77,127	77,332	72,751
Total Liabilities	Before distribution.	335,074	407,638	349,894	304,979	558,705
	After distribution.	335,074	357,638	249,894	171,937	Note 3
Equity attributable to owners of the parent company.		1,616,498	1,738,886	1,797,946	1,849,040	1,775,597
Capital stock		1,663,029	1,663,029	1,663,029	1,663,029	1,663,029
Capital surplus		9	9	9	9	9
Retained earnings	Before distribution.	29,878	134,314	169,832	246,076	199,702
	After distribution.	29,878	84,314	69,832	113,034	Note 3
Other Equities		(76,418)	(58,466)	(34,924)	(60,074)	(87,143)
Treasury stock		0	0	0	0	0
Non-control equity		0	0	0	0	0
Total equity	Before distribution.	1,616,498	1,738,886	1,797,946	1,849,040	1,775,597
	After distribution.	1,616,498	1,688,886	1,697,946	1,715,998	Note 3

Note 1: The above information has been audited and certified by the accountant. The data for the first quarter of 2024 is reviewed by the accountant.

Note 2: Asset revaluation has not been conducted in any of the mentioned years.

Note 3: The profit distribution plan for 2023 was approved by the board of directors on March 15, 2024, but it has not yet been ratified by the 2024 shareholders' meeting.

Fiscal Year		IFRS - Individual				
		2019 years	2020 years	2021 years	2022 years	2023 years
Current asset		273,489	419,978	326,475	256,336	188,982
Property, plant, and equipment		301,922	302,074	294,457	285,105	272,362
Intangible Assets		0	0	0	0	0
Other Assets		1,312,483	1,310,819	1,421,629	1,539,258	1,526,828
Total Assets		1,887,894	2,032,871	2,042,561	2,080,699	1,988,172
Current Liability	Before distribution.	196,853	172,412	172,412	161,482	142,725
	After distribution.	196,853	72,412	72,412	28,440	Note 3
Non-Current Liability		74,543	75,153	72,203	70,177	69,850
Total Liabilities	Before distribution.	271,396	244,615	244,615	231,659	212,575
	After distribution.	271,396	144,615	144,615	98,617	Note 3
Equity		1,616,498	1,738,886	1,797,946	1,849,040	1,775,597
Capital stock		1,663,029	1,663,029	1,663,029	1,663,029	1,663,029
Capital surplus		9	9	9	9	9
Retained earnings	Before distribution.	29,878	134,314	169,832	246,076	199,702
	After distribution.	29,878	84,314	69,832	Note 3	Note 3
Other Equities		(76,418)	(58,466)	(34,924)	(60,074)	(87,143)
Treasury stock		0	0	0	0	0
Total equity	Before distribution.	1,616,498	1,738,886	1,797,946	1,849,040	1,775,597
	After distribution.	1,616,498	1,688,886	1,697,946	1,715,998	Note 3

Note 1: The above information has been audited and certified by the accountant.

Note 2: Asset revaluation has not been conducted in any of the mentioned years.

Note 3: The profit distribution plan for 2023 was approved by the board of directors on March 15, 2024, but it has not yet been ratified by the 2024 shareholders' meeting.

2. Summary Statement of Comprehensive Income (in accordance with IFRS)

Unit: NTD in thousands (except for earnings per share in "NTD")

Item	Year	IFRS - Consolidated				
		2019 years	2020 years	2021 years	2022 years	2023 years
Operating revenue	498,284	759,358	745,850	877,633	716,545	147,257
Operating gross profit	151,808	295,044	251,630	343,849	257,404	55,120
Operating expenses	156,160	153,936	169,757	173,109	186,106	44,837
Operating Profit and Loss	(4,352)	141,108	81,873	170,740	71,298	10,283
Non-operating income and expenses	4,818	(30,262)	8,756	33,905	35,157	12,543
Profit before tax	466	110,846	90,629	204,645	106,455	22,826
Net income from continuing operations for this year	441	105,636	84,972	176,100	86,869	18,261
Loss from Suspended Operations	0	0	0	0	0	0
Current net profit (loss)	441	105,636	84,972	176,100	86,869	18,261
Other comprehensive income (after-tax net amount)	(38,940)	16,752	24,088	(25,006)	(26,615)	10,013
Total comprehensive income for this reporting period	(38,499)	122,388	109,060	151,094	59,599	28,274
Net profit attributable to owners of the parent.	441	105,636	84,972	176,100	86,869	18,261
Net Profit Attributable to Non-Controlling Interests	0	0	0	0	0	0
Total Comprehensive Profit and Loss Attributable to Owners of Parent Company	(38,499)	122,388	109,060	151,094	59,599	28,274
Total comprehensive income attributable to non-controlling interests.	0	0	0	0	0	0
Earnings Per Share (NT\$)	0.00	0.64	0.51	1.06	0.52	0.11

Note: The above information has been audited and certified by the accountant. The data for the first quarter of 2024 is reviewed by the accountant.

Unit: NTD in thousands (except for earnings per share in "NTD")

Item	Year	IFRS - Individual				
		2019 years	2020 years	2021 years	2022 years	2023 years
Operating revenue		303,202	352,826	475,170	634,715	548,781
Operating gross profit		77,903	67,386	77,585	141,420	135,932
Intercompany (unrealized) gains/losses.		5,640	(1,742)	(1,881)	4	843
Operating gross profit		83,543	65,644	75,704	141,424	136,775
Operating expenses		52,841	53,469	55,024	53,507	61,631
Net other gains and losses		0	0	0	0	0
Operating Profit and Loss		30,702	12,175	20,680	87,917	75,144
Non-operating income and expenses		(30,261)	94,085	68,861	109,861	29,612
Profit before tax		441	106,260	89,541	107,778	104,756
Net income from continuing operations for this year		441	105,636	84,972	176,100	86,869
Loss from Suspended Operations		0	0	0	0	0
Current net profit (loss)		441	105,636	84,972	176,100	86,869
Other comprehensive income (after-tax net amount)		(38,940)	16,752	24,088	(25,006)	(27,270)
Total comprehensive income for this reporting period		(38,499)	122,388	109,060	151,094	59,599
Earnings per share (in yuan) (Note)		0.00	0.64	0.51	1.06	0.52

Note 1: The above information has been audited and certified by the accountant.

### 3. Name of the Auditing Accountants and Audit Opinions for the Past Five Years

Year	Name of Auditing Accountants	Audit opinion
2019	CHEN, TSUNG-CHE, LAI, LI-CHEN	Unqualified Opinion (Emphasis or other matters)
2020	CHEN, TSUNG-CHE, LAI, LI-CHEN	Unqualified Opinion (Emphasis or other matters)
2021	CHEN, TSUNG-CHE, LAI, LI-CHEN	Unqualified Opinion (Emphasis or other matters)
2022	CHIH, SHIH-CHIN, LAI, LI-CHEN	Unqualified Opinion (Emphasis or other matters)
2023	CHIH, SHIH-CHIN, LAI, LI-CHEN	Unqualified Opinion (Emphasis or other matters)

## 2. Financial analysis for the past five years.

### (1) Financial Analysis based on International Financial Reporting Standards (IFRS)

Analysis Items (Note 2)		Year (Note 1)							Consolidation.	
		2019 years	2020 years	2021 years	2022 years	2023 years	Percentage (%) Change in the Past 2 Years	Explanation	Q1 2024	
Financial Structure Percentage (%)	Debt to assets ratio (%)	17.17	18.99	16.29	14.16	23.93	69.00		25.93	
	Ratio of Long-Term Capital to Real Estate, Plant, and Equipment (%)	369.79	366.91	364.30	386.95	403.05	4.16		400.76	
Debt Repayment Ability %	Current ratio (%)	167.71	181.35	207.86	264.52	171.76	(35.07)	2	161.25	
	Quick Ratio (%)	117.76	137.39	140.59	192.01	142.44	(25.82)	2	135.02	
Operating Efficiency	Interest Coverage Ratio	1.23	52.79	57.34	206.09	213.19	3.45		327.08	
	Accounts Receivable Turnover Ratio (times)	4.27	6.04	4.62	5.16	5.75	11.43		1.45	
	Average Collection Days	85.48	60.43	79.00	70.73	63.47	(10.26)		62.06	
	Inventory Turnover Ratio (times)	2.76	3.73	3.24	3.36	3.31	(1.49)		0.69	
	Accounts Payable Turnover Ratio (times)	4.70	4.79	4.22	4.43	4.43	0.00		1.19	
	Average Days for Sales	132.24	97.85	112.65	108.63	110.27	1.51		130.43	
	Fixed Assets Turnover Ratio (times)	1.06	1.59	1.48	1.73	1.5	(13.29)		0.32	
Profitability 能力	Total Assets Turnover Ratio (times)	0.25	5.25	0.35	0.41	0.32	(21.95)	3	0.06	
	Rate of Return on Assets (%)	1.50	0.11	6.30	4.02	3.89	(52.73)	1	0.78	
	Rate of Return on Equity (%)	1.69	0.03	6.67	4.80	4.79	(50.41)	1	1.04	
	Pre-tax Net Income to Paid-in Capital Ratio (%) (Note 7)	1.66	0.03	13.91	5.45	6.4	(48.01)	1	1.37	
	Net Profit Margin (%)	5.31	0.09	0.64	11.39	12.12	(39.61)	1	12.4	
	Earnings Per Share (NTD)	0.17	0.00	52.92	0.51	0.52	(50.94)	1	0.11	
Cash flow	Cash Flow Ratio (%)	29.85	183.08	17.91	144.5	29.54	(79.56)	4	2.78	
	Cash Flow Adequacy Ratio (%)	224.79	12.25	103.71	211.09	302.31	43.21	5	298.13	
	Cash Flow Reinvestment Ratio (%)	6.10	1.91	(0.08)	14.06	0.66	(95.31)	4	(7.44)	
Degree of Leverage	Degree of Operating Leverage	(29.82)	1.02	2.73	1.76	2.96	68.18	6	1.00	
	Degree of Financial Leverage	0.67	5.25	1.02	1.01	1.01	0.00		1.01	

Explanation for the changes in financial ratios exceeding 20% in the past two years:

1. The increase in operating profit compared to the previous period resulted in a change in the ratio of over 20%.
2. The growth in operating profit and increase in current assets led to an increase in accounts receivable turnover compared to the previous period.
3. The increase in operating profit and decrease in bank borrowings contributed to this change.
4. The increase in net cash inflows from operating activities resulted in an increase in cash flow ratios.
5. The increase in operating revenue led to an increase in operating income compared to the previous period.
6. The operating profit of the last period increased compared with the current period, resulting in an increase in the proportion compared with the previous period.

Analysis Items	Year	Individual					
		2019 years	2020 years	2021 years	2022 years	2023 years	Percentage (%) Change in the Past 2 Years
Financial Structure Percentage (%)	Debt to assets ratio (%)	14.38	14.46	11.98	11.13	10.69	(3.95)
	Ratio of Long-Term Capital to Real Estate, Plant, and Equipment (%)	560.09	600.53	635.12	673.16	677.57	0.66
Debt Repayment Ability %	Current ratio (%)	138.93	191.92	189.36	158.74	132.41	(16.59)
	Quick Ratio (%)	117.81	159.18	160.89	133.07	91.27	(31.41)
	Interest Coverage Ratio	1.20	48.99	57.22	197.82	213.92	8.14
Operating Efficiency	Accounts Receivable Turnover Ratio (times)	3.51	4.07	4.36	5.14	6.03	17.32
	Average Collection Days	103.90	89.57	83.71	71.07	60.48	(14.90)
	Inventory Turnover Ratio (times)	8.92	8.36	9.00	11.09	8.33	(24.89)
	Accounts Payable Turnover Ratio (times)	6.52	9.49	12.08	8.36	4.37	(47.73)
	Average Days for Sales	40.92	43.64	40.55	32.9	43.8	33.13
	Fixed Assets Turnover Ratio (times)	1.01	1.17	1.59	2.19	1.97	(10.05)
	Total Assets Turnover Ratio (times)	0.16	0.18	0.23	0.31	0.27	(12.90)
Profitability	Rate of Return on Assets (%)	0.12	5.48	4.24	8.59	4.29	(50.06)
	Rate of Return on Equity (%)	0.03	6.30	4.80	9.66	4.79	(50.41)
	Pre-tax Net Income to Paid-in Capital Ratio (%)	0.03	6.39	5.38	11.89	6.3	(47.01)
	Net Profit Margin (%)	0.15	29.94	17.88	27.74	15.83	(42.93)
	Earnings Per Share (NT\$)	0.00	0.64	0.51	1.06	0.52	(50.94)
Cash flow	Cash Flow Ratio (%)	7.08	28.04	15.53	179.46	88.46	(50.71)
	Cash Flow Adequacy Ratio (%)	119.37	62.78	61.37	142.59	130.08	(8.77)
	Cash Flow Reinvestment Ratio (%)	1.51	5.76	(2.07)	15.99	(1.09)	(106.82)
Degree of Leverage	Degree of Operating Leverage	2.13	4.53	3.26	1.48	0.99	(33.11)
	Degree of Financial Leverage	1.08	1.22	1.09	1.01	1.01	0.00

Explanation for the changes in financial ratios exceeding 20% in the past two years:

1. Accounts receivable in this period decreased compared with the previous period, resulting in a decrease in current assets compared with the previous period.
2. The average inventory for this period increased compared with the previous period.
3. The cost of goods sold in the previous period increased compared with the current period, resulting in an increase in average accounts payable compared with the current period, and a decrease in days compared with the current period.
4. The decrease in operating profit compared to the previous period resulted in a decrease in the current period's ratio change.
5. The decrease in pre-tax net profit compared to the previous period resulted in a decrease in the current period's ratio change.
6. The decrease in net cash inflows from operating activities compared to the previous period resulted in a decrease in the ratio change.

7. The decrease in operating profit compared to the previous period resulted in a decrease in operating leverage.

Note 1: The above information has been audited and certified by the accountant. The data for the first quarter of 2024 is reviewed by the accountant.

Note 2: The formulas for calculating important financial ratios are as follows:

1. Financial Structure

- (1) Debt to asset ratio = Total liabilities / Total assets.
- (2) Long-Term Capital to Property, Plant, And Equipment Ratio = (Total Equity + Non-Circulating Liability) / Net Amount of Property, Plant and Equipment.

2. Debt Servicing Capacity

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
- (3) Interest Coverage Ratio = Net Profit Before Income Tax and Interest Expense / Current Interest Expenditure

3. Operating Efficiency

- (1) Accounts Receivable Turnover Ratio (including both accounts receivable and notes receivable) = Net Sales / Average Accounts Receivable.
- (2) Average collection period = 365 / Turnover ratio of accounts receivable.
- (3) Inventory turnover ratio = Cost of goods sold / Average inventory.
- (4) Accounts Payable Turnover Ratio (including both accounts payable and notes payable) = Cost of Goods Sold / Average Accounts Payable.
- (5) Average sales period = 365 / Inventory turnover ratio.
- (6) Turnover ratio of property, plant and equipment = Net sales / Average net property, plant and equipment.
- (7) Total asset turnover ratio = Net sales / Average total assets.

4. Profitability

- (1) Return on assets = (Net income after tax + Interest expense  $\times$  (1 - Tax rate)) / Average total assets.
- (2) Return on Equity = Post-Tax Profit or Loss / Average Total Equity.
- (3) Profit Margin = Post-Tax Profit or Loss / Net Sales.
- (4) Earnings Per Share = (Gain or Loss Attributable to Owners of the Parent Company – Preference Dividend) / Weighted Average Number of Issued Shares. (Note 4)

5. Cash Flow

- (1) Cash Ratio = Operating Cash Flow / Current Liabilities.
- (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the past five years / (Capital Expenditures + Increase in Inventory + Cash Dividends) for the past five years.
- (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant, and Equipment + Long-term Investments + Other Non-current Assets + Operating Working Capital).

6. Degree of Leverage :

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

(2) Degree of Financial Leverage =  $\text{Operating Profit} / (\text{Operating Profit} - \text{Interest Expense})$ .

Note 3: When calculating Earnings per Share (EPS), the following considerations should be noted:

1. Use the weighted average number of ordinary shares outstanding rather than the year-end issued shares.
2. Traders with cash additions or treasury stocks shall calculate a weighted average shares, taking into account their period of circulation.
3. For any increase in share capital resulting from retained earnings or capital surplus, when calculating earnings per share for previous fiscal years and interim periods, the adjustment should be made retrospectively based on the proportion of the increase in share capital. The period of issuance of such increase in share capital should not be considered.
4. In the case of cumulative preferred shares that are non-convertible, the dividends for the current year (whether paid or not) should be deducted from or added to the post-tax net income. For non-cumulative preferred shares, in the presence of post-tax net income, the dividends should be deducted from it. If there is a net loss, no adjustment is necessary.

Note 4: When analyzing cash flows, the following considerations should be noted:

1. Net cash flow from operating activities refers to the net cash inflow in the cash flow statement from operating activities.
2. Capital expenditures refer to the cash outflow for capital investments each year.
3. The increase in inventory should only be included when the ending balance is greater than the beginning balance. If the inventory decreases at the year-end, it should be considered as zero.
4. Cash dividends include dividends for both common shares and preferred shares.
5. Gross property, plant, and equipment refers to the total amount of property, plant, and equipment before accumulated depreciation.

Note 5: The various operating costs and expenses should be classified into fixed and variable categories based on their nature.

When involving estimates or subjective judgments, it is important to ensure their reasonableness and consistency.

Note 6: In the case of company stocks without par value or with a per-share par value other than NTD 10, the calculation of the ratio based on the paid-in capital will be revised to calculate the ratio based on the equity attributable to the owners of the parent company as shown in the balance sheet.

**3. Audit committee review report for the most recent annual financial report.**

**Rectron Ltd.  
Audit Committee Review Report**

The Board of Directors has submitted the Company's 2023 operating report, financial statements and consolidated financial statements, and earnings distribution proposal. The financial statements and consolidated financial statements have been audited and issued an audit report by An-Ho & Associates, Certified Public Accountants, appointed by the Board of Directors.

The aforementioned operating report, financial statements and consolidated financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and found to be in compliance. Therefore, in accordance with Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act, this report is hereby prepared.

Please review and inspect.

Sincerely,

Rectron Ltd  
2024 Annual Shareholders' Meeting

Rectron Ltd.

chairperson of the Audit Committee: Maa, Kwo-Juh

March 15, 2024

#### **4. Latest annual financial statements.**

### **Independent Auditors' Report**

To the Board of Directors of RECTRON LTD. Company :

#### **Opinion**

We have audited the consolidated financial statements of RECTRON LTD (“the Company”), which comprise the statement of balance sheets as of December 31, 2022 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers..

#### **Basis of Audit Opinion**

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards. Our CPA's responsibility under these standards will be further explained in the paragraph of responsibility of the accountant for examining the financial statements. The personnel of our accounting firm, who are subject to independence regulations, have maintained independence in accordance with the Code of Ethics for Professional Accountants and fulfilled other responsibilities prescribed by the regulations. They have maintained a professional and objective stance in relation to Rectron LTD. and its subsidiaries. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

#### **Key audit matters**

The key audit matters refer to those matters that, in the auditor's professional judgment, are of most significance in the audit of the financial statements of Rectron Ltd. for the year ended 2023. Such items have been taken into consideration in the process of auditing the overall financial reports and forming audit opinions. The accountant does not express opinions on such items separately. Our CPA determined to address the following key auditing matters in the accountant's report:

##### **1. Revenue Recognition**

Please refer to Note 4 (m) of the financial statements for details on the accounting policy for revenue recognition. Additionally, refer to Note 6 (o) of the financial statements for a breakdown of revenue by customer contracts.

##### **Key Audit Matters**

Rectron LTD. primarily derives its revenue from the manufacturing and sale of various rectifiers and other semiconductor components. The risk lies in the accuracy of revenue recognition. The company's viability and ongoing operations depend on a consistent inflow of cash generated from revenue. Therefore, the company's business strategy and operational management start with revenue. Consequently, testing revenue recognition is one of the key assessment areas for auditors in conducting the financial statement audit of Rectron LTD.

##### **Auditing procedures performed:**

The main audit procedures performed by the auditor for the above-mentioned key audit matters include testing the controls and effectiveness of the sales and cash collection cycle, as well as sampling the accuracy of recognizing sales revenue around the balance sheet date, which involves verifying warehouse

dispatch records and comparing contractual terms. The auditor also evaluates whether control over the goods has been transferred at the appropriate recognition point.

## 2. Inventory valuation

Regarding inventory valuation, please refer to Note 4 (g) "Inventory" for the accounting policy. For the accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 (b). Further explanation on the assessment of inventory valuation can be found in Note 6 (d) "Inventory" of the financial statements.

### Key Audit Matters

The valuation of inventory for Rectron Ltd. is subject to the risk of cost exceeding its net realizable value due to fluctuations in international raw material prices and market supply and demand conditions, which may result in significant fluctuations in product selling prices and sales volumes. Therefore, the testing of inventory valuation is considered as one of the important assessment matters in the auditor's examination of Rectron Ltd.'s financial statements.

### Auditing procedures performed:

The main audit procedures performed by the auditor for the above-mentioned key audit matters include reviewing the inventory aging report, analyzing the changes in inventory aging over different periods, assessing the reasonableness of Rectron Ltd.'s accounting policies and their implementation, conducting trend analysis on the treatment of obsolete inventory, understanding the basis and methods of inventory valuation, and comparing relevant variances to identify any significant abnormalities.

## Other Matters

We did not audit the financial statements of certain investees, which represented investments in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the reports of other auditors. The investments in those investees accounted for using the equity method constituting 7% and 8% of total assets at December 31, 2023 and 2022, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting (6)% and 34% of total profit before tax for the years then ended respectively.

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

The management is responsible for the preparation of the appropriate financial statements, which are in accordance with the Financial Reporting Standards for Issuers of Securities and approved and issued by the Financial Supervisory Commission, as well as the applicable International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretive Bulletins. They are also responsible for maintaining necessary internal controls related to the preparation of the financial statements to ensure that they are free from material misstatement caused by fraud or error.

In preparing the financial statements, the management's responsibility also includes assessing the ability of the Rectron Ltd. to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless there are intentions to liquidate the Rectron Ltd. or cease its operations, or unless there are no other practical alternative courses of action other than liquidation or cessation.

The governance body of Rectron Ltd., including the Audit Committee, has the responsibility to oversee the financial reporting process.

## Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

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

audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained 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 Rectron LTD. 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 Rectron LTD. ability to continue as a going concern. If we determine that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on Rectron Ltd. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shih-Chin Chih and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2024

#### **Notes to Readers**

The accompanying Parent Company Only Financial Statements are intended only to present the financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such Parent Company Only Financial Statements are those generally accepted and applied in the Republic of China.

The independent Auditors' Report and the accompanying Parent Company Only Financial Statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent Auditors' Report and Parent Company Only Financial Statements, the Chinese version shall prevail.

**(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)**

## Rectron LTD.

## Balance Sheets

**December 31,2023 and 2022  
(Expressed in Thousands of New Taiwan Dollar)**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)

**Rectron LTD.**

**Statement of Comprehensive Income**

**For the Years Ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Common Share)**

	<b>For the three months ended March 31</b>			
	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
4000 <b>Operating revenue(notes 6(o)and 7)</b>	\$ 548,781	100	634,715	100
5000 <b>Operating costs (notes 6(d) 、 6(k)and 7)</b>	<u>412,849</u>	<u>75</u>	<u>493,295</u>	<u>78</u>
<b>Gross profit from operations</b>	<u>135,932</u>	<u>25</u>	<u>141,420</u>	<u>22</u>
5910 Loss: Unrealized profit (loss) from sales	(901)	-	(58)	-
5920 Add: Realized profit (loss) on from sales	<u>(58)</u>	<u>-</u>	<u>(54)</u>	<u>-</u>
	<u>136,775</u>	<u>25</u>	<u>141,424</u>	<u>22</u>
<b>Operating expenses (notes6(k) 、 6(p)and 7):</b>				
6100 Selling expenses	13,203	2	10,871	2
6200 Administrative expenses	147,400	9	41,407	7
6300 Research and development expenses	1,001	-	1,229	-
6450 Impairment loss determined in accordance with IFRS 9	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>61,631</u>	<u>11</u>	<u>53,507</u>	<u>9</u>
<b>Net operating income</b>	<u>75,144</u>	<u>14</u>	<u>87,917</u>	<u>13</u>
<b>Non-operating income and expenses(notes 6(q)and 7):</b>				
7010 Other income	4,791	1	2,851	-
7020 Other gains and losses	4,434	1	28,289	4
7050 Finance costs	(576)	-	(1,115)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	<u>20,963</u>	<u>4</u>	<u>79,836</u>	<u>13</u>
<b>Total non-operating income and expenses</b>	<u>29,612</u>	<u>6</u>	<u>109,861</u>	<u>17</u>
<b>Profit before tax</b>	<u>104,756</u>	<u>20</u>	<u>197,778</u>	<u>30</u>
Total tax expense (note 6(l))	<u>17,887</u>	<u>3</u>	<u>21,678</u>	<u>3</u>
<b>Profit</b>	<u>86,869</u>	<u>17</u>	<u>176,100</u>	<u>27</u>
<b>8300 Other comprehensive income (loss):</b>				
<b>8310 Components of other comprehensive income that will not be reclassified to profit or loss:</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(201)	-	144	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	<u>(454)</u>	<u>-</u>	<u>440</u>	<u>-</u>
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(655)</u>	<u>-</u>	<u>584</u>	<u>-</u>
<b>8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss:</b>				
8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,336	-	(11,485)	(2)
8380 Share of other comprehensive income of subsidiaries for using equity method, components of other comprehensive income that will be reclassified to profit or loss	<u>(27,951)</u>	<u>(5)</u>	<u>(14,105)</u>	<u>(2)</u>
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(26,615)</u>	<u>(5)</u>	<u>(25,590)</u>	<u>(4)</u>
<b>8300 Other comprehensive income, net</b>	<u>(27,270)</u>	<u>(5)</u>	<u>(25,006)</u>	<u>(4)</u>
<b>Comprehensive income</b>	<u><b>\$ 59,599</b></u>	<u><b>12</b></u>	<u><b>151,094</b></u>	<u><b>23</b></u>
<b>Earnings per common share (expressed in dollars) (note 6(n))</b>				
<b>9750 Basic earnings per share</b>	\$ <u><b>0.52</b></u>			<u><b>1.06</b></u>
<b>9810 Diluted earnings per share</b>	\$ <u><b>0.52</b></u>			<u><b>1.06</b></u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)

**Rectron LTD.**

**Statement of Changes in Equity**

**For the Years Ended December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollar)

	Attributable to owners of parent						Other equity		Total		Total equity		
	Retained earnings												
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Total	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income							
<b>Balance at January 1, 2022</b>	\$ 1,663,029	9	25,812	58,466	85,554	(41,048)	6,124	(34,924)	1,797,946				
Net income	-	-	-	-	176,100	-	-	-	176,100				
Other comprehensive income	-	-	-	-	144	(14,105)	(11,045)	(25,150)	(25,006)				
Total comprehensive income	-	-	-	-	176,244	(14,105)	(11,045)	(25,150)	151,094				
Appropriation and distribution of retained earnings:													
Legal reserve appropriated			8,552		(8,552)								
Reversal of special reserve				(23,542)	23,542								
Cash dividends of ordinary share	-	-	-	-	(100,000)	-	-	-	(100,000)				
<b>Balance at December 31, 2022</b>	\$ 1,663,029	9	34,364	34,924	176,788	(55,153)	(4,921)	(60,074)	1,849,040				
Net income	-	-	-	-	86,869	-	-	-	86,869				
Other comprehensive income	-	-	-	-	(201)	(27,951)	882	(27,069)	(27,270)				
Total comprehensive income	-	-	-	-	86,668	(27,951)	882	(27,069)	59,599				
Appropriation and distribution of retained earnings:													
Legal reserve appropriated			17,624		(17,624)								
Special reserve appropriated				25,150	(25,150)								
Cash dividends of ordinary share	-	-	-	-	(133,042)	-	-	-	(133,042)				
<b>Balance at December 31, 2023</b>	\$ 1,663,029	9	51,988	60,074	87,640	(83,104)	(4,039)	(87,143)	1,775,597				

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)

**Rectron LTD.**

**Statement of Cash Flows**

**For the Years Ended December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 104,756	197,778
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	18,237	19,584
Amortization expenses	2,542	2,586
Expected credit losses (gains)	27	-
Interest expenses	576	1,115
Interest income	(3,391)	(1,462)
Dividend income	(303)	(291)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(20,963)	(79,836)
Unrealized profit (loss) from sales	(901)	(58)
Realized loss (profit) on from sales	58	54
Foreign exchange loss (gain) on financial assets	2,233	(2,462)
Loss (gain) on disposal of property, plant and equipment	-	(3,998)
Gain or loss on disposal of fixed assets	-	15,339
Gain on disposal of unrealized gains on assets	(1,673)	-
Property, plant and equipment transferred to expenses	75	-
Total adjustments to reconcile profit	<u>(3,483)</u>	<u>(49,429)</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Trade receivables	53,679	(12,167)
Accounts receivable due from related parties	9,698	14,087
Other receivables	1,005	(281)
Other receivables due from related parties	(40)	78,730
Inventories	(17,491)	7,328
Prepayments	236	302
Other current assets	(142)	1,192
Total changes in operating assets	<u>46,945</u>	<u>89,191</u>
Changes in operating liabilities:		
Current contract liabilities	(682)	682
Trade payables	(19,041)	14,550
Accounts payable to related parties	27,853	47,622
Other payables	1,633	(3,088)
Other payables to related parties	87	(37)
Other current liabilities	32	166
Net defined benefit liability	(1,501)	(1,930)
Total changes in operating liabilities	<u>8,381</u>	<u>57,965</u>
Total changes in operating assets and liabilities	<u>55,326</u>	<u>147,156</u>
Total adjustments	<u>51,843</u>	<u>97,727</u>
<b>Cash inflow generated from operations</b>	156,599	295,505
Interest received	1,611	169
Interest paid	(576)	(1,161)
Income taxes paid	(31,383)	(4,717)
<b>Net cash flows from operating activities</b>	<u>126,251</u>	<u>289,796</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,176)	(3,260)
Acquisition of investments accounted for using equity method	-	(80,000)
Acquisition of property, plant and equipment	(4,711)	(10,623)
Proceeds from disposal of property, plant and equipment	9,270	
Refund of advance payments for construction projects	4,888	-
Increase (Decrease) in other receivables due from related parties	28,304	
Decrease in other non-current assets	420	-
Dividends received	3,303	291
<b>Net cash flows used in investing activities</b>	<u>724</u>	<u>(56,027)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	50,000	65,000
Decrease in short-term borrowings	(65,000)	(152,000)
Increase in guarantee deposits received	767	263
Payments of lease liabilities	(280)	(587)
Cash dividends paid	(133,042)	(100,000)
Repayment of lease principal	(147,555)	(187,324)
<b>Net cash flows used in financing activities</b>	<u>(20,580)</u>	<u>46,445</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>88,578</u>	<u>42,133</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>\$ 67,998</u>	<u>88,578</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 67,998</u>	<u>88,578</u>

**(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)**

**Rectron Ltd.**

**Notes to the Financial Statements**

**December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Share Information and Unless Otherwise Specified)**

**1. Company history**

Rectron Ltd. (the “Company”) was established and approved by the Ministry of Economic Affairs on January 23, 1976. The registered address is No. 71, Zhongshan Road, Tucheng District, New Taipei City. The Company was originally named "Rectron Precision Electronics Industry Co., Ltd." and changed its name to "Rectron Ltd." on June 29, 2000, as resolved by the shareholders' meeting and approved by the Ministry of Economic Affairs.

The Company and its subsidiaries (together referred to as the “Group”) main business operations include the manufacture and sale of various rectifiers, other semiconductor components, rental and sale of real estate, trading of wines, and manufacture and sale of medical equipment.

**2. Approval date and procedures of the Parent Company Only Financial Statements**

The accompanying non-consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2024.

**3. New standards and interpretations not yet adopted**

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the (following) new amendments, which do not have a significant impact on its Parent Company Only Financial Statements, from January 1, 2023 :

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the (following) new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the (following) other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on the Company Financial Statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or

Joint Venture”

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS21“Lack of Exchangeability”

#### **4. Summary of significant accounting policies**

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

**(a) Statement of compliance**

The non-consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**(b) Basis of consolidation**

**i. Basis of measurement**

The non-consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit liability is recognized as the present value of the defined benefit obligation less the fair value of plan assets.

**ii. Functional and presentation currency**

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The non-consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

**(a) Foreign currency**

**1. Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

**2. Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(1) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on recognition is recognized in profit or loss.

(ii) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On recognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(iii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 365 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(iv) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(2) Financial liabilities

(i) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries not causing losing controls, are recognized as equity transaction.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(1) Buildings 5~55 years

(2) Machinery 5~10 years

(3) Office equipment 3~10 years

Depreciation methods, useful lives and residual values are reviewed at and adjusted if appropriate.

(iv) Reclassification of self-used properties to investment properties

The Company used the book value of its self-used properties to reclassify them into investment properties.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of Office equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue Recognition

(i) Revenue from customer contracts

Revenue is measured by the consideration expected to be received in exchange for the transfer of goods or services. The company recognizes revenue when control over the goods or services is transferred to the customer, thereby satisfying performance obligations. The company provides the following explanations based on its primary revenue streams:

(1) Sale of Goods - Electronic Rectifier Diodes and Semiconductor Passive Components

The company manufactures electronic components and sells them to electronic equipment manufacturers. Revenue is recognized when control over the products is transferred. Control over the product is deemed to have been transferred when the product has been delivered to the customer, the customer has the full ability to decide on the sales channel and price of the product, and there are no unfulfilled obligations affecting the customer's acceptance of the product. Delivery occurs when the products are shipped to a specific location, and the Company risks of obsolescence, deterioration, and loss have been transferred to customers. Customers have accepted the products in accordance with the sales contract, the acceptance clauses have expired, or the merging company has objective evidence that all acceptance criteria have been met.

The Company shall recognize accounts receivable at the time of delivery of commodities, since the Company has the right to receive consideration unconditionally at that time.

(2) Rental income

Rental income from investment properties and income from leasing real estate are recognized as lease income in the operating revenue item.

(3) Financial Components

The company expects that the time between the transfer of goods or services to customers and the customer's payment for those goods or services does not exceed one year. Therefore, the company does not adjust the transaction price for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (1) the same taxable entity; or
  - (2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares,

(q) Operating segments

Please refer to the consolidated financial report of Rectron Ltd. for the years ended December 31, 2023 and 2022 for operating segments information.

## 5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The following assumptions and estimates involve significant uncertainties that could result in material adjustments to

the carrying amounts of assets and liabilities in the next financial year and have been impacted by the COVID-19 pandemic. Details of these assumptions and estimates are provided below:

(a) Allowance for doubtful accounts for accounts receivable.

The allowance for doubtful accounts is estimated based on assumptions regarding default risk and expected loss rates. The company considers historical experience, current market conditions, and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used in calculating impairment. For detailed explanation of the related assumptions and input values, please refer to Note 6(d).

(b) Inventory evaluation

Due to the requirement to measure inventory at cost or net realizable value, whichever is lower, the Company assesses the amount of inventory cost to be written down to net realizable value due to normal wear and tear, obsolescence, or lack of market sales value as of the evaluation report date. The inventory valuation is primarily based on estimates of product demand during a specific future period, and may be subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for details on the inventory valuation estimate.

The company's accounting policies and disclosures include the use of fair value measurement for its financial and non-financial assets and liabilities. The company has established internal control systems for fair value measurement. This includes establishing an assessment team responsible for reviewing all significant fair value measurements (including level 3 fair value) and reporting directly to the Chief Financial Officer. The assessment team periodically reviews significant unobservable inputs and adjustments. If third-party information (such as brokers or pricing service organizations) is used as inputs to measure fair value, the assessment team will evaluate the evidence supporting the input values provided by the third party to ensure that the valuation and its fair value classification comply with International Financial Reporting Standards. Investment properties are periodically valued by the company based on the evaluation methods and parameter assumptions specified by the Financial Supervisory Commission, or by external appraisers commissioned by the company.

The company strives to use market observable inputs as much as possible when measuring its assets and liabilities. The fair value level is classified based on the input values used by the valuation technique, as follows:

- (1) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (2) Level 2: Inputs for the asset or liability that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable, excluding those included in Level 1.
- (3) Level 3: Inputs for the asset or liability that are unobservable (i.e., non-market observable inputs).

In the event of transfers between different levels of fair value hierarchy, the company recognizes the transfer on the reporting date.

Please refer to the following notes for information related to the assumptions used in measuring fair value:

1. Note 6(h): Investment properties.
2. Note 6(r): Financial instruments.

## 6. Explanation of significant accounts

### (a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand and petty cash	\$ 41	41
Cash in banks	40,322	70,111
Time deposits	27,635	18,426
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>\$ 67,998</b>	<b>88,578</b>

Please refer to Note 6(r) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities.

### (b) Financial assets

#### Non-current financial assets at fair value through other comprehensive income

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Debt investments at fair value through other comprehensive income</b>		
Corporate bonds— Apple	\$ 25,735	25,444
Corporate bonds – AT&T	9,144	8,631
Corporate bonds—Pfizer	4,121	4,154
Corporate bonds—SocGen	3,090	-
<b>Equity investments at fair value through other comprehensive income</b>		
Shares of stock of unlisted companies	<u>15,546</u>	<u>16,000</u>
<b>Total</b>	<b>\$ 57,636</b>	<b>54,229</b>

#### 1. Debt investments at fair value through other comprehensive income

The Company investments in bonds measured at fair value through other comprehensive income in the financial statements as of December 31, 2023 and 2022. The effective interest rates range from 2.00% to 4.90%, and the maturity dates range from 2024 to 2045. The Company holds bond investments through the business model of collecting contractual cash flows and selling financial assets, and therefore reports them as financial assets measured at fair value through other comprehensive income.

#### 2. Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long term for strategic purposes.

3. For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(r).
4. As of December 31, 2023 and 2022 the Company's financial assets were not pledged as collateral.

(c) Trade receivables and notes receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade receivables	\$ 54,602	108,281
Less: Loss allowance	<u>(27)</u>	<u>-</u>
	<u>\$ 54,575</u>	<u>108,281</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 39,362	0.05%	19
Within 180 days past due.	<u>15,240</u>	<u>0.05%</u>	<u>8</u>
	<u><u>\$ 54,602</u></u>		<u><u>27</u></u>

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 88,623	0%~0.30%	-
Within 180 days past due.	<u>19,658</u>	<u>0.3%~3.58%</u>	<u>-</u>
	<u><u>\$ 108,281</u></u>		<u><u>-</u></u>

The movements in the allowance for trade receivables and notes receivable were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$-	-
Impairment losses recognized	27	-
Balance at December 31	<b>\$27</b>	<b>-</b>

As of December 31, 2023 and 2022 the Company's the afore mentioned trade receivables and notes receivable were not pledged as collateral.

For credit risk please refer to note 6(r).

(d) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials and consumables	2,568	1,091
Work in progress	2,461	3,051
Finished goods	52,246	33,966
Goods and materials in transit	1,664	3,340
Subtotal	<b>58,939</b>	<b>41,448</b>
Less: Allowance for inventory market decline and obsolescence	(642)	(642)
	<b>58,297</b>	<b>40,806</b>

As of December 31, 2023 and December 31, 2022, the details of the cost of sales were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Inventory that has been sold	\$ 405,857	492,233
Write-down of inventories (Reversal of write-downs)	-	(6,452)
Selling used items and income from scrap	(1,121)	(294)
	<b>\$404,736</b>	<b>485,487</b>

As of December 31, 2023 and 2022 the Company's the afore mentioned trade receivables and notes receivable were not pledged as collateral.

(e) Investments accounted for using equity method

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary	<b>\$ 561,628</b>	<b>569,100</b>

1. Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2023.

Zhejiang Rectron, a subsidiary, is actively participating in the organic renovation and industrial transformation and upgrading of the Zhejiang Economic and Technological Development Industrial Park to which it belongs. On September 22, 2023, Zhejiang Rectron signed a relocation compensation agreement with Zhejiang Economic Development Asset Operation Management Co., Ltd. The total compensation amount is approximately 691,875 thousand (RMB 161,653 thousand). It was agreed that Zhejiang Rectron should complete equipment relocation and vacate the factory by June 30, 2024. As of October 2023, Zhejiang Rectron has received partial compensation of approximately 356,849 thousand (RMB 80,827 thousand).

## 2. Pledge to secure

As of December 31, 2023 and 2022, the deals of the investments accounted for using equity method were not pledged as collateral.

### (f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the Years Ended December 31, 2023 and 2022 were as follows:

	As of					
	Land	Buildings and structures	Machinery and equipment	Office equipment	Construction in progress	Total
<b>Cost:</b>						
Balance at January 1, 2023	\$ 181,394	94,503	191,977	37,741	12,015	517,630
Additions	-	-	-	334	4,377	4,711
Reclassification	-	-	-	-	(4,963)	(4,963)
Balance at December 31, 2023	<u>\$ 181,394</u>	<u>94,503</u>	<u>191,977</u>	<u>38,075</u>	<u>11,429</u>	<u>517,378</u>
Balance at January 1, 2022	\$ 181,394	94,503	203,607	37,765	6,247	523,516
Additions	-	-	1,466	-	8,798	10,264
Reclassification	-	-	3,030	-	(3,030)	-
Reduction	-	-	(16,126)	(24)	-	(16,150)
Balance at December 31, 2022	<u>\$ 181,394</u>	<u>94,503</u>	<u>191,977</u>	<u>37,741</u>	<u>12,015</u>	<u>517,630</u>
<b>Accumulated depreciation:</b>						
Balance at January 1, 2023	\$ -	40,417	160,860	31,248	-	232,525
Depreciation	-	3,182	6,760	2,549	-	12,491
Balance as of December 31, 2023	<u>\$ -</u>	<u>43,599</u>	<u>167,620</u>	<u>33,797</u>	<u>-</u>	<u>245,016</u>
Balance as of January 1, 2022	\$ -	37,061	163,395	28,603	-	229,059
Depreciation	-	3,356	7,569	2,669	-	13,594
Reduction	-	-	(10,104)	(24)	-	(10,128)
Balance at December 31, 2022	<u>\$ -</u>	<u>40,417</u>	<u>160,860</u>	<u>31,248</u>	<u>-</u>	<u>232,525</u>
<b>Carrying value:</b>						
Balance at December 31, 2023	<u>\$ 181,394</u>	<u>50,904</u>	<u>24,357</u>	<u>4,278</u>	<u>11,429</u>	<u>272,362</u>
Balance at January 1, 2022	<u>\$ 181,394</u>	<u>57,442</u>	<u>40,212</u>	<u>9,162</u>	<u>6,247</u>	<u>294,457</u>
Balance at December 31, 2022	<u>\$ 181,394</u>	<u>54,086</u>	<u>31,117</u>	<u>6,493</u>	<u>12,015</u>	<u>285,105</u>

December 31, 2023 and 2022, the Property, plant and equipment of the Company had been pledged as collateral for long-term borrowings; please refer to note 8.

### (g) Right-of-use assets

The Company leases many assets including land and buildings, vehicles, and other equipment. Information about leases for which the Company is a lessee is presented below:

	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Total</b>
<b>Cost:</b>			
Balance at January 1, 2023	\$ 1,442	-	1,442
Additions	-	343	343
Reduction	(1,442)	-	(1,442)
Balance at December 31, 2023	<b>\$ -</b>	<b>343</b>	<b>343</b>
Balance at January 1, 2022	\$ 4,505	280	4,785
Reduction	(3,063)	(280)	(3,343)
Balance at December 31, 2022	<b>\$ 1,442</b>	<b>-</b>	<b>1,442</b>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2023	\$ 1,202	-	1,202
Depreciation for the year	240	68	308
Reduction	(1,442)	-	(1,442)
Balance at December 31, 2023	<b>\$ -</b>	<b>68</b>	<b>68</b>
Balance at January 1, 2022	\$ 3,784	210	3,994
Depreciation for the year	481	70	551
Reduction	(3,063)	(280)	(3,343)
Balance at December 31, 2022	<b>\$ 1,202</b>	<b>-</b>	<b>1,202</b>
<b>Carrying amount:</b>			
Balance at December 31, 2023	<b>\$ -</b>	<b>275</b>	<b>275</b>
Balance at December 31, 2022	<b>\$ 240</b>	<b>-</b>	<b>240</b>
Balance at January 1, 2022	<b>\$ 721</b>	<b>70</b>	<b>791</b>

(h) Investment property

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>			
Balance at January 1, 2023	\$ 663,510	289,958	953,468
Balance at December 31, 2023	<b>\$ 663,510</b>	<b>289,958</b>	<b>953,468</b>
Balance at January 1, 2022	\$ 663,510	289,958	953,468

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
Balance at December 31, 2022	<b>\$ 663,510</b>	<b>289,958</b>	<b>953,468</b>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2023	\$ -	43,056	43,056
Depreciation for the year	- -	5,438	5,438
Balance at December 31, 2023	<b>\$ -</b>	<b>48,494</b>	<b>48,494</b>
Balance at January 1, 2022	\$ -	37,617	37,617
Depreciation for the year	- -	5,439	5,439
Balance at December 31, 2022	<b>\$- -</b>	<b>43,056</b>	<b>43,056</b>
<b>Carrying amount:</b>			
Balance at December 31, 2023	<b><u>\$ 663,510</u></b>	<b><u>241,464</u></b>	<b><u>904,974</u></b>
Balance at January 1, 2022	<b><u>\$ 663,510</u></b>	<b><u>252,341</u></b>	<b><u>915,851</u></b>
Balance at December 31, 2022	<b><u>\$ 663,510</u></b>	<b><u>246,902</u></b>	<b><u>910,412</u></b>
<b>Fair value:</b>			
Balance at December 31, 2023			<b><u>\$ 1,821,380</u></b>
Balance at December 31, 2022			<b><u>\$ 1,783,220</u></b>
Balance at January 1, 2022			<b><u>\$ 1,727,543</u></b>

1. Investment properties are self-owned assets held by the Companies. The lease term for investment properties ranges from 1 to 6 years, and it is non-cancellable.
2. Due to the restriction in the law at that time, private entities were not allowed to acquire agricultural land. Therefore, the Companies appointed Mr. Lin Wen-Teng, one of the directors, to register the real estate investment under his personal name. To ensure the preservation of the Companies' assets, the property has been pledged back to the Companies.
3. The fair value of investment properties is based on evaluations conducted by independent appraisers who possess recognized professional qualifications and recent relevant experience in evaluating properties of similar location and type. These evaluations are based on market value. In the absence of active market prices, the appraisal considers the aggregate of estimated cash flows expected to be generated by renting out the property, and applies a discount rate that reflects the specific risks inherent in those net cash flows to determine the property's value.
4. As of December 31, 2023 and 2022 the Property, plant and equipment of the Company had been pledged as collateral for long-term borrowings; please refer to note 8.

(i) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured bank loans	\$ 15,000	30,000
Unused short-term credit lines	\$ 385,000	370,000
Range of interest rates	1.89%~2.20%	1.29%~1.79%

For the collateral for short-term borrowings, please refer to note 8.

(j) Operating Lease

Lease as Lessor

The Company leases its investment properties under operating leases. Please refer to Note 6(h) for details. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 22,540	20,466
One to five years	19,498	38,182
	<u>\$ 42,038</u>	<u>58,648</u>

(k) Provisions

1. Defined benefit plans

The reconciliation of fair value of the defined benefit plans and plan assets is as follows:

	<b>For the Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 7,419	9,523
Fair value of plan assets	(5,210)	(6,014)
Net defined benefit liabilities	<u>\$ 2,209</u>	<u>3,509</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for its employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Company's contributions to the pension funds were deposited with Bank of Taiwan amounting to \$5,210 thousand as of the reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Defined benefit obligations on January 1	\$ 9,523	11,642
Current service costs and interest	124	163
Remeasurements of the net defined benefit liability (asset)		
- Actuarial losses from changes in financial assumption	299	314
Benefits paid by the plan	(2,457)	(2,596)
Defined benefit obligation on December 31	<u>\$ 7,419</u>	<u>9,523</u>

3) Movements on the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets on January 1	\$ 6,014	6,059
Interest revenue	78	43
Remeasurements of the net defined benefit liability(asset)		
- Return on plan assets (not including current interest cost)	28	458
Contributed amount	124	151
Benefits paid by the plan	(1,034)	(697)
Fair value of plan asset on December 31	<u>\$ 5,210</u>	<u>6,014</u>

4) Expenses recognized in profit and loss

The Company pension expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current service costs	\$ -	81
Net interests on net defined benefit liability (asset)	46	39
	<u>\$ 46</u>	<u>120</u>
Operating costs	\$ 13	42
Operating expenses	2	12
General and administrative expenses	31	66
	<u>\$ 46</u>	<u>120</u>

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cumulative amount on January 1	\$ (1,232)	(1,376)
Recognized during the year	201	144
Cumulative amount on December 31	<u>\$ (1,031)</u>	<u>(1,232)</u>

6) Actuarial assumptions

The key actuarial assumptions at the reporting date were as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.20%	1.30%
Future salary increase rate	1.25%	1.25%

Based on the actuarial report, the Company is expected to make a contribution payment of \$144 thousand to the defined benefit plans for the one year period after the reporting date of 2023.

The weighted-average duration of the defined benefit plans is between 9 years.

#### 7) Sensitivity analysis

As of December 31, 2023 and 2022, the changes in the principal actuarial assumptions that will have an impact on the present value of the defined benefit obligation were as follows:

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31,2023		
Discount rate	\$ (127)	131
Future salary increase rate	115	(113)
December 31,2024		
Discount rate	(154)	159
Future salary increase rate	142	(139)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as that of the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

#### 2. Defined contribute on plans

The Company's employee benefits retirement expenses respectively.

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating cost	\$ 514	513
Selling expenses	196	157
Administration expenses	619	626
Research and development expenses	43	56
<b>Total</b>	<b>\$ 1,372</b>	<b>1,352</b>

#### (I) Income tax

1. The components of income tax For the Years Ended December 31, 2023 and 2022 were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current period incurred	15,962	21,892
Undistributed earnings additional tax	21	-
Prior years income tax adjustment	1,904	(214)
<b>Current tax expenses</b>	<b>\$ 17,887</b>	<b>21,678</b>

2. The income tax on pre-tax financial income was reconciled with the income tax expense for the years ended December 31, 2023 and 2022 as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit excluding income tax	\$104,756	197,778
Income tax using the Company's domestic tax rate	20,951	39,555
Gains from equity method	(4,193)	(15,967)
Undistributed earnings	21	
Changes in unrecognized temporary differences	(635)	(1,438)
(Overestimation)underestimate on from prior period	1,904	(214)
Others	(161)	(258)
<b>Total</b>	<b><u>\$ 17,887</u></b>	<b><u>21,678</u></b>

3. Deferred tax assets

1) Unrecognized deferred tax assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible Temporary Differences	<u>\$ 24,521</u>	<u>25,156</u>

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

**Deferred Tax Liabilities:**

	<b>Provision for Land Value Tax</b>
Balance at January 1, 2023	\$ 62,679
Balance at December 31, 2023	<u>\$ 62,679</u>
Balance at January 1, 2022	\$ 62,679
Balance at December 31, 2022	<u>\$ 62,679</u>

4. Company's income tax return for the year 2021ad been examined by the tax authorities.

(m) Capital and other equity

1. Ordinary shares

As of December 31, 2023 and 2022 the authorized capital of the Company consisted of 400,000 thousand shares, respectively, at a par value of \$10 per share, amounting to \$4,000,000 thousand, respectively, and its outstanding capital were consisted of 166,303 thousand shares. All share proceeds from outstanding capital have been collected.

2. Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Treasury share transactions	<u>\$ 9</u>	<u>9</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting

from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of the par value should not exceed 10% of the total common stock outstanding.

### 3. Retained earnings

If the Company has surplus in the annual final accounts, it shall pay taxes and donations in accordance with the law, offset cumulative losses, and then appropriate 10% as statutory surplus reserve. However, when the statutory surplus reserve has reached the Company's paid-in capital, no further appropriation is required. The remaining surplus shall be appropriated or reversed as required by laws and regulations, or transferred to the special surplus reserve. If there is still surplus, together with undistributed surplus at the beginning of the period, it will be classified as distributable surplus. The Board of Directors shall propose a surplus distribution plan for approval by the shareholders' meeting, and distribute dividends to the shareholders.

Taking into account financial, operational, and business factors, the Company may distribute dividends to shareholders, which shall not be less than 10% of the distributable surplus for the current fiscal year. However, if the accumulated distributable surplus is less than 3% of the paid-in capital, no distribution shall be made. Dividends may be distributed in the form of cash dividends or stock dividends. Cash dividends shall be given priority in the distribution of earnings, but stock dividends may also be distributed. The proportion of cash dividends shall not be less than 10% of the total dividend amount.

For the distribution of dividends to shareholders in the form of cash, the Board of Directors is authorized to carry out such distribution with the approval of two-thirds or more of the attending directors and a majority of the attending directors, and to report it to the shareholders' meeting.

#### 1) Legal reserve

When a company incurs profit, the shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash of up to 25% of the actual share capital.

#### 2) Special reserve

The Company chose to apply the exemption under IFRS 1 at its initial adoption of IFRSs. Any unrealized revaluation surplus, accumulated translation adjustment, and increasing amount incurred from adopting the fair value as cost for the assets classified as investment property at the transition date. According to the Financial Supervisory Commission's Order No. 1010012865 issued on April 6, 2012, an equal amount shall be appropriated to the special surplus reserve. When using, disposing of, or reclassifying related assets, a proportionate reversal of the originally appropriated special surplus reserve may be distributed as earnings.

According to the regulations of the Financial Supervisory Commission, when the Company distributes distributable earnings, the difference between the net amount of reductions in other shareholders' equity items recorded in the current year and the balance of the special surplus reserve mentioned above shall be considered. When distributing earnings for the fiscal year 2022, the Company will allocate the current year's income and the undistributed earnings from previous periods to the special surplus reserve. When distributing earnings for the fiscal year 2023, the Company will allocate the current year's after-tax net profit, along with items other than the current year's after-tax net profit, to the undistributed earnings and the special surplus reserve from previous periods. The Company is not allowed to distribute the amounts related to reductions in other shareholders' equity from previous periods, except for the allocation to the special surplus reserve. In the event of reversals in the amounts of reductions in other shareholders' equity in the future, earnings may be distributed based on

the reversed portion. As of December 31, 2023 and 2022, the balance of the special surplus reserve is \$60,074 thousand and \$34,924 thousand respectively.

### 3) Earnings distribution

The amounts of cash dividends and share dividends for the 2022 and 2021 earnings distribution had been approved, the board meeting held on March 24, 2023 and March 30, 2022; while the earnings distribution for 2022 and 2021 had been approved during the shareholders' meeting on June 26, 2023 and June 23, 2022 as follows:

	2022		2021	
	Amount	Total	Amount	Total
	per share	amount	per share	amount
Cash dividends distributed to ordinary shareholders	\$ 0.80	133,042	0.60	100,000

The Company's Board of Directors resolved on March 15, 2024, to distribute cash dividends for the fiscal year 2023. Details regarding the distribution can be found on the Taiwan Stock Exchange's website. The dividend amounts for the shareholders are as follows:

	2023	
	Amount per share	Total amount
	share	amount
Cash dividends distributed to ordinary shareholders	\$ 0.31	51,554

### 4) OCI accumulated in reserves

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (55,153)	(4,921)	(60,074)
Exchange differences on foreign operations	(27,951)		(27,951)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	882	882
Balance at December 31, 2023	\$ (83,104)	(4,039)	(87,143)
Balance at January 1, 2022	\$ (41,048)	6,124	(34,924)
Exchange differences on foreign operations	(14,105)		(14,105)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(11,045)	(11,045)
Balance at December 31, 2022	\$ (55,153)	(4,921)	(60,074)

(n) Earnings per share

For the Years Ended December 31, 2023 and 2022, the Company's earnings per share were calculated as follows:

1. Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company

	For the year ended December 31	
	2023	2022
Profit/(loss) of the Company for the year	\$ 86,869	176,100

(ii) Weighted-average number of ordinary shares

	For the year ended December 31	
	2023	2022
Weighted-average number of ordinary shares(thousand shares)	166,303	166,303
Earnings per share	<u>\$ 0.52</u>	<u>1.06</u>

2. Diluted earnings per share

The diluted earnings per share of the Company for the fiscal year 2023 and 2022 are calculated based on the net income attributable to the equity holders of the Company and the adjusted weighted average number of ordinary shares outstanding, considering the dilutive effects of all potential ordinary shares. The calculations are as follows:

(i) Profit attributable to ordinary shareholders of the Company

	For the year ended December 31	
	2023	2022
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	<u>\$86,869</u>	<u>176,100</u>

(ii) Weighted-average number of ordinary shares

	For the year ended December 31	
	2023	2022
Weighted-average number of ordinary shares(thousand shares) (basic)	166,303	166,303
Effect of employee share bonus	<u>85</u>	<u>164</u>
Weighted-average number of ordinary shares (thousand shares)(diluted)	<u>166,388</u>	<u>166,467</u>
Earnings per share	<u>\$ 0.52</u>	<u>1.06</u>

(o) Revenue from contracts with customers

1. Disaggregation of revenue

<b>For the Years Ended December 31, 2023</b>			
	<b>Property</b>		
	<b>Electronics</b>		<b>Management</b>
	<b>Division</b>	<b>Division</b>	<b>Total</b>
<b>Primary geographical markets</b>			
Asia	\$ 492,045	20,926	512,971
America	25,614	-	25,614
Europe	10,196	-	10,196
	<b>\$ 527,855</b>	<b>20,926</b>	<b>548,781</b>
<b>Major products/services lines</b>			
Electronic Components Sales	\$ 527,855	-	527,855
Rental Income	-	20,926	20,926
	<b>\$ 527,855</b>	<b>20,926</b>	<b>548,781</b>

<b>For the Years Ended December 31, 2022</b>			
	<b>Property</b>		
	<b>Electronics</b>		<b>Management</b>
	<b>Division</b>	<b>Division</b>	<b>Total</b>
<b>Primary geographical markets</b>			
Asia	\$ 541,113	16,332	557,445
America	64,082	-	64,082
Europe	13,188	-	13,188
	<b>\$ 618,383</b>	<b>16,332</b>	<b>634,715</b>
<b>Major products/services lines</b>			
Electronic Components Sales	\$ 618,383	-	618,383
Rental Income	-	16,332	16,332
	<b>\$ 618,383</b>	<b>16,332</b>	<b>634,715</b>

2. Contract balances

	<u>December 31,</u>	<u>2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Trade receivables and notes				
receivable	\$59,262	122,639	124,559	124,559
Less: allowance for				
impairment	(27)	-	-	-
	<u>\$59,235</u>	<u>122,639</u>	<u>124,559</u>	<u>124,559</u>
Contract liabilities			682	-

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(p) Remunerations to employees, directors and supervisors

The Company's Articles of Incorporation require that earnings shall first be offset against any deficit, then, a minimum of 1% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the Years Ended December 31, 2023 and 2022, remuneration of employees of \$1,100 thousand and \$2,012 thousand, respectively, and remuneration of directors of \$1,500 thousand and \$1,500 thousand, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's articles of incorporation. Such amounts were recognized as operating expenses For the Years Ended December 31, 2023 and 2022, Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and will be charged to profit or loss. The number of shares to be distributed was calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting.

In the fiscal year 2022, there was a difference of \$488 thousand and \$500 thousand between the amount of remuneration approved by the Board of Directors for employees, directors, and supervisors and the estimated amount accrued for the fiscal year 2022. This difference primarily arises from accounting estimates made by the Company and has been recognized in the income statement for the fiscal year 2023. The amount of employee compensation approved by the Board of Directors for the fiscal year 2023 is consistent with the accrual amount in the individual financial statements for the fiscal year 2023. However, there is a difference of \$600 thousand between the amount approved by the Board of Directors for director and supervisor remuneration and the accrual amount in the individual financial statements for the fiscal year 2023. This difference is primarily due to accounting estimates made by the company and has been recognized in the profit or loss for the fiscal year 2024. Relevant information can be found on the Taiwan Stock Exchange's website.

(q) Non-operating income and expenses

1. Other income

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 3,391	1,462
Dividend income	303	291
Rental Income	1,097	1,098
	<b><u>\$ 4,791</u></b>	<b><u>2,851</u></b>

2. Other gains and losses

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains (losses)	\$ 2,738	17,514
Unrealized Gain on Disposal of Assets –	-	(15,339)
Subsidiaries		
Realized Gain on Disposal of Assets - Subsidiaries	1,673	-
Income from Manpower Support	1,695	4,542
Expenditure on Manpower Support	(1,695)	(4,542)
Profit on Disposal of Real Estate, Plant, and	-	3,998
Equipment		
Other	23	22,116
	<b><u>\$ 4,434</u></b>	<b><u>28,289</u></b>

3. Finance costs

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense	<b><u>\$ (576)</u></b>	<b><u>(1,115)</u></b>

(r) Financial instruments

1. Credit risk

(i) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(ii) Concentration of credit risk

The Company has a broad customer base and does not engage in significant transactions with any single customer. Additionally, its sales are geographically diversified. Therefore, there is no significant concentration of credit risk.

(iii) Receivables and debt securities

For credit risk exposure of trade receivables and notes receivable, please refer to note 6(c).

Other financial assets at amortized cost include other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. The fixed deposits held by the Company are transacted with and settled by financial institutions that have investment-grade ratings or above. Therefore, they are considered to have low risk.

The loss allowances were determined as follows:

	<b>Other receivables</b>
Balance at January 1, 2023	\$ 36,992
Balance at December 31, 2023	<u>36,992</u>
Balance at January 1, 2022	\$ 36,992
Balance at March 31, 2022	<u>36,992</u>

## 2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2023</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 15,000	15,143	5,095	10,048	-	-	-
Non-interest bearing liabilities	119,776	119,776	119,776	-	-	-	-
Lease liabilities (include non-current)	277	288	36	36	144	72	-
	<b>\$ 135,053</b>	<b>135,207</b>	<b>124,907</b>	<b>10,084</b>	<b>144</b>	<b>72</b>	
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 30,000	30,020	30,020	-	-	-	-
Non-interest bearing liabilities	109,244	109,244	109,244	-	-	-	-
Lease liabilities (include non-current)	214	252	252	-	-	-	-
	<b>\$ 193,458</b>	<b>139,516</b>	<b>139,516</b>				

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Currency risk

(i) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<b>Financial assets</b>						
<b><u>Monetary items</u></b>						
USD	\$ 3,893	30.705	119,535	5,847	30.710	179,561
<b><u>Non-monetary items</u></b>						
USD	1,371	30.705	42,090	1,245	30.710	38,229
<b>Financial liabilities</b>						
<b><u>Monetary items</u></b>						
USD	3,114	30.705	95,615	1,161	30.710	35,654

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income, and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the NTD against the USD, and HKD as at 2023 and 2022 would have increased (decreased) the net profit after tax by \$96 thousand and \$576 thousand, and the equity by \$168 thousand and \$153 thousand. The analysis is performed on the same basis.

(iii) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the Years Ended December 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$2,738 thousand and \$17,514 thousand, respectively.

4. Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's net income would have increased / decreased by \$60 thousand and \$120 thousand For the Years Ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

5. Other market price risk

For the Years Ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	For the Years Ended December 31,			
	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
0.5% increase	\$ 78	—	\$ 80	—
0.5% decrease	\$ (78)	—	\$ (80)	—

6. Fair value of financial instruments

(i) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2023			
	Book Value	Level 1	Level 2	Level 3
<b>Financial assets at fair value through other comprehensive income</b>				
Foreign corporate bonds	42,090	-	42,090	-
Stocks in unlisted companies	15,546	-	15,546	-
Subtotal	<u>57,636</u>	-	<u>57,636</u>	-
<b>Financial assets measured at amortized cost</b>				
Cash and cash equivalents	67,998	-	-	-
Trade receivables and notes receivable (including related parties)	59,235	-	-	-
Other receivables	1,308	-	-	-
Guarantee deposits paid (Recognition of other non-current assets)	187			
Subtotal	<u>128,728</u>			
Total	<u><u>\$ 186,364</u></u>	-	<u><u>57,636</u></u>	<u><u>57,636</u></u>
<b>Financial liabilities measured at amortized cost</b>				
Bank loans	\$15,000	-	-	-
Trade payables	98,870	-	-	-
Other payables	20,906	-	-	-
Lease liabilities (including non-current)	277	-	-	-
Total	<u><u>\$ 135,053</u></u>			

	December 31, 2022				
	Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through other comprehensive income</b>					
Foreign corporate bonds	38,229	-	38,229	-	38,229
Stocks in unlisted companies	<u>16,000</u>		<u>16,000</u>		<u>16,000</u>
Subtotal	<u>54,229</u>		<u>54,229</u>		<u>54,229</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	88,578	-	-	-	-
Trade receivables and notes receivable (including related parties)	122,639	-	-	-	-
Other receivables	2,075	-	-	-	-
Guarantee deposits paid (Recognition of other non-current assets)	661	-	-	-	-
Subtotal	<u>213,953</u>		-	-	-
Total	<u><b>\$ 268,182</b></u>	<u>-</u>	<u><b>54,229</b></u>		<u><b>54,229</b></u>
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	\$30,000	-	-	-	-
Trade payables	90,058	-	-	-	-
Other payables	19,186	-	-	-	-
Lease liabilities (including non-current)	214	-	-	-	-
Total	<u><b>\$ 139,458</b></u>				

(ii) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

(iii) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 For the Years Ended December 31, 2023 and 2022.

(s) Financial risk management

1. Overview

The Company has exposure to the following risks from its financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Structure of risk management

The company's Financial Management Department provides services to various business units, coordinating access to domestic and international financial markets. It supervises and manages the financial risks related to the company's operations by analyzing internal risk reports according to the level and breadth of risk. Internal auditors continuously review compliance with policies and exposure limits. The company does not engage in trading financial instruments (including derivative financial instruments) for speculative purposes.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investments in debt securities.

(i) Accounts receivable and other receivables

The company's policy is to transact only with reputable counterparties and, where necessary, to obtain collateral to mitigate the risk of financial loss due to defaults. The company transacts only with entities rated equivalent to investment grade. This information is provided by independent rating agencies. In cases where such information is not available, the company uses other publicly available financial information and transaction records to assess the creditworthiness of major customers. The company continuously monitors credit exposures and the credit ratings of counterparties. It diversifies total transaction amounts among counterparties with qualifying credit ratings and controls credit exposures through annual review and approval of counterparties' credit limits.

As the company has a broad customer base, does not significantly concentrate transactions with any single customer, and operates in diversified sales regions, the credit risk associated with accounts receivable is not significantly concentrated. To further mitigate credit risk, the company regularly assesses the financial condition of its customers but typically does not require collateral.

(ii) Investment

The credit risk exposure for the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Company do not have compliance issues and no significant credit risk.

(iii) Guarantee

The company's policy dictates that financial guarantees can only be provided to wholly-

owned subsidiaries. As of December 31, 2023, and December 31, 2022, the company has not provided any endorsements or guarantees.

#### 4. Liquidity risk

The company manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of fluctuations in cash flows. Management oversees the utilization of bank financing facilities and ensures compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the company. As of December 31, 2023, and December 31, 2022, the unused portion of the short-term bank borrowing facilities amounted to \$385,000 thousand and \$370,000 thousand, respectively.

#### 5. Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### (i) Currency risk

The company is exposed to exchange rate risk arising from sales and purchases denominated in currencies other than the functional currency of each respective group entity. The primary currencies involved in these transactions are TWD and USD.

##### (ii) Interest rate risk

The company is exposed to cash flow risk due to its borrowings at floating interest rates. To manage this interest rate risk, the company maintains an appropriate portfolio of floating-rate instruments.

#### (t) Capital management

The company's capital management objective is to safeguard its ability to continue operations, thereby ensuring the provision of returns to shareholders and other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital.

To maintain or adjust its capital structure, the company may adjust dividend payments to shareholders, reduce capital and return it to shareholders, issue new shares, or sell assets to repay liabilities.

Similar to its peers, the company manages its capital based on the debt-to-capital ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as total liabilities reported in the balance sheet minus cash and cash equivalents. Total capital includes all components of equity (i.e., share capital, capital surplus, retained earnings, and other equity) plus net debt.

The company's capital management policy in 2023 remained consistent with that of 2022, maintaining a debt-to-capital ratio between 8% and 7%, ensuring the ability to finance at reasonable costs. The debt-to-capital ratios as of December 31, 2023, and December 31, 2022, are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 212,575	231,659
Less: cash and cash equivalents	(67,998)	(88,578)
Net debt	144,577	143,081
Total equity	1,775,597	1,849,040
Adjusted equity	<b>\$ 1,920,174</b>	<b>1,992,121</b>
Debt-to-equity ratio	<b>8%</b>	<b>7%</b>

As of December 31, 2023, the company's capital management approach remained unchanged from the previous year.

## 7. Related-party transactions

### (a) Names and relationship with the Company

The following are related parties that had transactions with the Company during the periods covered

Name of related party	Relationship with the Company
Rectron (China) Limited (Rectron China)	A subsidiary of the Company
Zhejiang Rectron Electronic Co.,LTD. (Zhejiang Rectron)	A subsidiary of the Company
RECTRON ELECTRONIC ENTERPRISES,INC (REEI)	A subsidiary of the Company
CHU-TING ENTERPRISE CO., LTD. (Chu-Ting)	A subsidiary of the Company
PU HWUA ENTERPRISE CO., LTD.(Pu Hwua)	Other related parties
JuyangXingye Industrial Co., Ltd. ( JuyangXingye)	Other related parties
Juiye Enterprise Co., Ltd.(Juiye Enterprise) LIN, WEN-TENG in the non-consolidated financial statements.	T Other related parties Director of this company

### (b) Significant transactions with related parties

#### 1. Sales

The amounts of significant sales by the Company to related parties were as follows:

	<u>For the Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries:		
Rectron China	\$ -	245
REEI	24,118	64,024
Zhejiang Rectron	2,819	29,912
	<u><b>\$26,937</b></u>	<u><b>94,181</b></u>

(i) The company sells goods to related parties at cost plus an agreed-upon profit margin. The credit terms for related parties are determined based on the product type and the location of the related entities, with an average credit period of approximately 30 to 120 days. For regular customers, the credit period is approximately 30 to 75 days. Actual transactions may require adjustments based on factors such as order quantity, product quality, and market conditions.

(ii) The unrealized losses on unsold inventory with subsidiaries for the fiscal years 2023 and 2022 amounted to \$901 thousand and \$58 thousand, respectively. These losses are recognized under investments accounted for using the equity method.

2. Purchase

The amounts of significant purchase by the Company to related parties were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>

Subsidiaries:

Rectron China	\$ 281,071	337,793
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The company's purchases from related parties are primarily based on the cost of finished goods plus an agreed-upon profit margin, and the payment terms for these purchases range from 90 to 120 days. For regular customers, the payment terms are approximately 30 to 90 days. Actual payment terms may be adjusted considering the overall fund allocation within the group.

3. Receivables from related parties

(i) The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables	Subsidiaries- REEI	\$ 4,658	14,358
Trade receivables	Subsidiaries- Zhejiang Rectron	2	-
		<b>\$4,660</b>	<b>14,358</b>

The company's credit policy for related parties is based on mutually agreed upon payment terms.

(ii) Other Receivables from related parties

The other receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other receivables	Subsidiaries- Chu-Ting	\$ 82	208
Other receivables	Subsidiaries- Rectron China	166	-
		<b>\$ 248</b>	<b>208</b>

4. Payables to related parties

(i) The payables to related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts payable	Subsidiaries-Rectron China	\$ 77,716	49,863

(ii) Other payable

Account	Relationship	December 31, 2023	December 31, 2022
Other payable	Subsidiaries-Rectron China	\$ 101	81
Other payable	Subsidiaries- Chu-Ting	29	19
Other payable	Subsidiaries- Pu Hwua	108	51
		\$ 238	151

(iii) Disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties are summarized as follows:

	2023		2022	
	Disposal price	Gain (loss) on disposal	Disposal price	Gain (loss) on disposal
Subsidiaries-Zhejiang Rectron	\$ -	-	9,646	4,233

The unrealized gains on transactions of real estate, buildings, and equipment with subsidiaries for the fiscal years 2023 and 2022 amounted to \$3,417 thousand and \$3,835 thousand, respectively. An amount of \$418 thousand of these gains was realized in the current period and is recognized under investments accounted for using the equity method.

(iv) Disposed Restricted Assets

The disposals Restricted Assets to related parties are summarized as follows:

	2023		2022	
	Disposal price	Other revenue	Disposal price	Other revenue
Subsidiaries-Zhejiang Rectron	\$ -	-	23,051	23,051

The unrealized gains on transactions of restricted assets with subsidiaries for the fiscal years 2023 and 2022 amounted to \$10,249 thousand and \$11,504 thousand, respectively. An amount of \$1,255 thousand of these gains was realized in the current period and is recognized under investments accounted for using the equity method.

5. Leases

- (i) The company leased factory buildings to its subsidiaries, reporting rental income from external leasing activities of \$1,097 thousand for the fiscal year 2023 and \$1,098 thousand for the fiscal year 2022.
- (ii) The company leased investment properties to other related parties, reporting operating lease income of \$1,719 thousand for the fiscal year 2023 and \$225 thousand for the fiscal year 2022. The related security deposits for the above were \$405 thousand and \$16 thousand, respectively.

6. Others

- (i) Please refer to Note 6(h) for details on the company's registration of real estate in the names of other related parties.
- (ii) The company's subsidiary, Chu-Ting entered into outsourcing manufacturing and service contracts with the company to provide manpower assistance to manufacture and promote medical products. The revenue generated from these contracts for the fiscal years 2023 and 2022 amounted to \$1,695 thousand and \$4,542 thousand, respectively (recognized under other income and expenses).

(iii) Operating expenses for subsidiaries for the fiscal years 2023 and 2022 amounted to NT\$696 thousand and \$353 thousand, respectively. Operating expenses for other related parties for the fiscal years 2023 and 2022 amounted to \$2,608 thousand and \$740 thousand, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 2,353	3,062
Post-employment benefits	95	124
	<b>\$ 2,448</b>	<b>3,186</b>

**8. Assets pledged as security**

The carrying amounts of **assets pledged as security** were as follows:

<b>Assets pledged as security</b>	<b>Liabilities secured by pledge</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Property, plant and equipment	Long-term borrowings	\$232,298	235,480
Investment property	Long-term borrowings	50,605	51,703
		<b>\$282,903</b>	<b>287,183</b>

**9. Significant Commitments and Contingencies**

(a) Unrecognized contractual commitments

As of December 31, 2023, December 31, 2022, and March 31, 2022, the detailed amounts of the contract prices for equipment and construction projects entered into by the Company with suppliers are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Signed-contract	\$ 9,900	21,257
Paid-price	\$ 6,974	9,821

**10. Losses due to major disasters: none**

**11. Subsequent events: none**

**12. Others**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

<b>By item</b>	<b>For the Years Ended December 31,</b>					
	<b>2023</b>			<b>2022</b>		
	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits						
Salary	12,262	23,219	35,481	15,092	16,551	31,643
Labor and health insurance	1,366	1,815	3,181	1,439	1,629	3,068
Pension	527	891	1,418	555	917	1,472
Remuneration of directors		3,305	3,305		2,944	2,944
Others	1,231	1,215	2,446	897	1,038	1,935
Depreciation	14,964	3,273	18,237	15,855	3,729	19,584
Amortization	174	2,368	2,542	214	2,372	2,586

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	2023	2022
Numbers of employees	55	56
Numbers of directors (non-employee)	7	4
Average employee benefit expenses	886	733
Average employee salary expenses	739	609
Percentages of average employee salary expense	21.35%	(11.87)%
Remuneration of supervisors	-	58

The Company's salary and remuneration policy information (including directors, managers and employees) is as follows:

(b) Independent Directors:

- (i) Independent directors' remuneration shall be paid at least every six months regardless of the company's operating profit or loss, based on their level of participation and the value of their contributions to the company.
- (ii) Independent directors do not participate in the distribution of directors' remuneration or other bonus allocations.

(c) Other Directors:

- (i) Remuneration for other directors is determined based on their level of participation and the value of their contributions to the company, taking into account industry standards.
- (ii) Directors' remuneration is allocated according to the rates stipulated in the company's articles of association.
- (iii) Car and miscellaneous expenses are provided as needed for actual business execution.

(d) Executives:

- (i) Monthly fixed salaries are determined based on the salary standards for each position.
- (ii) Performance bonuses are distributed based on performance evaluation results.
- (iii) Year-end bonuses are distributed based on employee performance evaluation results.
- (iv) Employee compensation is allocated according to the rates stipulated in the company's articles of association.
- (v) Relevant allowances and subsidies are provided based on job duties and standards.

(e) Other Employees:

Employee salaries are determined according to the principles of salary grading for each position. Employee compensation is generally divided into regular and irregular income.

Regular income includes basic salary, managerial allowances, position allowances, meal subsidies, and other subsidies.

### 13. Other disclosure items

#### (a) Information on significant transaction:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company For the Years Ended December 31, 2023:

##### 1. Lending to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	
													Item	Value			
0	The Company	CHU-TING	Other receivables	Yes	100,000	-	-	-	2 (note 3)	-	Operation Requirements	-	-	-	-	177,560	710,239
1	Rectron China	CHU-TING	Other receivables	Yes	53,442	13,817	13,817	-	2 (note 3)	-	Operation Requirements	-	-	-	-	155,260	194,075

Note 1: For business transactions with counterparties, the business transaction amount is determined based on the cumulative sales (or purchases) amount between the two parties over the preceding twelve months.

Note2: According tour policy, the calculation for the maximum total amount of loans granted are as follows:

(1) The Company

Individual counterparty funding limit = Shareholders' equity x 10% = \$1,775,597 thousand x 10% = \$177,560 thousand.

The maximum funding limit for an individual counterparty = Shareholders' equity x 40% = \$1,775,597 thousand x 40% = \$710,239 thousand.

(2) Rectron Electronics (China)

Individual counterparty funding limit = Shareholders' equity x 40% = \$388,149 thousand x 40% = \$155,260 thousand.

The maximum funding limit for an individual counterparty = Shareholders' equity x 50% = \$388,149 thousand x 50% = \$194,075 thousand.

Note 3: (1) Business transaction with counterparts exists.

(2) Short-term funding is necessary.

##### 2. Guarantees and endorsements for other parties: None.

##### 3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(Amounts in Thousands of New Taiwan Dollar)

Company holding securities	Security type and name	Relationship with the Company	Account	December 31, 2023				Remark
				Shares	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Stock - Sunny Bank	-	Non-current financial assets at fair value through other comprehensive income	1,515,198	15,546	0.05%	15,546	
The Company	Corporate bonds - Apple	-	Non-current financial assets at fair value through other comprehensive income	-	25,735	-%	25,735	
The Company	Corporate bonds - AT&T	-	Non-current financial assets at fair value through other comprehensive income	-	9,144	-%	9,144	
The Company	Corporate bonds - Pfizer	-	Non-current financial assets at fair value through other comprehensive income	-	4,121	- %	4,121	
The Company	Corporate bonds - SocGen	-	Non-current financial assets at fair value through other comprehensive income	-	3,090	- %	3,090	
CHU-TING	Fund - Yuanta High Dividend 0056	-	Current financial assets at fair value through profit or loss	21,000	785	-%	785	
CHU-TING	Stock - OXY	-	Current financial assets at fair value through profit or loss	8,000	14,670	-%	14,670	
CHU-TING	Stock - TSMC	-	Current financial assets at fair value through profit or loss	6,000	3,558	- %	3,558	
CHU-TING	Stock - RTX	-	Current financial assets at fair value through profit or loss	6,000	15,504	- %	15,504	

##### 4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.

5. Information regarding acquisition of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually received	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Zhejiang Rectron	Land, Buildings, and Structures	2023.9.22	90.08	177,168 (Note 1)	691,875 (Note 2)	356,849 (Note 3)	(Note 4)	Jiashan Economic Development Assets Management Co., Ltd.	None	To align with organic renewal and industry transformation and upgrading	Appraisal Report	(Note 5)

Note 1:RMB40,925 thousand

Note 2:RMB161,653 thousand

Note 3:RMB80,827 thousand

Note 4: Profit and loss shall be confirmed after all relocation procedures are completed.

Note 5: According to the agreed terms, after signing the relocation compensation agreement with Zhejiang Rectron, 50% of the total compensation will be received. Additionally, within 20 days after the completion of equipment relocation and factory vacating by June 30, 2024, 30% of the total compensation will be received. The remaining 20% of the total compensation will be received within 20 days after the cancellation of land and property certificates.

7. Information regarding related-party purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollar)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transaction		Trade receivables (payables) and notes receivable (payable)		Remark
			Item	Amount	Percentage of the purchases (sales) (%)	Payment term	Unit price	Payment terms	Ending balance	Percentage of total receivables (payables)	
The Company	Rectron China	Parent-subsidiary relationship	Purchase	281,071	67%	Normal	Normal	90-120 Days	(77,716)	(79)%	
Rectron China	The Company	Parent-subsidiary relationship	Sales	(281,071)	(100)%	Normal	Normal	90-120 Days	77,716	100%	
Rectron China	Zhejiang Rectron	Investee companies that are also evaluated using the equity method by the Company	Purchase	245,492	100%	Normal	Normal	120 Days	(15,647)	(100)%	
Zhejiang Rectron	Rectron China	Investee companies that are also evaluated using the equity method by the Company	Sales	(245,492)	(82)%	Normal	Normal	120 Days	15,647	71%	

8. Information regarding receivables from related parties exceeding 100 million or 20% of the Company's paid-in capital: None.

9. Information regarding trading in derivative financial instruments: None.

(b) Information on investments:

The followings are the information on investees For the Years Ended December 31, 2023:

(Amounts in Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2023			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				December 31, 2023	December 31, 2022	Shares	Percentage	Carrying value			
The Company	REEI	USA	Sales of rectifiers, etc. Electronic components	142,264	142,264	205,000	100.00%	16,604	(5,818)	(5,818)	
The Company	Rectron China	Hong Kong	Sales of rectifiers, etc. Electronic components	607,273	607,273	20,000	100.00%	388,149	20,831	20,831	
The Company	CHU-TING	Taiwan	Wholesale of tobacco and alcohol products and manufacturing and sales of medical equipment.	109,987	109,987	14,500,000	100.00%	156,875	5,950	5,950	

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023
					Outflow	Inflow						
Zhejiang Rectron	Manufacturing and sales of rectifiers and other electronic components.	409,029 USD12,000	NOTE 1(3)	409,029 USD12,000	-	-	409,029 USD12,000	21,144	100.00%	21,144	267,052	-

(ii) Upper limit on investment in Mainland China:

(Amounts in Thousands of New Taiwan Dollar)

Accumulated investment in Mainland China as of December 31, 2023	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment
368,460 USD 12,000	490,359 USD 15,970	1,065,358

Note 1: Investment methods are categorized into the following three types, simply indicated by their types:

- (1) Direct investment in mainland China.
- (2) Investment in Mainland China through a third-party company in another region (please specify the investment company in that third region).
- (3) Others method.

Note 2: In the investment gains/losses recognized in this period column:

- (1) If it is under preparation and there are no investment gains/losses yet, it should be noted.
- (2) The basis for recognizing investment gains/losses is the financial statements audited and certified by the certified public accountant of the Taiwan parent company.

Note 3: According to the limits set forth in the "Principles for the Review of Investment or Technical Cooperation in Mainland China".

Note 4: According to the "Principles for Reviewing Investment or Technical Cooperation in Mainland China," there are limits to the amount of investment.

Equity net worth  $\times$  60% = \$1,775,597 thousand  $\times$  60% = \$1,065,358 thousand.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of Parent Company Only Financial Statements, are disclosed in "Information on significant transactions".

(d) Major shareholders

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Juiye Enterprise Co., Ltd.		42,788,288	25.72%
Bigwig Perfect International Co., Ltd.		38,141,792	22.93%

Note: The shareholder information in this table is provided by the Taiwan Depository & Clearing Corporation (TDCC) and is based on the calculation of the total number of common shares and preferred shares held by shareholders, excluding treasury shares, as of the last business day of each quarter. The data includes shareholders whose holdings account for more than 5% of the total shares outstanding. Please note that there may be differences between the reported share capital in the company's financial statements and the actual number of shares held by shareholders, due to different calculation methods or other factors.

#### 14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2023.

**Rectron Ltd.**  
**Statement of Changes in Investments Accounted for Using the Equity Method**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

Name of investee	Begining balance		Addition		Decrease		Decrease		Market value or net assets value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Unit price	Amount	
REEI	205,000	21,394		1,028 Note1		5,818 Note2	205,000	16,604	75.93	16,604	None
Rectron China	20,000	393,781		22,504 Note3		28,136 Note4	20,000	388,149	20,188.55	388,149	None
CHU-TING	13,000,000	153,925	1,500,000	5,950 Note5		3,000 Note6	14,500,000	156,875	10.82	156,875	None
合計	<u>569,100</u>	<u>29,482</u>		<u>36,954</u>			<u>561,628</u>			<u>561,628</u>	

Note1 Deferred credit recognized under the equity method, including intercompany profits of \$981 thousand and foreign currency translation adjustments of \$47 thousand.

Note2 Investment income of \$5,818 thousand recognized under the equity method.

Note3 Recognition of investment income totaling \$20,831 thousand dollars under the equity method, along with realized gains of \$1,673 thousand dollars from asset disposals.

Note4 Foreign currency translation adjustment of \$27,998 thousand and deferred credit from intercompany profits of \$138 thousand recognized under the equity method.

Note5 Recognition of stock dividends amounting to \$15,000 thousand dollars and investment income of \$5,950 thousand dollars under the equity method.

Note6 Recognition of cash dividends received amounting to 3,000 thousand dollars under the equity method.

**Rectron Ltd.**

**Statement of Changes in Property, Plant and Equipment**  
For the year ended December 31, 2023  
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note6(f) for more information.

**Statement of Changes in Investments accounted for using equity method**

Please refer to Note6(h) for more information.

**Statement of Operating Revenue**

Item	Quantity	Amount	Note
<b>Diode Division</b>			
Rectifier Division	967,934KPCS	\$536,452	
Less: Sales returns and allowances		(8,597)	
subtotal		<u>527,855</u>	
<b>Property Management Division</b>			
Rent revenue		20,926	
Total		<u>548,781</u>	

**Rectron Ltd.**

Statement of Operating Costs  
 For the year ended December 31, 2023  
 (Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Diode Division		
Raw material		
Rawmaterial,January1		\$ 1,884
Add: Purchase		28,144
Add: Work in process transferred in		2,049
Less: Transferred to expenses or others		(37)
Less: Ending materials inventory		(2,568)
Direct material consumption		29,472
Direct labor		8,206
Manufacturing overhead		31,298
Manufacturing cost		68,976
Add: Beginning work in process		3,051
Transferred to finished goods		503
Purchased work in process		2,553
Ending work in process		(2,462)
Less: Transferred to materials		(2,049)
Cost of finished goods		70,572
Add: Beginning finished goods		36,513
Purchased finished goods		352,950
Less: Ending finished goods and goods in transit		(53,909)
Transferred to work in process		(503)
Transferred to research and development department		
expenses or others		234
Cost of goods sold for finished goods		405,857
Cost of goods produced and sold		405,857
Revenue from sale of scraps and waste materials		(1,121)
Lease costs (Note)"		8,113
		\$ 412,849

Note: Lease costs include depreciation of \$6,521 thousand.

**Rectron Ltd.**

Statement of manufacturing overhead  
 For the year ended December 31, 2023  
 (Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expenses		2,651	
Utilities		\$2,508	
Depreciation		8,443	
Material costs		3,394	
Packaging expenses		2,696	
Outsourcing fees		6,194	
Other expenses		5,412	
Total		<u>31,298</u>	

Statement of Selling Expenses

Item	Selling Expenses	Administrative Expenses	Research and development expenses	Total
Salary and wages expenses	4,798	20,909	817	26,524
Freight	5,322	14		5,336
Entertainment expenses	32	4,147		4,179
Depreciation	16	3,257		3,273
Service fees		2,911		2,911
Other expenses	3,062	16,162	184	19,408
Total	<u>13,230</u>	<u>47,400</u>	<u>1,001</u>	<u>61,631</u>

**5. Consolidated financial statements of the parent and subsidiary companies for the most recent year, with the audit verification by the accountant.**

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Rectron 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Rectron LTD. Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Rectron LTD.  
Corporation Chairman: Lin I-Chin  
Date: March 15, 2024

## **Independent Auditors' Report**

To the Board of Directors of RECTRON LTD. Company :

### **Opinion**

We have audited the consolidated financial statements of RECTRON LTD (“the Group”), which comprise the statement of balance sheets as of December 31, 2022 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers..

### **Basis of Audit Opinion**

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards. Our CPA's responsibility under these standards will be further explained in the paragraph of responsibility of the accountant for examining the consolidated financial statements. The personnel of our accounting firm, who are subject to independence regulations, have maintained independence in accordance with the Code of Ethics for Professional Accountants and fulfilled other responsibilities prescribed by the regulations. They have maintained a professional and objective stance in relation to Rectron LTD. and its subsidiaries. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

### **Key audit matters**

The key audit matters refer to those matters that, in the auditor's professional judgment, are of most significance in the audit of the consolidated financial statements of Rectron Ltd. for the year ended 2023. Such items have been taken into consideration in the process of auditing the overall financial reports and forming audit opinions. The accountant does not express opinions on such items separately. Our CPA determined to address the following key auditing matters in the accountant's report:

#### **1. Revenue Recognition**

Please refer to Note 4 (m) of the consolidated financial statements for details on the accounting policy for revenue recognition. Additionally, refer to Note 6 (n) of the consolidated financial statements for a breakdown of revenue by customer contracts.

#### **Key Audit Matters**

Rectron LTD. primarily derives its revenue from the manufacturing and sale of various rectifiers and other semiconductor components. The risk lies in the accuracy of revenue recognition. The Group's viability and ongoing operations depend on a consistent inflow of cash generated from revenue. Therefore, the Group's business strategy and operational management start with revenue. Consequently, testing revenue recognition is one of the key assessment areas for auditors in conducting the financial statement audit of Rectron LTD.

#### **Auditing procedures performed:**

The main audit procedures performed by the auditor for the above-mentioned key audit matters include testing the controls and effectiveness of the sales and cash collection cycle, as well as sampling the accuracy of recognizing sales revenue around the balance sheet date, which involves verifying warehouse dispatch records and comparing contractual terms. The auditor also evaluates whether control over the goods has been transferred at the appropriate recognition point.

## 2. Inventory valuation

Regarding inventory valuation, please refer to Note 4 (h) "Inventory" for the accounting policy.

For the accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 (b). Further explanation on the assessment of inventory valuation can be found in Note 6 (d) "Inventory" of the consolidated financial statements.

### Key Audit Matters

The valuation of inventory for Rectron Ltd. is subject to the risk of cost exceeding its net realizable value due to fluctuations in international raw material prices and market supply and demand conditions, which may result in significant fluctuations in product selling prices and sales volumes. Therefore, the testing of inventory valuation is considered as one of the important assessment matters in the auditor's examination of Rectron Ltd.'s consolidated financial statements.

### Auditing procedures performed:

The main audit procedures performed by the auditor for the above-mentioned key audit matters include reviewing the inventory aging report, analyzing the changes in inventory aging over different periods, assessing the reasonableness of Rectron Ltd.'s accounting policies and their implementation, conducting trend analysis on the treatment of obsolete inventory, understanding the basis and methods of inventory valuation, and comparing relevant variances to identify any significant abnormalities.

## Other Matters

We did not audit the consolidated financial statements of certain investees, which represented investments in other entities accounted for using the equity method of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on those reports of other auditors. The investments in those investees accounted for using the equity method constituting 3% and 4% of total assets at December 31, 2023 and 2022, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 11% and 16% of total profit before tax for the years then ended respectively.

Rectron Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with other matters paragraph.

## **Responsibilities of Management and Those Charged with Governance for the consolidated financial statements**

The management is responsible for the preparation of the appropriate consolidated financial statements, which are in accordance with the Financial Reporting Standards for Issuers of Securities and approved and issued by the Financial Supervisory Commission, as well as the applicable International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretive Bulletins. They are also responsible for maintaining necessary internal controls related to the preparation of the consolidated financial statements to ensure that they are free from material misstatement caused by fraud or error.

In preparing the consolidated financial statements, the management's responsibility also includes assessing the ability of the Rectron Ltd. to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless there are intentions to liquidate the Rectron Ltd. or cease its operations, or unless there are no other practical alternative courses of action other than liquidation or cessation.

The governance body of Rectron Ltd., including the Audit Committee, has the responsibility to oversee the financial reporting process.

## **Auditor's Responsibilities for the Audit of the consolidated financial statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained 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 Rectron LTD. 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 Rectron LTD. ability to continue as a going concern. If we determine that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this consolidated 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Chin Chih and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2024

#### Notes to Readers

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

The independent Auditors' Report and the accompanying Parent Company Only Consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent Auditors' Report and Parent Company Only Consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated financial statements Originally Issued in Chinese.)

**Rectron LTD.**

**Consolidated Balance Sheets**

**December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollar)

	<b>December 31, 2023</b>		<b>December 31, 2022</b>			<b>December 31, 2023</b>		<b>December 31, 2022</b>						
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>					
<b>Assets</b>														
<b>Current assets:</b>														
1100 Cash and cash equivalents (note 6(a))	\$ 561,703	24	245,962	12	2100 Short-term borrowings (note 6(i))	\$ 15,000	1	30,000	1					
1110 Current financial assets at fair value through profit or loss (note 6(b))	34,517	1	25,657	1	2130 Current contract liabilities (note 6(o) and 7)	68	-	1,941	-					
1150 Trade notes receivable net (note 6(c) and (n))	417		2,083		2170 Trade payables	75,697	3	129,538	6					
1170 Trade receivables net (note 6(c), and (o))	90,374	4	156,377	7	2200 Other payables (Note 7)	32,533	1	36,063	2					
1200 Other receivables	1,622	-	3,178	-	2230 Current tax liabilities	6,915	-	25,821	1					
1220 Total current tax assets	307	-	1,679	-	2280 Current lease liabilities (Note 7)	4,419	-	3,018	-					
130X Inventories (note 6(d))	135,578	6	141,704	7	2300 Other current liabilities (Note 9)	351,322	15	1,266	-					
1410 Prepayments (Notes 7)	6,883	-	23,375	1		485,954	20	227,647	10					
1479 Other current assets	<u>3,261</u>	<u>-</u>	<u>2,166</u>	<u>-</u>										
	<u>834,662</u>	<u>35</u>	<u>602,181</u>	<u>28</u>	2580 Non-current lease liabilities (note 7 )	3,102	-	3,768	-					
<b>Non-current assets:</b>														
1517 Non-current financial assets at fair value through other comprehensive income (note 6(b))	57,636	2	54,229	3	2640 Net defined benefit liability, non-current (note 6(j))	2,209	-	3,509	-					
1600 Property, plant and equipment (note 6(f) 7,8 and 9)	458,587	20	497,837	23	2570 Deferred tax liabilities (note 6(k))	62,684	3	62,679	3					
1755 Right-of-use assets (note 6(g))	15,759	1	15,603	1	2600 Other non-current liabilities (note 7 )	<u>4,756</u>	<u>-</u>	<u>7,376</u>	<u>-</u>					
1760 Investment property (note 6(h), 7 and 8)	963,889	42	975,678	45		<u>72,751</u>	<u>3</u>	<u>77,332</u>	<u>3</u>					
1840 Deferred tax assets (note 6(k))	-	-	1,321	-		<u>558,705</u>	<u>23</u>	<u>304,979</u>	<u>13</u>					
1990 Other non-current assets	<u>3,769</u>	<u>-</u>	<u>7,170</u>	<u>-</u>	<b>Equity (notes 6(l)):</b>									
	1,499,640	65	1,551,838	72	3110 Ordinary shares	1,663,029	71	1,663,029	78					
<b>Total assets</b>	<b>\$ 2,334,302</b>	<b>100</b>	<b>2,154,019</b>	<b>100</b>	3200 Capital surplus	9	-	9	-					
					3310 Legal reserve	51,988	2	34,364	2					
					3320 Special reserve	60,074	3	34,924	2					
					3351 Retained earnings	87,640	4	176,788	8					
					3400 Other equity	(87,143)	(3)	(60,074)	(3)					
					<b>Total equity</b>	<b>1,775,597</b>	<b>77</b>	<b>1,849,040</b>	<b>87</b>					
					<b>Total liabilities and equity</b>	<b>\$ 2,334,302</b>	<b>100</b>	<b>2,154,019</b>	<b>100</b>					

(English Translation of Consolidated financial statements Originally Issued in Chinese.)

**Rectron LTD.**

**Consolidated Statement of Comprehensive Income**

**For the Years Ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Common Share)**

	<b>For the three months ended December 31</b>			
	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
4000 <b>Operating revenue(notes 6(n)and 7)</b>	\$ 716,545	100	877,633	100
5000 <b>Operating costs (notes 6(d)and6(j))</b>	<u>459,141</u>	<u>64</u>	<u>533,784</u>	<u>61</u>
<b>Gross profit from operations</b>	<u>257,404</u>	<u>36</u>	<u>343,849</u>	<u>39</u>
<b>Operating expenses (notes6(c) 、 6(j) 、 6(o)and 12):</b>				
6100 Selling expenses	46,591	6	42,625	5
6200 Administrative expenses	127,052	18	119,962	14
6300 Research and development expenses	<u>12,463</u>	<u>2</u>	<u>10,522</u>	<u>1</u>
<b>Total operating expenses</b>	<u>186,106</u>	<u>26</u>	<u>173,109</u>	<u>20</u>
<b>Net operating income</b>	<u>71,298</u>	<u>10</u>	<u>170,740</u>	<u>19</u>
<b>Non-operating income and expenses(notes 6(p)and 7):</b>				
7010 Other income	5,539	1	2,208	-
7020 Other gains and losses	30,212	4	32,834	4
7050 Finance costs	<u>(594)</u>	<u>-</u>	<u>(1,137)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>35,157</u>	<u>5</u>	<u>33,905</u>	<u>4</u>
<b>Profit before tax</b>	<u>106,455</u>	<u>15</u>	<u>204,645</u>	<u>23</u>
7950 Total tax expense (note 6(l))	<u>19,586</u>	<u>3</u>	<u>28,545</u>	<u>3</u>
<b>Profit</b>	<u>86,869</u>	<u>12</u>	<u>176,100</u>	<u>20</u>
<b>8300 Other comprehensive income (loss):</b>				
<b>8310 Components of other comprehensive income that will not be reclassified to profit or loss:</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(201)		144	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(454)		440	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(655)</u>	<u>-</u>	<u>584</u>	<u>-</u>
<b>8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss:</b>				
8361 Exchange differences on translation	(27,951)	(4)	(14,105)	(2)
8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,336	-	(11,485)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(26,615)</u>	<u>(4)</u>	<u>(25,590)</u>	<u>(3)</u>
<b>8300 Other comprehensive income, net</b>	<u>(27,270)</u>	<u>(4)</u>	<u>(25,006)</u>	<u>(3)</u>
<b>8500 Comprehensive income</b>	<u>\$ 59,599</u>	<u>8</u>	<u>151,094</u>	<u>17</u>
<b>Profit, attributable to:</b>				
8610 Profit, attributable to owners of parent	<u>\$ 86,869</u>	<u>12</u>	<u>176,100</u>	<u>20</u>
<b>Comprehensive income attributable to:</b>				
8710 Comprehensive income, attributable to owners of parent	<u>\$ 59,599</u>	<u>8</u>	<u>151,094</u>	<u>17</u>
<b>Earnings per common share (expressed in dollars) (note 6(m))</b>				
<b>9750 Basic earnings per share</b>	<u>\$ 0.52</u>		<u>1.06</u>	
<b>9810 Diluted earnings per share</b>	<u>\$ 0.52</u>		<u>1.06</u>	

(English Translation of Consolidated financial statements Originally Issued in Chinese.)

**Rectron LTD.**

**Consolidated Statement of Changes in Equity**

**For the Years Ended December 31, 2023 and 2022**  
 (Expressed in Thousands of New Taiwan Dollar)

	Attributable to owners of parent								
	Retained earnings					Other equity		Total	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Balance at January 1, 2022</b>	\$ 1,663,029	9	25,812	58,466	85,554	(41,048)	6,124	(34,924)	1,797,946
Net income	-	-	-	-	176,100	-	-	-	176,100
Other comprehensive income	-	-	-	-	144	(14,105)	(11,045)	(25,150)	(25,006)
Total comprehensive income	-	-	-	-	176,244	(14,105)	(11,045)	(25,150)	151,094
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	8,552	-	(8,552)	-	-	-	-
Reversal of special reserve	-	-		(23,542)	23,542	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(100,000)	-	-	-	(100,000)
<b>Balance at December 31, 2022</b>	\$ 1,663,029	9	34,364	34,924	176,788	(55,153)	(4,921)	(60,074)	1,849,040
Net income	-	-	-	-	86,869	-	-	-	86,869
Other comprehensive income	-	-	-	-	(201)	(27,951)	882	(27,069)	(27,270)
Total comprehensive income	-	-	-	-	86,668	(27,951)	882	(27,069)	59,599
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	17,624	-	(17,624)	-	-	-	-
Special reserve appropriated	-	-	-	25,150	(25,150)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(133,042)	-	-	-	(133,042)
<b>Balance at December 31, 2023</b>	\$ 1,663,029	9	51,988	60,074	87,640	(83,104)	(4,039)	(87,143)	1,775,597

**Rectron LTD.****Consolidated Statement of Cash Flows****For the Years Ended December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from(used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 106,455	204,645
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	50,949	53,040
Amortization expenses	3,708	4,749
Expected credit losses (gains)	(3,616)	(2,165)
Interest expenses	594	1,137
Interest income	(4,948)	(1,698)
Dividend income	(591)	(510)
Loss (gain) on disposal of property, plant and equipment	(9)	173
Net losses (gains) on financial assets at fair value through profit or loss	(11,828)	5,508
Foreign exchange loss (gain) on financial assets	2,233	(2,462)
Property, plant and equipment transferred to expenses	75	-
Total adjustments to reconcile profit	<u>36,567</u>	<u>57,772</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	1,666	423
Trade receivables	69,619	25,233
Other receivables	1,358	5,761
Inventories	6,126	34,739
Prepayments	16,492	(16,321)
Other current assets	<u>(1,095)</u>	<u>1,421</u>
Total changes in operating assets	<u>94,166</u>	<u>51,256</u>
Changes in operating liabilities:		
Current contract liabilities	(1,873)	(56)
Trade payables	(53,841)	18,244
Other payables	(3,530)	2,732
Other current liabilities	52	165
Net defined benefit liability	<u>(1,501)</u>	<u>(1,930)</u>
Total changes in operating liabilities	<u>(60,693)</u>	<u>19,155</u>
Total changes in operating assets and liabilities	<u>33,473</u>	<u>70,411</u>
Total adjustments	<u>70,040</u>	<u>128,183</u>
Cash inflow generated from operations	176,495	332,828
Interest received	3,167	1,537
Dividends received	591	219
Interest paid	(594)	(1,182)
Income taxes paid	<u>(36,093)</u>	<u>(4,446)</u>
<b>Net cash flows from operating activities</b>	<u>143,566</u>	<u>328,956</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,176)	(3,260)
Acquisition of financial assets at fair value through profit or loss	(30,146)	(64,690)
Proceeds from disposal of financial assets at fair value through profit or loss	33,114	34,216
Acquisition of property, plant and equipment	(6,144)	(32,474)
Proceeds from disposal of property, plant and equipment	78	1,072
Refund of advance payments for construction projects	4,888	-
Decrease in other non-current assets	(307)	(1,287)
Decrease in other non-current liability	356,849	-
Dividends received	-	291
<b>Net cash flows used in investing activities</b>	<u>355,156</u>	<u>(66,132)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	50,000	65,000
Decrease in short-term borrowings	(65,000)	(152,000)
Increase in guarantee deposits received	-	345
Decrease in guarantee deposits received	(2,620)	-
Payments of lease liabilities	(3,290)	(2,701)
Cash dividends paid	<u>(133,042)</u>	<u>(100,000)</u>
<b>Net cash flows used in financing activities</b>	<u>(153,952)</u>	<u>(189,356)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(29,029)</u>	<u>(14,970)</u>
<b>Net increase (decrease)in cash and cash equivalents</b>	<u>315,741</u>	<u>58,498</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>245,962</u>	<u>187,464</u>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 561,703</b>	<b>245,962</b>

(English Translation of Consolidated financial statements Originally Issued in Chinese.)

**Rectron Ltd.**

## **Notes to the Consolidated financial statements**

**December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Share Information and Unless Otherwise Specified)**

### **1. Company history**

Rectron Ltd. (the “Company”) was established and approved by the Ministry of Economic Affairs on January 23, 1976. The registered address is No. 71, Zhongshan Road, Tucheng District, New Taipei City. The Group was originally named "Rectron Precision Electronics Industry Co., Ltd." and changed its name to "Rectron Ltd." on June 29, 2000, as resolved by the shareholders' meeting and approved by the Ministry of Economic Affairs.

The Group and its subsidiaries (together referred to as the “Group”) main business operations include the manufacture and sale of various rectifiers, other semiconductor components, rental and sale of real estate, trading of wines, and manufacture and sale of medical equipment.

### **2. Approval date and procedures of the Parent Company Only Consolidated financial statements**

The accompanying non-consolidated consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2024.

### **3. New standards and interpretations not yet adopted**

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the (following) new amendments, which do not have a significant impact on its Parent Company Only Consolidated financial statements, from January 1, 2023 :

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the (following) new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the (following) other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on the Group Consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or

Joint Venture”

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS21“Lack of Exchangeability”

#### **4. Summary of significant accounting policies**

##### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

##### **(b) Basis of consolidation**

###### **i. Basis of measurement**

The non-consolidated consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit liability is recognized as the present value of the defined benefit obligation less the fair value of plan assets.

###### **ii. Functional and presentation currency**

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The non-consolidated consolidated financial statements are presented in New Taiwan Dollar, which is the Group’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

##### **(c) Basis of consolidation**

###### **i. Principles of preparation of the consolidated financial statements**

The consolidated financial statements comprise The Group and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

ii. List of subsidiaries in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		<u>Description</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
The Group Rectron (China) Limited (Rectron China)	Sales of rectifiers, etc. Electronic components		100%	100%	Subsidiaries with direct ownership of voting rights exceeding 50% of the total shares issued.
The Group RECTRON ELECTRONIC ENTERPRISES, INC (REEI)	Sales of rectifiers, etc. Electronic components		100%	100%	Subsidiaries with direct ownership of voting rights exceeding 50% of the total shares issued.
The Group CHU-TING ENTERPRISE CO., LTD. (Chu-Ting)	Wholesale of tobacco and alcohol products and manufacturing and sales of medical equipment.		100%	100%	Subsidiaries with direct ownership of voting rights exceeding 50% of the total shares issued.
Rectron (China) Limited	Zhejiang Rectron Electronic Co.,LTD. (Zhejiang Rectron)	Manufacturing and sales of rectifiers and other electronic components.	100%	100%	Subsidiaries with indirect ownership of voting rights exceeding 50% of the total shares issued.

iii. List of subsidiaries which are not included in the consolidated financial statements: None.

**(d) Foreign currency**

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is

reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(1) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on recognition is recognized in profit or loss.

(ii) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On recognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(iii) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tw A or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial

instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 365 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(2) Financial liabilities

(i) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(1) Buildings 5~55years

(2) Machinery 5~10years

(3) Office equipment 3~10 years

Depreciation methods, useful lives and residual values are reviewed at and adjusted if appropriate.

(iv) Reclassification of self-used properties into investment properties

The Group used the book value of its self-used properties to reclassify them into investment properties.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value

guarantee; or

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of Office equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

**(l) Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(m) Revenue Recognition**

**(i) Revenue from customer contracts**

Revenue is measured by the consideration expected to be received in exchange for the transfer of goods or services. The Group recognizes revenue when control over the goods or services is transferred to the customer, thereby satisfying performance obligations. The Group provides the following explanations based on its primary revenue streams:

**(1) Sale of Goods - Electronic Rectifier Diodes and Semiconductor Passive Components**

The Group manufactures electronic components and sells them to electronic equipment manufacturers. Revenue is recognized when control over the products is transferred. Control over the product is deemed to have been transferred when the product has been delivered to the customer, the customer has the full ability to decide on the sales channel and price of the product, and there are no unfulfilled obligations affecting the customer's acceptance of the product. Delivery occurs when the products are shipped to a specific location, and the Group risks of obsolescence, deterioration, and loss have been transferred to customers. Customers have accepted the products in accordance with the sales contract, the acceptance clauses have expired, or the merging company has objective evidence that all acceptance criteria have been met.

The Group shall recognize accounts receivable at the time of delivery of commodities, since the Group has the right to receive consideration unconditionally at that time.

**(2) Rental income**

Rental income from investment properties and income from leasing real estate are recognized as lease income in the operating revenue item.

**(3) Financial Components**

The Group expects that the time between the transfer of goods or services to customers and the customer's payment for those goods or services does not exceed one year. Therefore, the Group does not adjust the transaction price for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (1) the same taxable entity; or
  - (2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares,

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

## **5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The following assumptions and estimates involve significant uncertainties that could result in material adjustments to the carrying amounts of assets and liabilities in the next financial year and have been impacted by the COVID-19

pandemic. Details of these assumptions and estimates are provided below:

(a) Allowance for doubtful accounts for accounts receivable.

The allowance for doubtful accounts is estimated based on assumptions regarding default risk and expected loss rates. The Group considers historical experience, current market conditions, and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used in calculating impairment. For detailed explanation of the related assumptions and input values, please refer to Note 6(d).

(b) Inventory evaluation

Due to the requirement to measure inventory at cost or net realizable value, whichever is lower, the Group assesses the amount of inventory cost to be written down to net realizable value due to normal wear and tear, obsolescence, or lack of market sales value as of the evaluation report date. The inventory valuation is primarily based on estimates of product demand during a specific future period, and may be subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for details on the inventory valuation estimate.

The Group's accounting policies and disclosures include the use of fair value measurement for its financial and non-financial assets and liabilities. The Group has established internal control systems for fair value measurement. This includes establishing an assessment team responsible for reviewing all significant fair value measurements (including level 3 fair value) and reporting directly to the Chief Financial Officer. The assessment team periodically reviews significant unobservable inputs and adjustments. If third-party information (such as brokers or pricing service organizations) is used as inputs to measure fair value, the assessment team will evaluate the evidence supporting the input values provided by the third party to ensure that the valuation and its fair value classification comply with International Financial Reporting Standards. Investment properties are periodically valued by the Group based on the evaluation methods and parameter assumptions specified by the Financial Supervisory Commission, or by external appraisers commissioned by the Group.

The Group strives to use market observable inputs as much as possible when measuring its assets and liabilities. The fair value level is classified based on the input values used by the valuation technique, as follows:

- (1) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (2) Level 2: Inputs for the asset or liability that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable, excluding those included in Level 1.
- (3) Level 3: Inputs for the asset or liability that are unobservable (i.e., non-market observable inputs).

In the event of transfers between different levels of fair value hierarchy, the Group recognizes the transfer on the reporting date.

Please refer to the following notes for information related to the assumptions used in measuring fair value:

1. Note 6(g): Investment properties.
2. Note 6(q): Financial instruments.

## 6. Explanation of significant accounts

### (a) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 295	138
Cash in banks	533,774	227,398
Time deposits	27,634	18,426
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>\$ 561,703</b>	<b>245,962</b>

Please refer to Note 6(q) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities.

### (b) Financial assets

#### 1. Current financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Financial assets</b>		
<b>designation as measured at fair</b>		
<b>value through profit or loss</b>		
Shares of stock of overseas listed companies - Tesla	\$ -	5,296
Shares of stock of overseas listed companies - RTX	15,504	-
Shares of stock of overseas listed companies - Amazon	-	14,446
Shares of stock of overseas listed companies - OXY	14,670	-
Shares of stock of listed companies - TSMC	3,558	5,382
<b>Assets mandatorily measured at fair value through</b>		
<b>profit or loss:</b>		
Beneficiary certificates	785	533
<b>Total</b>	<b>\$ 34,517</b>	<b>25,657</b>

#### 2. Non-current financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Debt investments at fair value through other</b>		
<b>comprehensive income</b>		
Corporate bonds- Apple	\$ 25,735	25,444
Corporate bonds – AT&T	9,144	8,631
Corporate bonds-Pfizer	4,121	4,154
Corporate bonds-SocGen	3,090	-
<b>Equity investments at fair value through other</b>		
<b>comprehensive income</b>		
Shares of stock of unlisted companies	15,546	16,000
<b>Total</b>	<b>\$ 57,636</b>	<b>54,229</b>

(1) Debt investments at fair value through other comprehensive income

The Group investments in bonds measured at fair value through other comprehensive income in the consolidated financial statements as of December 31, 2023 December 31, 2022 and December 31, 2022. The effective interest rates range from 2.00% to 4.9%, and the maturity dates range from 2056 to 2065. The Group holds bond investments through the business model of collecting contractual cash flows and selling financial assets, and therefore reports them as financial assets measured at fair value through other comprehensive income.

(2) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long term for strategic purposes.

(3) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(q).

(4) As of December 31, 2023, December 31, 2022 and December 31, 2022, the Group's financial assets were not pledged as collateral.

(c) Trade receivables and notes receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable from operating activities	\$ 417	2,083
Trade receivables	114,752	186,944
Trade receivables—Non-current	48,227	48,227
Less: Loss allowance	<u>(72,605)</u>	<u>(78,794)</u>
	<u>\$ 90,791</u>	<u>158,460</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 66,501	0.05%~1.84%	19
Within 180 days past due.	24,424	0.05%~8.89%	129
More than 180 days past due	72,471	0%~100%	72,457
	<u>\$ 163,396</u>		<u>72,605</u>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 121,502	0%~0.3%	-
Within 180 days past due.	37,246	0.3%~3.58%	288
More than 180 days past due	78,506	100%	78,506
	<b><u>\$ 237,254</u></b>		<b><u>78,794</u></b>

The movements in the allowance for trade receivables and notes receivable were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 78,794	78,677
Impairment losses recognized	(2,852)	-
Amounts written off	(2,746)	(931)
Impairment losses reversed	(764)	(2,165)
Foreign exchange gains/(losses)	<u>173</u>	<u>3,213</u>
Balance at December 31	<b><u>\$ 72,605</u></b>	<b><u>78,794</u></b>

As of December 31, 2023 and 2022, the Group's the aforementioned trade receivables and notes receivable were not pledged as collateral.

(d) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials and consumables	24,914	30,189
Work in progress	19,707	27,206
Finished goods	76,590	68,078
Merchandise	28,176	28,262
Goods and materials in transit	2,614	4,312
Subtotal	<u>152,001</u>	<u>158,047</u>
Less: Allowance for inventory market decline and obsolescence	(16,423)	(16,343)
	<b><u>135,578</u></b>	<b><u>141,704</u></b>

As of December 31, 2023 and 2022, the details of the cost of sales were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Inventory that has been sold	\$ 447,017	518,105
Write-down of inventories (Reversal of write-downs)	80	2,832
The impact of actual production capacity being lower than normal capacity.	2,426	445
Income from the Sale of Scrap and Disposals	(1,121)	(294)
	<b><u>\$ 448,402</u></b>	<b><u>521,088</u></b>

As of December 31, 2023 and 2022, the Group's the aforementioned trade receivables and notes receivable were not pledged as collateral.

(e) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group For the Years Ended December 31, 2023 and 2022 were as follows:

	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>						
Balance at January 1, 2023	\$ 181,394	253,393	686,790	56,420	13,952	1,191,949
Additions	-	-	635	408	5,735	6,778
Reduction	-	-	(691)	(51)	-	(742)
Reclassification	-	-	1,358	-	(6,321)	(4,963)
Effect of movement in exchange rates	-	(4,512)	(10,996)	(383)	(29)	(15,920)
Balance at December 31, 2023	<b><u>\$ 181,394</u></b>	<b><u>248,881</u></b>	<b><u>677,096</u></b>	<b><u>56,394</u></b>	<b><u>13,337</u></b>	<b><u>1,177,102</u></b>
 <b>Balance at January 1, 2022</b>						
Balance at January 1, 2022	\$ 181,394	249,527	664,281	54,395	12,690	1,162,287
Additions	-	-	16,704	1,528	11,704	29,936
Reduction	-	-	(5,898)	(24)	-	(5,922)
Reclassification	-	-	10,614	-	(10,614)	-
Effect of movement in exchange rates	-	3,866	1,089	521	172	5,648
Balance at December 31, 2022	<b><u>\$ 181,394</u></b>	<b><u>253,393</u></b>	<b><u>686,790</u></b>	<b><u>56,420</u></b>	<b><u>13,952</u></b>	<b><u>1,191,949</u></b>
 <b>Accumulated depreciation:</b>						
Balance at January 1, 2023	\$ -	128,104	518,023	47,985	-	694,112
Depreciation	-	10,249	23,918	3,266	-	37,433
Reduction	-	-	(622)	(51)	-	(673)
Effect of movement in exchange rates	-	(2,610)	(9,364)	(383)	-	(12,357)
Balance as of December 31, 2023	<b><u>\$ -</u></b>	<b><u>135,743</u></b>	<b><u>531,955</u></b>	<b><u>50,817</u></b>	<b><u>-</u></b>	<b><u>718,515</u></b>
Balance as of January 1, 2022	\$ -	115,638	488,073	43,873	-	647,584
Depreciation	-	10,469	25,299	3,674	-	39,442
Reduction	-	-	(3,903)	(24)	-	(3,927)
Effect of movement in exchange rates	-	1,997	8,554	462	-	11,013
Balance at December 31, 2022	<b><u>\$ -</u></b>	<b><u>128,104</u></b>	<b><u>518,023</u></b>	<b><u>47,985</u></b>	<b><u>-</u></b>	<b><u>694,112</u></b>
 <b>Carrying value:</b>						
Balance at December 31, 2023	\$ <b><u>181,394</u></b>	<b><u>113,138</u></b>	<b><u>145,141</u></b>	<b><u>5,577</u></b>	<b><u>13,337</u></b>	<b><u>458,587</u></b>
Balance at January 1, 2022	\$ <b><u>181,394</u></b>	<b><u>133,889</u></b>	<b><u>176,208</u></b>	<b><u>10,522</u></b>	<b><u>12,690</u></b>	<b><u>514,703</u></b>
Balance at December 31, 2022	<b><u>\$ 181,394</u></b>	<b><u>125,289</u></b>	<b><u>168,767</u></b>	<b><u>8,435</u></b>	<b><u>13,952</u></b>	<b><u>497,837</u></b>

December 31, 2023 and 2022, the Property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(f) Right-of-use assets

The Group leases many assets including land and buildings, vehicles, and other equipment. Information about leases for which the Group is a lessee is presented below:

			<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Total</b>
	<b>Land</b>	<b>Buildings</b>			
<b>Cost:</b>					
Balance at January 1, 2023	\$ 10,196	12,827	1,442	-	24,465
Additions	-	3,682	-	343	4,025
Reduction		(3,676)	(1,442)		(5,118)
Effect of movement in exchange rates	(290)	(7)	-	-	(297)
<b>Balance at December 31, 2023</b>	<b>\$9,906</b>	<b>12,826</b>	<b>-</b>	<b>343</b>	<b>23,075</b>
Balance at January 1, 2022	\$ 9,948	6,506	4,505	280	21,239
Additions		5,307			5,307
Reduction			(3,063)	(280)	(3,343)
Effect of movement in exchange rates	248	1,014	-	-	1,262
<b>Balance at December 31, 2022</b>	<b>\$ 10,196</b>	<b>12,827</b>	<b>1,442</b>	<b>-</b>	<b>24,465</b>
<b>Accumulated depreciation and impairment losses:</b>					
Balance at January 1, 2023	\$ 1,252	6,408	1,202	-	8,862
Depreciation for the year	310	2,880	240	72	3,502
Reduction		(3,676)	(1,442)		(5,118)
Effect of movement in exchange rates	(42)	112	-	-	70
<b>Balance at December 31, 2023</b>	<b>\$ 1,520</b>	<b>5,724</b>	<b>-</b>	<b>72</b>	<b>7,316</b>
Balance at January 1, 2022	\$915	3,250	3,789	214	8,168
Depreciation for the year	312	2,706	476	66	3,560
Reduction			(3,063)	(280)	(3,343)
Effect of movement in exchange rates	25	452	-	-	477
<b>Balance at December 31, 2022</b>	<b>\$ 1,252</b>	<b>6,408</b>	<b>1,202</b>	<b>-</b>	<b>8,862</b>
<b>Carrying amount:</b>					
Balance at December 31, 2023	<u>\$ 8,386</u>	<u>7,102</u>	<u>-</u>	<u>271</u>	<u>15,759</u>
Balance at January 1, 2022	<u>\$ 9,033</u>	<u>3,256</u>	<u>716</u>	<u>66</u>	<u>13,071</u>
Balance at December 31, 2022	<u>\$ 8,944</u>	<u>6,419</u>	<u>240</u>	<u>-</u>	<u>15,603</u>

(g) Investment property

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>			
Balance at January 1, 2023	\$ 663,510	376,331	1,039,841
Effect of movement in exchange rates	-	(2,452)	(2,452)
Balance at December 31, 2023	<b>\$ 663,510</b>	<b>373,879</b>	<b>1,037,389</b>
Balance at January 1, 2022	\$663,510	374,230	1,037,740
Effect of movement in exchange rates	-	2,101	2,101
Balance at December 31, 2022	<b>\$ 663,510</b>	<b>376,331</b>	<b>1,039,841</b>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2023	\$ -	64,163	64,163
Depreciation for the year	-	10,014	10,014
Effect of movement in exchange rates	-	(677)	(677)
Balance at December 31, 2023	<b>\$ -</b>	<b>73,500</b>	<b>73,500</b>
Balance at January 1, 2022	\$-	53,694	53,694
Depreciation for the year	-	10,038	10,038
Effect of movement in exchange rates	-	431	431
Balance at December 31, 2022	<b>\$-</b>	<b>64,163</b>	<b>64,163</b>
<b>Carrying amount:</b>			
Balance at December 31, 2023	<b>\$ 663,510</b>	<b>300,379</b>	<b>963,889</b>
Balance at January 1, 2022	<b>\$ 663,510</b>	<b>320,536</b>	<b>984,046</b>
Balance at December 31, 2022	<b>\$ 663,510</b>	<b>312,168</b>	<b>975,678</b>
<b>Fair value:</b>			
Balance at December 31, 2023			<b>\$ 1,909,407</b>
Balance at January 1, 2022			<b>\$ 1,818,136</b>
Balance at December 31, 2022			<b>\$ 1,873,841</b>

1. Investment properties are the self-owned assets held by the consolidated company. The initial non-cancellable period for the leased investment properties ranges from 1 to 6 years. Due to the need for organic renewal and industrial transformation and upgrading in the Jiashan Economic and Technological Development Industrial Park, which is under the subsidiary Zhejiang Rectron, an agreement was reached with Jiashan Economic Development

Asset Management Co., Ltd. on September 22, 2023, to vacate the premises. Consequently, the lease contract was terminated at the end of August 2023. Please refer to Note 9(b) for detailed information.

2. Due to the restriction in the law at that time, private entities were not allowed to acquire agricultural land. Therefore, the Companies appointed Mr. Lin Wen-Teng, one of the directors, to register the real estate investment under his personal name. To ensure the preservation of the Companies' assets, the property has been pledged back to the Companies.
3. The fair value of investment properties is based on the valuation by independent appraisers who possess recognized professional qualifications and have recent experience in valuing properties in similar locations and of similar types. The valuation is conducted based on market value. In the absence of an active market price, the valuation considers the aggregate estimated cash flows expected to be received from leasing the property, discounted using a yield that reflects the specific risks inherent to those net cash flows, to determine the value of the property.
4. As of December 31, 2023 and 2022, the Property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(h) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured bank loans	\$ 15,000	30,000
Unused short-term credit lines	\$ 385,000	370,000
Range of interest rates	1.89%~2.20%	1.29%~1.79%

For the collateral for short-term borrowings, please refer to note 8.

(i) Operating Lease

Lease as Lessor

The Group leases its investment properties under operating leases. Please refer to Note 6(g) for details. The future minimum lease payments receivable under non-cancelable operating leases are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 23,650	32,391
One to two years	15,319	26,239
Two to three years	5,947	12,930
Three to four years	1,248	4,952
Four to five years	-	4,355
Total undiscounted lease payments	<u>\$ 46,164</u>	<u>80,867</u>

(j) Provisions

1. Defined benefit plans

The reconciliation of fair value of the defined benefit plans and plan assets is as follows:

	<b>For the Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 7,419	9,523
Fair value of plan assets	(5,210)	(6,014)
Net defined benefit liabilities	\$ 2,209	3,509

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for its employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Group sets aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Group's contributions to the pension funds were deposited with Bank of Taiwan amounting to \$5,210 thousand as of the reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Defined benefit obligations on January 1	\$ 9,523	11,642
Current service costs and interest	124	163
Remeasurements of the net defined benefit liability (asset)		
- Actuarial losses from changes in financial assumption	299	314
Benefits paid by the plan	(2,457)	(2,596)
Defined benefit obligation on December 31	\$ 7,419	9,523

3) Movements on the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets on January 1	\$ 6,014	6,059
Interest revenue	78	43
Remeasurements of the net defined benefit liability(asset)		
– Return on plan assets (not including current interest cost)	28	458
Contributed amount	124	151
Benefits paid by the plan	(1,034)	(697)
Fair value of plan asset on December 31	\$ <b>5,210</b>	<b>6,014</b>

4) Expenses recognized in profit and loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current service costs	\$ -	81
Net interests on net defined benefit liability(asset)	46	39
	<b>\$ 46</b>	<b>120</b>
Operating costs	\$ 13	42
Operating expenses	2	12
General and administrative expenses	31	66
	<b>\$ 46</b>	<b>120</b>

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's net defined benefit liability (asset) recognized not her comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cumulative amount on January 1	\$ (1,232)	(1,376)
Recognized during the year	201	144
Cumulative amount on December 31	\$ <b>(1,031)</b>	<b>(1,232)</b>

6) Actuarial assumptions

The key actuarial assumptions at the reporting date were as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.20%	1.30%
Future salary increase rate	1.25%	1.25%

Based on the actuarial report, The Group is expected to make a contribution payment of \$144 thousand to the defined benefit plans for the one year period after the reporting date of 2023.

The weighted-average duration of the defined benefit plans is between 9 years.

#### 7) Sensitivity analysis

As of December 31, 2023 and 2022, the changes in the principal actuarial assumptions that will have an impact on the present value of the defined benefit obligation were as follows:

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31,2023		
Discount rate	\$ (127)	131
Future salary increase rate	115	(113)
December 31,2024		
Discount rate	(154)	159
Future salary increase rate	142	(139)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as that of the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

#### 2. Defined contribute on plans

The Group's employee benefits retirement expenses respectively.

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating cost	\$ 514	520
Selling expenses	196	201
Administration expenses	752	683
Research and development expenses	43	56
<b>Total</b>	<b>\$1,505</b>	<b>1,460</b>

#### 3. The details of pension expenses recognized by each foreign subsidiary in accordance with the relevant local laws are as follows:

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating cost	\$ 3,435	3,320

#### (k) Income tax

##### 1. The components of income tax For the Years Ended December 31, 2023 and 2022 were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expense		
Current period incurred	\$16,359	29,978
Undistributed earnings additional tax	21	
Prior years income tax adjustment	1,880	(112)
Current tax expenses	<u>18,260</u>	<u>29,866</u>
Deferred tax expense		
The origination of temporary differences	1,326	(1,321)
Income tax expense	<u>19,586</u>	<u>28,545</u>

2. The income tax on pre-tax financial income was reconciled with the income tax expense for the years ended December 31, 2023 and 2022 as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit excluding income tax	\$106,455	204,645
Income tax using the group's domestic tax rate	21,291	40,929
Foreign tax rate differences	(1,557)	(379)
Non-deductible expenses	33	11
Domestic financial asset valuation losses	(335)	253
Recognition of previously unrecognized taxable losses	(372)	(10,096)
Changes in unrecognized temporary differences	(263)	(1,438)
Adjustment of prior period's current income tax	1,880	(112)
Additional tax on undistributed earnings	21	
Tax incentives	(2,868)	
Others	1,756	(623)
Total	<u>\$ 19,586</u>	<u>28,545</u>

3. Deferred tax assets

1) Unrecognized deferred tax assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible Temporary Differences	\$ 68,648	65,770
Tax losses	357	9,852
	<u>\$ 69,005</u>	<u>75,622</u>

The Income Tax Act allows the carry forward of net losses, as assessed by the tax authorities, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the Group had not recognized the prior years' loss carry- forwards as deferred tax assets, and the expiry years thereof were as follows:

Year of occurrence	Unused balance	
	Mainland China subsidiary	Expiry year
2020	\$ 1,428	2025

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

**Deferred Tax Assets:**

	<b>Other</b>
Balance at January 1, 2023	\$ 1,321
Recognized in profit (loss)	<u>(1,321)</u>
Balance at December 31, 2023	\$ -
Balance at January 1, 2022	\$ -
Recognized in profit (loss)	<u>1,321</u>
Balance at December 31, 2022	<u>\$ 1,321</u>

**Deferred tax liabilities:**

	Provision for Land Value Tax	Other	Total
Balance at January 1, 2023	\$ 62,679	-	62,679
Recognized in profit (loss)	-	5	5
Balance at December 31, 2023	\$ 62,679	5	62,684
Balance at January 1, 2022	\$ 62,679	-	62,679
Balance at December 31, 2022	\$ 62,679	-	62,679

4. Status of approval of income tax

- 1) The group's corporate income tax returns have been assessed and approved by the tax authorities up to the year 2021.
- 2) The corporate income tax returns of the group's domestic subsidiaries have been assessed and approved by the tax authorities up to the year 2021.

(1) Capital and other equity

1. Ordinary shares

As of December 31, 2023 and 2022 the authorized capital of the Group consisted of 400,000 thousand shares, respectively, at a par value of \$10 per share, amounting to \$4,000,000 thousand, respectively, and its outstanding capital were consisted of 166,303 thousand shares. All share proceeds from outstanding capital have been collected.

2. Capital surplus

	December 31, 2023	December 31, 2022
Treasury share transactions	\$ 9	9

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities

Issuers, capital increases by transferring capital surplus in excess of the par value should not exceed 10% of the total common stock outstanding.

### 3. Retained earnings

If the Group has surplus in the annual final accounts, it shall pay taxes and donations in accordance with the law, offset cumulative losses, and then appropriate 10% as statutory surplus reserve. However, when the statutory surplus reserve has reached the Group's paid-in capital, no further appropriation is required. The remaining surplus shall be appropriated or reversed as required by laws and regulations, or transferred to the special surplus reserve. If there is still surplus, together with undistributed surplus at the beginning of the period, it will be classified as distributable surplus. The Board of Directors shall propose a surplus distribution plan for approval by the shareholders' meeting, and distribute dividends to the shareholders.

Taking into account financial, operational, and business factors, the Group may distribute dividends to shareholders, which shall not be less than 10% of the distributable surplus for the current fiscal year. However, if the accumulated distributable surplus is less than 3% of the paid-in capital, no distribution shall be made. Dividends may be distributed in the form of cash dividends or stock dividends. Cash dividends shall be given priority in the distribution of earnings, but stock dividends may also be distributed. The proportion of cash dividends shall not be less than 10% of the total dividend amount.

For the distribution of dividends to shareholders in the form of cash, the Board of Directors is authorized to carry out such distribution with the approval of two-thirds or more of the attending directors and a majority of the attending directors, and to report it to the shareholders' meeting.

#### (i) Legal reserve

When a company incurs profit, the shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash of up to 25% of the actual share capital.

#### (ii) Special reserve

The Group chose to apply the exemption under IFRS 1 at its initial adoption of IFRSs. Any unrealized revaluation surplus, accumulated translation adjustment, and increasing amount incurred from adopting the fair value as cost for the assets classified as investment property at the transition date. According to the Financial Supervisory Commission's Order No. 1010012865 issued on April 6, 2012, an equal amount shall be appropriated to the special surplus reserve. When using, disposing of, or reclassifying related assets, a proportionate reversal of the originally appropriated special surplus reserve may be distributed as earnings.

According to the regulations of the Financial Supervisory Commission, when the Group distributes distributable earnings, the difference between the net amount of reductions in other shareholders' equity items recorded in the current year and the balance of the special surplus reserve mentioned above shall be considered. When distributing earnings for the fiscal year 2022, the Group will allocate the current year's income and the undistributed earnings from previous periods to the special surplus reserve. When distributing earnings for the fiscal year 2023, the Group will allocate the current year's after-tax net profit, along with items other than the current year's after-tax net profit, to the undistributed earnings and the special surplus reserve from previous periods. The Group is not allowed to distribute the amounts related to reductions in other shareholders' equity from previous periods, except for the allocation to the special surplus reserve. In the event of reversals in the amounts of reductions in other shareholders' equity in the future, earnings may be

distributed based on the reversed portion. As of December 31, 2023 and 2022, the balance of the special surplus reserve is \$60,074 thousand and \$34,924 thousand respectively.

(iii) Earnings distribution

The amounts of cash dividends and share dividends for the 2022 and 2021 earnings distribution had been approved, the board meeting held on March 24, 2023 and March 30, 2022; while the earnings distribution for 2022 and 2021 had been approved during the shareholders' meeting on June 26, 2023 and June 23, 2022 as follows:

	2022		2021	
	Amount	Total	Amount	Total
	per share	amount	per share	amount
Cash dividends distributed to ordinary shareholders	\$ 0.80	133,042	0.60	100,000

The group's Board of Directors resolved on March 15, 2024, to distribute cash dividends for the fiscal year 2023. Details regarding the distribution can be found on the Taiwan Stock Exchange's website. The dividend amounts for the shareholders are as follows:

	2023	
	Amount per share	Total amount
Cash dividends distributed to ordinary shareholders	\$ 0.31	51,554

(iv) OCI accumulated in reserves

	Exchange differences on translation of foreign consolidated financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (55,153)	(4,921)	(60,074)
Exchange differences on foreign operations	(27,951)		(27,951)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	882	882
Balance at December 31, 2023	\$ (83,104)	(4,039)	(87,143)
Balance at January 1, 2022	\$ (41,048)	6,124	(34,924)
Exchange differences on foreign operations	(14,105)		(14,105)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(11,045)	(11,045)
Balance at December 31, 2022	\$ (55,153)	(4,921)	(60,074)

(m) Earnings per share

For the Years Ended December 31, 2023 and 2022, the Group's earnings per share were calculated as follows:

1. Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Group

	<b>For the three months ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit/(loss) of the Group for the year	\$ 86,869	176,100

(ii) Weighted-average number of ordinary shares

	<b>For the three months ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted-average number of ordinary shares(thousand shares)	166,303	166,303
Earnings per share	\$ 0.52	1.06

2. Diluted earnings per share

The diluted earnings per share of the Group for the fiscal year 2023 and the period from January 1, 2022, to December 31, 2022, are calculated based on the net income attributable to the equity holders of the Group and the adjusted weighted average number of ordinary shares outstanding, considering the dilutive effects of all potential ordinary shares. The calculations are as follows:

(i) Profit attributable to ordinary shareholders of the Group

	<b>For the three months ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit/(loss) attributable to ordinary shareholders of the Group (basic)	\$ 86,869	176,100

(ii) Weighted-average number of ordinary shares

	<b>For the three months ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted-average number of ordinary shares(thousand shares) (basic)	166,303	166,303
Effect of employee share bonus	85	164
Weighted-average number of ordinary shares (thousand shares)(diluted)	166,388	166,467
Earnings per share	\$ 0.52	1.06

(n) Revenue from contracts with customers

i. Disaggregation of revenue

For the Years Ended December 31, 2023					
	Property		Medical		
	Electronics	Management	Equipment	Wine Trading	
	Division	Division	Division	Department	Total
Primary geographical markets					
Asia	\$ 579,326	28,935	16,344	4,606	629,211
America	76,051	-	129	-	76,180
Europe	10,196	-	-	-	10,196
Others	958	-	-	-	958
	<b>\$ 666,531</b>	<b>28,935</b>	<b>16,473</b>	<b>4,606</b>	<b>716,545</b>
Major products/services lines					
Electronic					
Components Sales	666,531		-	-	666,531
Rental Income	-	28,935	-	-	28,935
Medical Equipment				-	
Sales	-	-	16,473		16,473
Wine Trading	-	-	-	4,606	4,606
	<b>\$666,531</b>	<b>28,935</b>	<b>16,473</b>	<b>4,606</b>	<b>716,545</b>
For the Years Ended December 31, 2022					
	Property		Medical		
	Electronics	Management	Equipment	Wine Trading	
	Division	Division	Division	Department	Total
Primary geographical markets					
Asia	\$ 632,925	26,873	62,515	5,371	727,684
America	132,672	-	2,885	-	135,557
Europe	13,188	-	-	-	13,188
Others	1,204	-	-	-	1,204
	<b>\$ 779,989</b>	<b>26,873</b>	<b>65,400</b>	<b>5,371</b>	<b>877,633</b>

**For the Years Ended December 31, 2022**

	Property		Medical		<b>Total</b>
	Electronics	Management	Equipment	Wine Trading	
	<b>Division</b>	<b>Division</b>	<b>Division</b>	<b>Department</b>	
<b>Major products/services lines</b>					
Electronic					
Components Sales	\$ 779,989		-	-	779,989
Rental Income	-	26,873		-	26,873
Medical Equipment					-
Sales	-	-	65,400		65,400
Wine Trading	-	-	-	5,371	5,371
	<b>\$ 779,989</b>	<b>26,873</b>	<b>65,400</b>	<b>5,371</b>	<b>877,633</b>

ii. Contract balances

**December 31,**

	<b><u>2023</u></b>	<b><u>December 31, 2022</u></b>	<b><u>January 1, 2022</u></b>
Trade receivables and notes			
receivable	\$115,169	189,027	212,401
Less: allowance for			
impairment	(24,378)	(30,567)	(30,450)
	<b>\$90,791</b>	<b>158,460</b>	<b>181,951</b>
Contract liabilities	<b>\$68</b>	<b>1,941</b>	<b>1,997</b>

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(o) Remunerations to employees, directors and supervisors

The group's Articles of Incorporation require that earnings shall first be offset against any deficit, then, a minimum of 1% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the group's subsidiaries who meet certain specific requirements.

For the Years Ended December 31, 2023 and 2022, remuneration of employees of \$1,100 thousand and \$2,012 thousand, respectively, and remuneration of directors of \$1,500 thousand and \$1,500 thousand, respectively, were estimated on the basis of the group's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the group's articles of incorporation. Such amounts were recognized as operating expenses For the Years Ended December 31, 2023 and 2022, Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and will be charged to profit or loss. The number of shares to be distributed was calculated based on the closing price of the group's ordinary shares, one day prior to Board of Directors meeting.

In the fiscal year 2022, there was a difference of \$488 thousand and \$500 thousand between the amount of remuneration approved by the Board of Directors for employees, directors, and supervisors and the estimated amount accrued for the fiscal year 2022. This difference primarily arises from accounting estimates made by the group and has been recognized in the income statement for the fiscal year 2023. The amount of employee compensation approved by the Board of Directors for the fiscal year 2023 is consistent with the accrual amount in the individual financial statements for the fiscal year 2023. However, there is a difference of \$600 thousand between the amount approved by the Board of Directors for director and supervisor remuneration and the accrual amount in the individual financial statements for the fiscal year 2023. This difference is primarily due to accounting estimates made by the group and has been recognized in the profit or loss for the fiscal year 2024. Relevant information can be found on the Taiwan Stock Exchange's website.

(p) Non-operating income and expenses

1. Other income

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 4,948	1,698
Dividend income	591	510
	<b>\$ 5,539</b>	<b>2,208</b>

2. Other gains and losses

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains (losses)	\$ 17,988	37,987
Gains (losses) on financial assets at fair value through profit or loss	11,828	(5,508)
Profit on Disposal of Real Estate, Plant, and Equipment	9	(173)
Other	387	528
	<b>\$30,212</b>	<b>32,834</b>

3. Finance costs

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense	<b>\$ (594)</b>	<b>(1,137)</b>

(q) Financial instruments

1. Credit risk

(i) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(ii) Concentration of credit risk

The Group has a broad customer base and does not engage in significant transactions with any single customer. Additionally, its sales are geographically diversified. Therefore, there is no significant concentration of credit risk.

(iii) Receivables and debt securities

For credit risk exposure of trade receivables and notes receivable, please refer to note 6(c).

Other financial assets at amortized cost include other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. The fixed deposits held by the Group are transacted with and settled by financial institutions that have investment-grade ratings or above. Therefore, they are considered to have low risk.

The loss allowances were determined as follows:

		<b>Other receivables</b>
Balance at January 1, 2023		\$ 36,992
Balance at December 31, 2023		<u>\$ 36,992</u>
Balance at January 1, 2022		\$ 36,992
Balance at December 31, 2022		<u>\$ 36,992</u>

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2023</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 15,000	15,143	5,095	10,048	-	-	-
Non-interest bearing liabilities	108,230	108,230	108,230	-	-	-	-
Lease liabilities(include non-current)	<u>7,521</u>	<u>7,864</u>	<u>1,186</u>	<u>1,213</u>	<u>4,766</u>	<u>699</u>	<u>-</u>
	<b><u>\$ 130,751</u></b>	<b><u>131,237</u></b>	<b><u>114,511</u></b>	<b><u>11,261</u></b>	<b><u>4,766</u></b>	<b><u>699</u></b>	<b><u>-</u></b>
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 30,000	30,020	30,020	-	-	-	-
Non-interest bearing liabilities	165,601	165,601	165,601	-	-	-	-
Lease liabilities(include non-current)	<u>6,786</u>	<u>7,218</u>	<u>1,753</u>	<u>1,337</u>	<u>2,277</u>	<u>1,851</u>	<u>-</u>
	<b><u>\$ 202,387</u></b>	<b><u>202,839</u></b>	<b><u>197,374</u></b>	<b><u>1,337</u></b>	<b><u>2,277</u></b>	<b><u>1,851</u></b>	<b><u>-</u></b>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Market risk

(i) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<b>Financial assets</b>						
<b><u>Monetary items</u></b>						
USD : NTD	\$3,988	30.705	122,452	6,965	30.710	213,895
USD : CNY	23,979	7.119	236,275	21,688	6.697	666,038
<b><u>Non-monetary items</u></b>						
USD	1,371	30.705	42,090	1,245	30.710	38,229
<b>Financial liabilities</b>						
<b><u>Monetary items</u></b>						
USD : NTD	3,564	30.705	109,435	2,785	30.710	85,527

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income, and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the NTD against the USD, and CNY as at 2023 and 2022 would have increased (decreased) the net profit after tax by \$997 thousand and \$3,178 thousand, and equity by \$168 thousand and \$153 thousand. The analysis is performed on the same basis.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the Years Ended December 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$17,988 thousand and \$37,987 thousand, respectively.

(ii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Group's net income would have increased / decreased by \$60 thousand and \$120 thousand For the Years Ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(iii) Other market price risk

For the Years Ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	For the Years Ended December 31,			
	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
0.5% increase	\$ <u>78</u>	<u>135</u>	<u>80</u>	<u>100</u>
0.5% decrease	\$ <u>(78)</u>	<u>(135)</u>	<u>(80)</u>	<u>(100)</u>

4. Fair value of financial instruments

(i) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2023				
	Book Value	Fair Value			Total
Financial assets at fair value through profit or loss		Level 1	Level 2	Level 3	
Shares of stock of overseas listed companies	\$ 30,174	30,174	-	-	30,174
Shares of stock of listed companies	3,558	3,558	-	-	3,558
Beneficiary certificates	785	785	-	-	785
Subtotal	34,517	34,517	-	-	34,517
Financial assets at fair value through other comprehensive income					
Foreign corporate bonds	42,090	-	42,090	-	42,090
Stocks in unlisted companies	15,546	-	15,546	-	15,546
Subtotal	57,636	-	57,636	-	57,636
Financial assets measured at amortized cost					
Cash and cash equivalents	516,703	-	-	-	-
Trade receivables and notes receivable (including related parties)	90,791	-	-	-	-
Other receivables	1,662	-	-	-	-
Guarantee deposits paid (Recognition of other non-current assets)	310				
Subtotal	609,466				
Total	<u>\$ 701,619</u>	<u>34,517</u>	<u>57,636</u>		<u>92,153</u>
Financial liabilities measured at amortized cost					
Bank loans	\$15,000	-	-	-	-
Trade payables	75,697	-	-	-	-
Other payables	32,533	-	-	-	-
Lease liabilities (including non-current)	7,521	-	-	-	-
Total	<u>\$ 130,751</u>				

	December 31, 2022				
	Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>					
Shares of stock of overseas listed companies	\$19,742	19,742	-	-	19,742
Shares of stock of listed companies	5,382	5,382	-	-	5,382
Beneficiary certificates	<u>533</u>	<u>533</u>	-	-	<u>533</u>
Subtotal	<u>25,657</u>	<u>25,657</u>	-	-	<u>25,657</u>
<b>Financial assets at fair value through other comprehensive income</b>					
Foreign corporate bonds	38,229	-	38,229	-	38,229
Stocks in unlisted companies	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
Subtotal	<u>54,229</u>	<u>54,229</u>	<u>54,229</u>	<u>54,229</u>	<u>54,229</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	245,962	-	-	-	-
Trade receivables and notes receivable (including related parties)	158,460	-	-	-	-
Other receivables	3,178	-	-	-	-
Guarantee deposits paid (Recognition of other non-current assets)	888	-	-	-	-
Subtotal	<u>408,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 488,374</b></u>	<u><b>25,657</b></u>	<u><b>54,229</b></u>		<u><b>79,886</b></u>
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	\$30,000	-	-	-	-
Trade payables	129,538	-	-	-	-
Other payables	36,063	-	-	-	-
Lease liabilities (including non-current)	6,786	-	-	-	-
Total	<u><b>\$ 202,387</b></u>				

(ii) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

(iii) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 For the Years Ended December 31, 2023 and 2022.

(r) Financial risk management

1. Overview

The Group has exposure to the following risks from its financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Structure of risk management

The Group 's Financial Management Department provides services to various business units, coordinating access to domestic and international financial markets. It supervises and manages the financial risks related to the group's operations by analyzing internal risk reports according to the level and breadth of risk. Internal auditors continuously review compliance with policies and exposure limits. The group does not engage in trading financial instruments (including derivative financial instruments) for speculative purposes.

3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

(i) Accounts receivable and other receivables

The Group 's policy is to transact only with reputable counterparties and, where necessary, to obtain collateral to mitigate the risk of financial loss due to defaults. The Group transacts only with entities rated equivalent to investment grade. This information is provided by independent rating agencies. In cases where such information is not available, the group uses other publicly available financial information and transaction records to assess the creditworthiness of major customers. The group continuously monitors credit exposures and the credit ratings of counterparties. It diversifies total transaction amounts among counterparties with qualifying credit ratings and controls credit exposures through annual review and approval of counterparties' credit limits.

As the group has a broad customer base, does not significantly concentrate transactions with any single customer, and operates in diversified sales regions, the credit risk associated with accounts receivable is not significantly concentrated. To further mitigate credit risk, the group regularly assesses the financial condition of its customers but typically does not require collateral.

(ii) Investment

The credit risk exposure for the bank deposits, fixed income investments and other financial instruments are measured and monitored by the group's finance department. As the group deals with the banks and other external parties with good credit standing and

financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the group do not have compliance issues and no significant credit risk.

(iii) **Guarantee**

The group's policy dictates that financial guarantees can only be provided to wholly-owned subsidiaries. As of December 31, 2023, and December 31, 2022, the group has not provided any endorsements or guarantees.

#### 4. Liquidity risk

The group manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of fluctuations in cash flows. Management oversees the utilization of bank financing facilities and ensures compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the group. As of December 31, 2023, and December 31, 2022, the unused portion of the short-term bank borrowing facilities amounted to \$385,000 thousand and \$370,000 thousand, respectively.

#### 5. Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) **Currency risk**

The group is exposed to exchange rate risk arising from sales and purchases denominated in currencies other than the functional currency of each respective group entity. The primary currencies involved in these transactions are TWD and USD.

(ii) **Interest rate risk**

The group is exposed to cash flow risk due to its borrowings at floating interest rates. To manage this interest rate risk, the group maintains an appropriate portfolio of floating-rate instruments.

#### (s) Capital management

The group's capital management objective is to safeguard its ability to continue operations, thereby ensuring the provision of returns to shareholders and other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital.

To maintain or adjust its capital structure, the group may adjust dividend payments to shareholders, reduce capital and return it to shareholders, issue new shares, or sell assets to repay liabilities.

Similar to its peers, the group manages its capital based on the debt-to-capital ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as total liabilities reported in the balance sheet minus cash and cash equivalents. Total capital includes all components of equity (i.e., share capital, capital surplus, retained earnings, and other equity) plus net debt.

The group's capital management policy in 2023 remained consistent with that of 2022, maintaining a debt-to-capital ratio between 0% and 3%, ensuring the ability to finance at reasonable costs. The debt-to-capital ratios as of December 31, 2023, and December 31, 2022, are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 558,705	304,979
Less: cash and cash equivalents	(561,703)	(245,962)
Net debt	(2,998)	59,017
Total equity	1,775,597	1,849,040
Adjusted equity	<b>\$ 1,772,599</b>	<b>1,908,057</b>
Debt-to-equity ratio	<b>0%</b>	<b>3%</b>

As of December 31, 2023, the company's capital management approach remained unchanged from the previous year.

(t) Non-cash Investing and Financing Activities

Acquisition of right-of-use assets through leasing. Please refer to Note 6(f) for details.

## 7. Related-party transactions

### (a) Names and relationships with related parties

The followings are entities that have had transactions with related party during the periods covered

<b>Name of related party</b>	<b>Relationship with the Group</b>
CHU-TING CORP	Chairman of this company is the same as the Chairman of the other company.
Lin, I-Chin	Chairman of this company
LIN, WEN-TENG	Director of this company
Sunrise On The Bund	The chairman of the subsidiary is the same as the chairman of the Group.
Hotel(Sunrise)	
PU HWUA ENTERPRISE CO., LTD.(Pu Hwua)	The chairman of the subsidiary is the same as the chairman of the Group.
JuyangXingye Industrial Co., Ltd. ( JuyangXingye)	The chairman of the Group is also a director of the subsidiary.
Juiye Enterprise Co., Ltd.(Juiye Enterprise)	The chairman of the Group is a director of the Group.

### (b) Significant transactions with related parties

#### 1. Sales

The amounts of significant sales by the Group to related parties were as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Other related parties	\$ 4,742	7,424

The sales price of the Group to the related party is not significantly different from the general selling price. The average credit period for related parties as of December 31, 2023, and

January 1 to December 31, 2022, is approximately 120 days, while for general customers, it ranges from 30 to 90 days.

## 2. Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Trade receivables	Other related parties	\$ 955	2,558

## 3. Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Other payables	Others	\$ 108	62

## 4. Leases

The Group collected rental income from other related parties and affiliated companies, reporting lease income of \$1,719 thousand and \$225 thousand for the year ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, related rental deposits amounted to \$405 thousand, \$16 thousand, and \$18 thousand, respectively.

In November 2022, the Group rented an office building from the Key management person to be used as its headquarter. A five-year lease contract was signed, in which the rental fee is determined based on nearby office rental rates. The total value of the contract was \$5,309 thousand. For the Years Ended December 31, 2023 and 2022, the Group recognized the amounts of \$237 thousand and \$88 thousand as interest expenses. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to \$4,127 thousand and \$4,808 thousand, respectively.

## 5. Others

The Group's operating expenses to other related parties for the years 2023 and 2022 were \$2,608 thousand and \$740 thousand, respectively.

### (c) Others

In case of registering real estate under the name of other related parties, please refer to Note 6(7) for details.

### (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the Years Ended December 31,	
	2023	2022
Short-term employee benefits	12,438	11,769
Post-employment benefits	95	124
	\$12,533	11,893

## 8. Assets pledged as security

The carrying amounts of **assets pledged as security** were as follows:

Assets pledged as security	Liabilities secured by pledge	December 31, 2023	December 31, 2022
Property, plant and equipment	Long-term borrowings	\$ 232,298	235,480
Investment property	Long-term borrowings	50,605	51,703
		<u>\$282,903</u>	<u>287,183</u>

## 9. Significant Commitments and Contingencies

### (a) Unrecognized contractual commitments

As of December 31, 2023, December 31, 2022, and December 31, 2022, the detailed amounts of the contract prices for equipment and construction projects entered into by the Group with suppliers are as follows:

	December 31, 2023	December 31, 2022
Signed-contract	\$ 13,764	25,234
Paid-price	<u>\$ 9,038</u>	<u>11,971</u>

(b) Zhejiang Rectron, a subsidiary, is actively participating in the organic renovation and industrial transformation and upgrading of the Zhejiang Economic and Technological Development Industrial Park to which it belongs. On September 22, 2023, Zhejiang Rectron signed a relocation compensation agreement with Zhejiang Economic Development Asset Operation Management Co., Ltd. The total compensation amount is approximately 691,875 thousand (RMB 161,653 thousand). It was agreed that Zhejiang Rectron should complete equipment relocation and vacate the factory by June 30, 2024. As of October 2023, Zhejiang Rectron has received partial compensation of approximately 356,849 thousand (RMB 80,827 thousand).

## 10. Losses due to major disasters: none

## 11. Subsequent events: none

## 12. Others

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	For the Years Ended December 31,					
	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	19,298	84,543	103,841	21,580	81,397	102,977
Labor and health insurance	1,366	7,240	8,606	1,448	7,049	8,497
Pension	527	4,459	4,986	562	4,338	4,900
Others	1,231	4,925	6,156	897	4,983	5,880
Depreciation	39,009	11,940	50,949	40,878	12,162	53,040
Amortization	1,067	2,641	3,708	1,765	2,984	4,749

## 13. Other disclosure items

### (a) Information on significant transaction:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group For the Years Ended December 31, 2023:

**1. Lending to other parties:**

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	CHU-TING	Other receivables	Yes	100,000	-	- (note 3)	-	2 (note 4)	-	Operation Requirements	-	-	-	177,560	710,239
1	Rectron China	CHU-TING	Other receivables	Yes	53,442	13,817	13,817 (note 3)	-	2 (note 4)	-	Operation Requirements	-	-	-	155,260	194,075

Note 1: For business transactions with counterparties, the business transaction amount is determined based on the cumulative sales (or purchases) amount between the two parties over the preceding twelve months.

Note2: According to our policy, the calculation for the maximum total amount of loans granted are as follows:

(1) The Company

Individual counterparty funding limit = Shareholders' equity x 10% = \$1,775,597 thousand x 10% = \$177,560 thousand.

The maximum funding limit for an individual counterparty = Shareholders' equity x 40% = \$1,775,597 thousand x 40% = \$710,239 thousand.

(2) Rectron Electronics (China)

Individual counterparty funding limit = Shareholders' equity x 40% = \$388,149 thousand x 40% = \$155,260 thousand.

The maximum funding limit for an individual counterparty = Shareholders' equity x 50% = \$388,149 thousand x 50% = \$194,075 thousand.

Note3: Already eliminated during the preparation of the Parent Company Only Consolidated financial statements.

Note 4: (1) Business transaction with counterparts exists.

(2) Short-term funding is necessary.

**2. Guarantees and endorsements for other parties:** None.

**3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):**

(Amounts in Thousands of New Taiwan Dollar)

Company holding securities	Security type and name	Relationship with the Group	Account	December 31, 2023				Remark
				Shares	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Stock - Sunny Bank	-	Non-current financial assets at fair value through other comprehensive income	1,515,198	15,546	0.05%	15,546	
The Company	Corporate bonds - Apple	-	Non-current financial assets at fair value through other comprehensive income	-	25,735	-%	25,735	
The Company	Corporate bonds - AT&T	-	Non-current financial assets at fair value through other comprehensive income	-	9,144	-%	9,144	
The Company	Corporate bonds - Pfizer	-	Non-current financial assets at fair value through other comprehensive income	-	4,121	- %	4,121	
The Company	Corporate bonds - SocGen	-	Non-current financial assets at fair value through other comprehensive income	-	3,090	- %	3,090	
CHU-TING	Fund - Yuanta High Dividend 0056	-	Current financial assets at fair value through profit or loss	21,000	785	-%	785	
CHU-TING	Stock - OXY	-	Current financial assets at fair value through profit or loss	8,000	14,670	-%	14,670	
CHU-TING	Stock - TSMC	-	Current financial assets at fair value through profit or loss	6,000	3,558	- %	3,558	
CHU-TING	Stock - RTX	-	Current financial assets at fair value through profit or loss	6,000	15,504	- %	15,504	

**4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Group's paid-in capital:** None.

5. Information regarding acquisition of real estate exceeding 300 million or 20% of the Group's paid-in capital: None.
6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Group's paid-in capital:

(Amounts in Thousands of New Taiwan Dollar)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually received	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Zhejiang Rectron	Land, Buildings, and Structures	2023.9.22	90.08	177,168 (Note 1)	691,875 (Note 2)	356,849 (Note 3)	(Note 4)	Jiashan Economic Development Assets Management Co., Ltd.	None	To align with organic renewal and industry transformation and upgrading	Appraisal Report	(Note 5)

Note 1:RMB40,925 thousand

Note 2:RMB161,653 thousand

Note 3:RMB80,827 thousand

Note 4: Profit and loss shall be confirmed after all relocation procedures are completed.

Note 5: According to the agreed terms, after signing the relocation compensation agreement with Zhejiang Rectron, 50% of the total compensation will be received. Additionally, within 20 days after the completion of equipment relocation and factory vacating by June 30, 2024, 30% of the total compensation will be received. The remaining 20% of the total compensation will be received within 20 days after the cancellation of land and property certificates.

7. Information regarding related-party purchases and/or sales exceeding 100 million or 20% of the Group's paid-in capital:

(Amounts in Thousands of New Taiwan Dollar)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transaction		Trade receivables (payables) and notes receivable (payable)		Remark
			Item	Amount	Percentage of the purchases (sales) (%)	Payment term	Unit price	Payment terms	Ending balance	Percentage of total receivables (payables)	
The Company	Rectron China	Parent-subsidiary relationship	Purchase	281,071	67%	Normal	Normal	90-120 Days	(77,716)	(79)%	
Rectron China	The Company	Parent-subsidiary relationship	Sales	(281,071)	(100)%	Normal	Normal	90-120 Days	77,716	100%	
Rectron China	Zhejiang Rectron	Investee companies that are also evaluated using the equity method by the Company	Purchase	245,492	100%	Normal	Normal	120 Days	(15,647)	(100)%	
Zhejiang Rectron	Rectron China	Investee companies that are also evaluated using the equity method by the Company	Sales	(245,492)	(82)%	Normal	Normal	120 Days	15,647	71%	

8. Information regarding receivables from related parties exceeding 100 million or 20% of the Group's paid-in capital: None.

9. Information regarding trading in derivative financial instruments: None.

10. Significant transactions and business relationship between the parent company and its subsidiaries For the Years Ended December 31, 2023:

(Amounts in Thousands of New Taiwan Dollar)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Intercompany transactions				Percentage of total net sales or assets
				Account	Amount	Terms		
0	Rectron Ltd.	Rectron China	1	Operating cost	281,071	Calculated with finished product cost plus agreed profit.		39%
0	Rectron Ltd.	Rectron China	1	Trade payables	77,716	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.		3%
0	Rectron Ltd.	REEI	1	Operating revenue	24,118	Calculated with finished product cost plus agreed profit.		3%
0	Rectron Ltd.	REEI	1	Trade receivable	4,658	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.		
1	Rectron China	Zhejiang Rectron	3	Operating cost	245,492	Calculated with finished product cost plus agreed profit.		34%
1	Rectron China	Zhejiang Rectron	3	Trade payables	15,647	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.		1%

Note 1: Companies are numbered as follows:

Parent company –0

Subsidiary—starting from 1

Note 2: The relationships between transaction parties are numbered as follows:

Parent company and subsidiary—1

Subsidiary and parent company—2

Subsidiary and subsidiary—3

**(b) Information on investments:**

The followings are the information on investees For the Years Ended December 31, 2023:

(Amounts in Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2023			Net income (loss) of the investee	Investment income (loss) recognised by the Group	Remark
				December 31, 2023	December 31, 2022	Shares	Percentage	Carrying value			
The Group	REEI	USA	Sales of rectifiers, etc. Electronic components	142,264	142,264	205,000	100.00%	16,604	(5,818)	(5,818)	
The Group	Rectron China	Hong Kong	Sales of rectifiers, etc. Electronic components	607,273	607,273	20,000	100.00%	388,149	20,831	20,831	
The Group	CHU-TING	Taiwan	Wholesale of tobacco and alcohol products and manufacturing and sales of medical equipment.	109,987	109,987	14,500,000	100.00%	156,875	5,950	5,950	

Note: The amount had been offset in the Parent Company Only Consolidated financial statements.

**(c) Information on investment in Mainland China:**

**(i) The names of investees in Mainland China, the main businesses and products, and other information:**

(Amounts in Thousands of New Taiwan Dollar)

Investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023
					Outflow	Inflow						
Zhejiang Rectron	Manufacturing and sales of rectifiers and other electronic components.	409,029	NOTE 1(3)	409,029	-	-	409,029	21,144	100.00%	21,144	267,052	-

**(ii) Upper limit on investment in Mainland China:**

(Amounts in Thousands of New Taiwan Dollar)

Accumulated investment in Mainland China as of December 31, 2023	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment
368,460 USD 12,000	490,359 USD 15,970	1,065,358

Note 1: Investment methods are categorized into the following three types, simply indicated by their types:

(1)Direct investment in mainland China.

(2)Investment in Mainland China through a third-party company in another region (please specify the investment company in that third region).

(3)Others method.

Note 2: In the investment gains/losses recognized in this period column:

(1)If it is under preparation and there are no investment gains/losses yet, it should be noted.

(2)The basis for recognizing investment gains/losses is the consolidated financial statements audited and certified by the certified public accountant of the Taiwan parent company.

Note 3: According to the "Principles for Reviewing Investment or Technical Cooperation in Mainland China," there are limits to the amount of investment.

Equity net worth  $\times$  60% = \$1,775,597 thousand  $\times$  60% = \$1,065,358 thousand.

**(iii) Significant transactions:**

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of Parent Company Only Consolidated financial statements, are disclosed in "Information on significant transactions".

**(d) Major shareholders**

Unit: Share

Shareholding	Shares	Percentage
Shareholder's Name		
Juiye Enterprise Co., Ltd.	42,788,288	25.72%
Bigwig Perfect International Co., Ltd.	38,141,792	22.93%

Note: The shareholder information in this table is provided by the Taiwan Depository & Clearing Corporation (TDCC) and is based on the calculation of the total number of common shares and preferred shares held by shareholders, excluding treasury shares, as of the last business day of each quarter. The data includes shareholders whose holdings account for more than 5% of the total shares outstanding. Please note that there may be differences between the reported share capital in the Group's consolidated financial statements and the actual number of shares held by shareholders, due to different calculation methods or other factors.

#### 14. Segment information

##### (a) General information

The Group has four reporting segments: Electronics, Real Estate Investment, Medical Equipment, and Wine Trading. The Diode segment is engaged in the manufacturing and sales of various rectifiers and other semiconductor components. The Real Estate Investment segment is engaged in the business of leasing office buildings and factories. The Medical Equipment segment is engaged in the business of buying and selling and manufacturing masks. The Wine Trading segment is engaged in the business of trading red and white wines.

The reporting segments of the Group are strategic business units that provide different products and services. As each strategic business unit requires different technology and marketing strategies, they need to be managed separately.

##### (b) Information of profit or loss, assets, liabilities, basis and adjustments of which of departments to be reported.

The Group uses the departmental pre-tax profit (excluding non-recurring gains and losses and exchange gains and losses) reviewed by the chief operating decision-maker in the internal management report as the basis for resource allocation and performance evaluation by the management. Since income tax, non-recurring gains and losses, and exchange gains and losses are managed on a group basis, the Group does not allocate income tax expenses (benefits), non-recurring gains and losses, and exchange gains and losses to the reporting segments. In addition, not all significant non-cash items, other than depreciation and amortization, are included in the income statement of all reporting segments. The amounts reported are consistent with the reports used by the operating decision-makers.

The information and adjustments for the operating segments of the Group are as follows:

The Group's operating segment information and reconciliation are as follows:

For the Years Ended December 31, 2023	Electronics Department	Property Management Division	Medical Devices Division	Wine Trading Department	Reconciliation and elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 666,531	28,935	16,473	4,606	-	716,545
Intersegment revenues	549,430	-	667	-	(550,097)	-
Total revenue	\$ 1,215,961	28,935	17,140	4,606	(550,097)	716,545
Interest Expense	\$ 594					594
Depreciation and Amortization	36,023	10,014	8,620			54,657
<b>Reportable segment profit or loss</b>	<b>\$ 104,423</b>	<b>17,505</b>	<b>4,963</b>	<b>2,346</b>	<b>(22,782)</b>	<b>106,455</b>
<b>Assets</b>						
Investments Accounted for Using the Equity Method	\$ 561,628				(561,628)	
<b>Reportable Segment Assets</b>	<b>\$ 1,870,572</b>	<b>963,889</b>	<b>135,978</b>	<b>36,540</b>	<b>(672,677)</b>	<b>2,334,302</b>

**For the Years**

<b>Ended</b>	<b>Electronics</b>	<b>Property Management</b>	<b>Medical Devices</b>	<b>Wine Trading</b>	<b>Reconciliation and elimination</b>	
<b>December 31, 2022</b>	<b>Department</b>	<b>Division</b>	<b>Division</b>	<b>Department</b>		<b>Total</b>
<b>Revenue</b>						
Revenue from external customers	\$ 779,989	26,873	65,400	5,371	-	877,633
Intersegment revenues	596,452	-	585	-	(597,037)	-
Total revenue	<u>\$1,376,441</u>	<u>26,873</u>	<u>65,985</u>	<u>5,371</u>	<u>(597,037)</u>	<u>877,633</u>
Interest Expense	\$ 1,137					1,137
Depreciation and Amortization	38,736	10,038	9,015			57,789
<b>Reportable segment profit or loss</b>	<u>\$ 237,165</u>	<u>14,096</u>	<u>32,270</u>	<u>950</u>	<u>(79,836)</u>	<u>204,645</u>
<b>Assets</b>						
Investments Accounted for Using the Equity Method	\$ 569,100				(569,100)	
<b>Reportable Segment Assets</b>	<u>\$ 1,665,911</u>	<u>975,678</u>	<u>161,863</u>	<u>25,734</u>	<u>675,167</u>	<u>2,154,019</u>

**(c) Geographic information**

The regional information of the group is as follows, with revenue classified based on the geographical location of the customers.

<b>Region</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Revenue from external customers:		
Taiwan	\$ 40,097	88,082
China	581,114	639,602
Americas	76,180	135,557
Europe	10,196	13,188
Others	958	1,204
<b>Total</b>	<b>\$ 716,545</b>	<b>877,633</b>

**6. For the company and its affiliated enterprises, as of the date of the latest annual report publication, any financial difficulties encountered should be specified along with their impact on the financial condition of the company:** None.

## 7. Review Analysis and Risk Assessment of Financial Status and Financial Performance

### 1. Financial Status

(1) Comparative Analysis of Changes in Consolidated Assets, Liabilities, and Shareholders' Equity for the Past Two Years.

Unit: NTD in thousands

Item	Year Year 2022	Year 2023	Difference		Change in the proportion of increase and decrease Analysis Description (Note)
			Amount	%	
Current asset	602,181	834,662	232,481	38.61	Note (2) 1
Property, plant, and equipment	497,837	458,587	(39,250)	(7.88)	
Intangible Assets	0	0	0	0	
Other Assets	1,046,831	1,037,284	(9,547)	(0.91)	
Other non-current assets	7,170	3,769	(3,401)	(47.43)	
<b>Total Assets</b>	<b>2,154,019</b>	<b>2,334,302</b>	<b>180,283</b>	<b>8.37</b>	
Current Liability	227,647	485,954	258,307	113.47	Note (2)2
Deferred income tax liabilities	62,679	62,684	5	0.01	
Other non-current liabilities	14,653	10,067	(4,586)	(31.30)	
<b>Total Liabilities</b>	<b>304,979</b>	<b>558,705</b>	<b>253,726</b>	<b>83.19</b>	Note (2) 2
Capital stock	1,663,029	1,663,029	0	0.00	
Capital surplus	9	9	0	0.00	
Retained earnings	246,076	199,702	(46,374)	(18.85)	
Other Equities	(60,074)	(87,143)	(27,069)	45.06	Note (2) 3
Treasury stock	0	0	0	0	
<b>Non-control equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total equity</b>	<b>1,849,040</b>	<b>1,775,597</b>	<b>(73,443)</b>	<b>(3.97)</b>	

(2) Analysis of Recent Changes: (the analysis focuses on items with changes exceeding 20% and reaching a threshold of NT\$10,000 thousand.)

1. Current asset : The increase in bank deposits in this period compared with the previous period.
2. Current Liability and Total Liabilities : The increase received in advance in this period compared with the previous period.
3. Other Equity: The change in other equity is a result of the foreign exchange translation impact on the financial statements of overseas operating entities in the current period.

## 2. Financial Performance

### (1) Consolidated comparative analysis table of financial performance

Unit: NTD

Item	Year	Year 2022	Year 2023	Increase (Decrease) in Amount	Change Ratio %
Operating revenue		877,633	716,545	(161,088)	(18.35)
Operating gross profit		343,849	257,404	(86,445)	(25.14)
Operating expenses		173,109	186,106	12,997	7.51
Operating Profit (Loss)		170,740	71,298	(99,442)	(58.24)
Non-operating income and expenses		33,905	35,157	1,252	3.69
Net Profit Before Tax on Continuing Operations		204,645	106,455	(98,190)	(47.98)
Income Tax Expense		28,545	19,586	(8,959)	(31.39)
Current net profit (loss)		176,100	86,869	(89,231)	(50.67)
Current Other Comprehensive Income		(25,006)	(27,270)	(2,264)	9.05
Total comprehensive income for the period		151,094	59,599	(91,495)	(60.56)
Net profit attributable to owners of the parent.		176,100	86,869	(89,231)	(50.67)
Net Profit Attributable to Non-Controlling Interests		-	-	-	-
Total Comprehensive Profit and Loss Attributable to Owners of Parent Company		151,094	59,599	(91,495)	(60.56)
Total comprehensive income Comprehensive income attributed to non-controlling interests.		-	-	-	-
Earnings Per Share (NT\$)		1.06	0.52	(0.54)	(50.94)

#### 1. Analysis of Changes in Ratios:

- (1) Operating Revenue (Gross Profit): The growth in operating revenue and gross profit in the current period is attributed to the benefits of the diversion effect from the US-China trade war and the synergies achieved through cost control measures.
- (2) Operating Net Profit (Loss): The increase in operating gross profit in the last period compared with the current period and effective sales and administrative cost control led to a decrease in operating net profit
- (3) Non-operating Income and Expenses: The increase in foreign exchange gains is a result of the impact of exchange rate fluctuations.
- (4) Net Profit (Loss) for the Period: The decline in operating income resulted in a decline in net profit for the period.
- (5) Other Comprehensive Income for the Period (Net of Tax): The decrease in foreign currency exchange differences in the financial statements of overseas operations contributes to the decrease in other comprehensive income.

#### 2. Reasons for significant changes in the company's main business activities: None.

3. Forecasted sales quantity for the upcoming fiscal year and the primary factors influencing the company's expected sales growth or decline:

Expected sales quantity for major products			Primary factors influencing the potential continuous growth or decline in expected sales quantity:
Item	Year 2024	Year 2023	The company's sales forecast is based on the sales performance and pricing in the years 2023 and 2024.
Rectifier	599,061	570,534	
Face mask	4,845	8,075	

### 3. Cash Flow

#### Cash Flow Analysis

Unit: NTD in thousands					
Initial Cash Balance	Net Cash Flow from Operating Activities for the Year	Total Cash Outflows for the Year	Cash Surplus (Deficit) Amount	Remedial Measures for Cash Shortage	
				Investment plan	Financial Planning
245,962	143,566	(172,175)	561,703	-	-

##### (1) Analysis of Annual Cash Flow Changes:

The company experienced a net increase in cash of 315,741 thousand in the fiscal year 2023 compared to 2022. The changes in cash flows from various operating activities are as follows:

- (1) Operating Activities: The overall net cash inflow from operating activities decline compared to the previous period due to collections increased in the current period, and profits in the previous period were higher, resulting in higher income tax paid in the current period.
- (2) Investment Activities: The amount received in advance in this period increased compared with the previous period, so this period is a net cash inflow.
- (3) Financing Activities: The lower net cash outflow from financing activities in the current period compared to the previous period is primarily due to the partial repayment of bank loans and cash dividends distributed.

##### (2) Cash Shortage Remedial Measures and Liquidity Analysis:

1. Cash Shortage Remedial Measures: None.

2. Liquidity Analysis:

	December 31, 2022	December 31, 2022	Increase (decrease) rate %
Cash Flow Ratio (%)	144.5	29.54	(79.56)
Cash Flow Adequacy Ratio (%)	211.09	302.31	43.21
Cash Flow Reinvestment Ratio (%)	14.06	0.66	95.31

- (1) Cash Flow Ratio: The decrease in cash flow in the current period compared to the same period last year is primarily due to collection of accounts receivable in operating activities, resulting in a lower cash flow ratio.

- (2) Cash Liquidity Ratio: The increase in operating cash flow in the current period compared to the same period last year has led to an increase in the cash liquidity ratio over the past five years.
- (3) Cash Reinvestment Ratio: The increase in net cash inflow from operating activities in the current period compared to the same period last year.

(3) Analysis of Future Cash Liquidity for the Next Year:

Beginning Cash Balance	Estimated net cash flows from operating activities for the full year.	Estimated cash outflows for the full year.	Estimated surplus (deficiency) of cash remaining.	Expected measures to remedy any cash shortfall.	
				Investment plan	Financial Planning
561,703	186,520	217,735	530,488	-	-

1. Analysis of Expected Cash Flows for the Year 2024:

The company had an initial cash balance of 561,703 thousand NT dollars. It is anticipated that net cash inflow from operating activities in the next year will be approximately 186,520 thousand NT dollars, while net cash outflow from financing activities is expected to be approximately 217,735 thousand NT dollars. As a result, the projected remaining cash balance is approximately 530,488 thousand NT dollars.

2. Remedial measures and analysis of cash shortfall: None.

#### **4. The impact of significant capital expenditures in the most recent fiscal year on financial operations.**

The total amount spent by the company and its subsidiaries on the purchase of machinery and equipment in the fiscal year 2023 was 6,144 thousand NT dollars. The primary purpose of these acquisitions by the company and its subsidiaries is to meet future operational demands, replace outdated equipment, fulfill automation requirements, enhance process capabilities, strengthen product research and development, and improve product quality to meet customer demands. These investments are expected to have a positive impact on the financial operations of the company.

#### **5. Recent Year's Investment Policy, Main Reasons for Profit or Loss, Improvement Plan, and Future Year's Investment Plan:**

1. Investment Policy

The company has made new investments with still a focus on the semiconductor industry to diversify its business operations and mitigate operational risks. The diversification strategy serves as a complementary approach to the company's main operations and takes into account market dynamics.

2. Main Reasons for Profit or Loss.

The overall supply chain of the company's electronics division in 2023 will continue to digest the inventory in 2022, and demand will decrease, resulting in a decline in overall revenue, resulting in overall operating efficiency not being as good as in 2022.

3. Future Year Investment Plan.

In addition to adhering to the existing investment policy, the company will assess industry environment changes and opportunistically pursue investments.

## 6. Analysis and assessment of risk factors.

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

Unit: NTD in thousands

Item	Year	Year 2022	Year 2023
Interest expense		1,137	594
Net exchange (loss) gain		37,987	17,988
Inflation		-	-

1. Impact of interest rates, exchange rates, and inflation on company's revenue and profitability:

The company closely monitors interest rate fluctuations and manages its cash position to control liquidity risk. The company's operating funds are sufficient to meet cash requirements when bank loan contracts mature, mitigating liquidity risk without the need for additional fundraising.

The sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments as of the reporting date. For floating-rate liabilities, the analysis assumes that the outstanding amount remains constant throughout the year.

The management reports to key executives using a rate change of +/- 0.5%, which represents a reasonable range of interest rate fluctuations.

If interest rates increase or decrease by 0.5% while all other variables remain constant, the company's pre-tax net profit for the fiscal year 2023 will decrease or increase by 60 thousand NT dollars due to the impact of variable-rate bank borrowings.

2. Specific measures to address exchange rate fluctuations:

- (1) The company regularly analyzes exchange rate trends, monitors its cash position, and plans appropriate fundraising channels. It evaluates bank loan interest rates and maintains close communication with banks to stay informed about the latest exchange rate developments and control liquidity risk.
- (2) Depending on the financial situation and exchange rate fluctuations, the company adjusts foreign currency deposits in a timely manner.

3. Impact of inflation and corresponding measures:

Rising oil and electricity prices and higher raw material costs exert pressure on the company's expenses. The current strategy is to continuously develop suppliers to lower raw material costs and minimize the impact of inflationary pressures on raw material price increases.

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

1. The company does not engage in high-risk or highly leveraged investments, nor does it provide funds to others.
2. Endorsement and guarantees: The company follows its endorsement and guarantee procedures, and as of the date of the annual report printing, the company has not engaged in any endorsement or guarantee transactions.
3. Derivative transactions: The company follows its procedures for dealing with derivatives, and as of the date of the annual report printing, the company has not engaged in any derivative transactions.

(3) Future research and development plans and expected R&D expenses:

Products under development	Current development progress	Expected R&D and production costs (in NTD)	Expected completion time
SOD323FL	In progress	6,000,000	2024/6/30
SOD323HE	In progress	6,000,000	2024/6/30
TO247-IGBT-RI40N1200T7/RI75N650T7	In progress	7,000,000	2026/12/31

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

The company constantly monitors significant domestic and international policy and legal changes and evaluates their potential impact. In the past year, there have been no significant policy or legal changes that have adversely affected the company's financial operations.

(5) The impact of technological changes (including cybersecurity risks) and industry transformations on the Company's financial operations and corresponding measures are considered.

The company's products serve as essential components in electronic products, and technological advancements still require the use of the company's products. The company actively invests in research and development to promote the application of its products and enhance competitiveness, which is a key goal for the company. In terms of information security risk management, the company has established and implemented an information security management system. Information security policies have been established to regulate the company's information security practices. Regular internal information security audits are conducted to ensure the effectiveness of the management system and compliance with legal regulations. Therefore, information security risks are not considered significant operational risks for the company.

(6) Impact of changes in corporate image on crisis management and response measures:

The company maintains a good corporate image, and there have been no changes in corporate image that would impact crisis management.

(7) Anticipated benefits, potential risks, and response measures related to mergers and acquisitions: None.

(8) Anticipated benefits, potential risks, and response measures related to expanding facilities: None.

(9) Risks associated with concentration in purchasing or sales and response measures: None.

(10) Impact, risks, and response measures related to the significant transfer or replacement of directors, supervisors, or major shareholders holding more than 10% of shares: None.

- (11) Impact, risks, and response measures related to changes in ownership rights: None.
- (12) Disclosure of significant litigation, non-litigation events involving the company, directors, supervisors, general manager, substantial responsible person, major shareholders holding more than 10% of shares, and subsidiary companies, where the outcomes may have a significant impact on shareholders' equity or securities prices. The disclosure should include the disputed facts, amount involved, commencement date of litigation, key parties involved, and the status of the proceedings as of the printing date of the annual report: None.
- (13) Other significant risks and response measures: None.

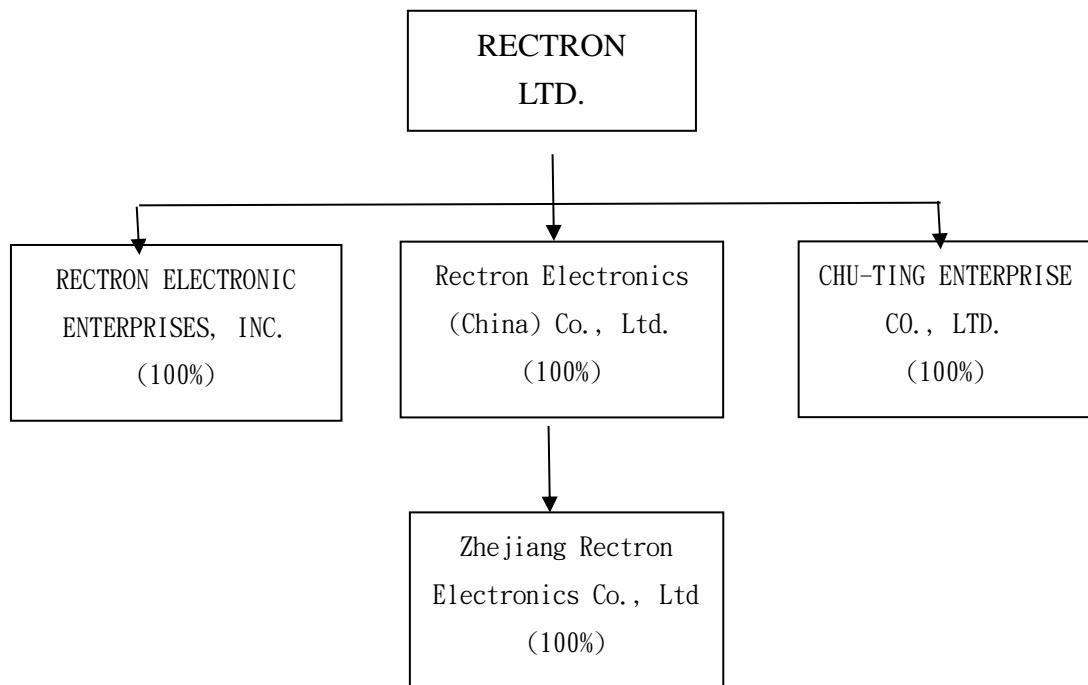
**7. Other significant matters: None.**

## 8. Special Notes

### 1. Related information on affiliated enterprises

(1) Consolidated business report of affiliated enterprises

1. Organization of Related Companies under RECTRON Group



According to Article 369-2, Paragraph 2 of the Company Law, there are no subsidiary companies directly or indirectly controlled by the Company in terms of personnel, finance, or business operations.

## 2. Basic Information of Related Companies

Company Name	Date of Establishment	Address	Paid-in capital	Main Business or Production Items
Director of RECTRON ELECTRONIC ENTERPRISES, INC	1986.02.28	1400 N Harbor Blvd, Suite 520 Fullerton, CA 92835 U.S.A	USD \$2,050 thousand.	Sales of rectifiers and other electronic components
Rectron Electronics (China) Co., Ltd.	1991.06.04	Room 1102, 11th Floor, Sinfung Centre, 20 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.	HKD \$20 thousand.	Sales of rectifiers and other electronic components
Zhejiang Rectron Electronics Co., Ltd.	2001.01.17	No. 28, Rectron Road, Economic Development Zone, Jiashan County, Zhejiang Province, China.	RMB \$99,322 thousand.	Manufactures and sells electronic components such as rectifiers
CHU-TING ENTERPRISE CO., LTD.	1998.09.03	2nd Floor, No. 71 Zhongshan Road, Tucheng District, New Taipei City, Taiwan.	NTD\$ 145,000 thousand.	Wholesale of tobacco and alcohol products, and manufacturing and sales of medical equipment.

3. No identical shareholder information is presumed to indicate control or subsidiary relationships.

4. Overall business operations of related companies

The business operations of the company and its related companies include manufacturing and sales of various rectifiers, other semiconductor components, real estate leasing and sales, and trading of alcoholic beverages and manufacturing and sales of medical equipment.

5. Information of Directors, Supervisors, and General Managers of affiliated enterprises

Unit: Shares (%)

Company Name	Job title	Name or representative person	Shares Held	
			Number of Shares	Shareholding Ratio
Rectron Electronics (China) Co., Ltd.	Director	LIN, WEN-TENG	0 shares	0%
	Manager	LIN, WEN-TENG	0 shares	0%
Zhejiang Rectron Electronics Co., Ltd.	Director	LIN, WEN-TENG, Lin, I-Chin, Liu, Nien-Fu	0 shares	0%
	Manager	Liu, Nien-Fu	0 shares	0%
RECTRON ELECTRONIC ENTERPRISES, INC	Director	LIN, WEN-TENG, Pan, Hsin-Jen, Lin, I-Chin, Sean S. Kelly	0 shares	0%
	Manager	Pan, Hsin-Jen	0 shares	0%
CHU-TING ENTERPRISE CO., LTD.	Director	LIN, CHIANG-YA	0 shares	0%

## 6. Operational Overview of Related Companies

Unit: NTD in thousands

Company Name	Currency	Registered Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Income or Loss for the Period (After Tax)	Earnings Per Share (NT\$) (After Tax)
Rectron Electronic Enterprises , Inc.	USD	2,050	9668	459	507	2,3911	(187)	(188)0	(0.92)
	NTD	63,868	30,096	14,300	15,796	74,492	(5,826)	(5,857)	(29)
Rectron Electronics (China) Co., Ltd.	HKD	20	159,046	104,406	54,640	92,544	4,995	5,744	2,872
	NTD	80	633,003	415,536	217,467	368,325	19,880	22,861	3,266
Zhejiang Rectron Electronics Co., Ltd (Note 1)	RMB	99,322	158,177	96,507	61,670	77,296	1,082	4,794	—
	NTD	436,620	695,346	424,245	271,101	339,793	4,756	21,074	—
CHU-TING ENTERPRISE CO., LTD.	NTD	145,000	172,518	15,642	156,876	21,745	(4,404)	5,951	0.41

Note: For limited companies, the capital is calculated based on the investment amount.

If the related company is a foreign company, the relevant figures are converted to NTD at the exchange rates on the balance sheet date.

USD : NTD = 1: 31.155

HKD : NTD = 1: 3.980

RMB : NTD = 1: 4.396

(2) Consolidated Financial Statements of Related Companies

**Declaration**

Our company, for the fiscal year 2023(from January 1, 2023, to December 31, 2023), prepares consolidated financial statements of related companies in accordance with the "Criteria for the Preparation of Business Combination Reports, Consolidated Financial Statements of Related Companies, and Related Reports." The companies included in the preparation of consolidated financial statements of related companies under these criteria are the same as those included in the preparation of consolidated financial statements of parent and subsidiary companies under the International Financial Reporting Standard No. 10 recognized by the Financial Supervisory Commission. Furthermore, the relevant information required to be disclosed in the consolidated financial statements of related companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, no separate consolidated financial statements of related companies will be prepared.

It is hereby declared

Company Name: Rectron LTD.

Chairman: LIN, I-CHIN

Date: March 15, 2024

(3) Related party report: Not applicable

**2. Private placement of tradable securities in the recent fiscal year and up to the date of printing of the annual report:** None.

**3. Holdings or disposals of the company's shares by subsidiary companies in the recent fiscal year and up to the date of printing of the annual report:** None.

**4. Other necessary supplementary explanations:** None.

9. Major events in the most recent year up until the publication date of the annual report with significant impact on shareholders' equity or stock price.