

Stock Code: 8240



Wah Hong Industrial Corporation

2023 Annual Report

Published on March 31, 2024

Market Observation Post System

MOPS: <https://mops.twse.com.tw>

Company website: <https://www.wahhong.com>

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V. Overseas Listings and Access to the Listing Information: None.

VI. Company website: <https://www.wahhong.com>

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Chapter I.

Letter to Shareholders

Dear shareholders:

In 2023, the overall consumption environment was affected by unfavorable factors such as intensified geopolitical conflicts and high inflation and interest rate hikes, which resulted in weak demand from global end markets and lengthened the inventory adjustment time of the industrial chain. In addition, the industry also faced the impacts and challenges of climate change in various regions. The consolidated revenue in 2023 was NT\$7.52 billion, an annual decrease of about 18.13%. In terms of profitability, the operating net income amounted to NT\$248 million, full-year consolidated net income after tax was NT\$221 million, current net income attributable to the Company's shareholders amounted to NT\$202 million, and after-tax earnings per share were NT\$2.05.

In terms of financial position, the consolidated debt ratio was 46%, the consolidated current and quick ratios were 189% and 163% respectively, the ratio of long-term capital to fixed assets was 343%, and the return on shareholders' equity was 5%. The overall financial structure and solvency were stable and healthy. The annual R&D expenses was NT\$229 million, accounting for 3% of the consolidated revenue, mainly including development of high-end coating technology, various niche functional films and highly insulating thermal conductive materials to satisfy customers' needs with customized services and maintain industry competitiveness through differentiation.

The following is the brief report of 2023 annual business results, 2024 annual business plan, future company development, the impact from external competition, regulatory environment and the overall economic environment:

I. 2023 Business Report

(I) Implementation results of the business plan

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Operating revenue - net	7,518,472	9,183,092	(1,664,620)	-18.13%
Operating costs	6,467,054	8,005,893	(1,538,839)	-19.22%
Gross profit	1,051,418	1,177,199	(125,781)	-10.68%
Operating expenses	802,993	829,984	(26,991)	-3.25%
Operating income	248,425	347,215	(98,790)	-28.45%
Non-operating income and expenses	42,616	75,777	(33,161)	-43.76%
Profit from continuing operations before tax	291,041	422,992	(131,951)	-31.19%
Income tax expenses	(69,610)	(138,821)	69,211	-49.86%
Net Profit	221,431	284,171	(62,740)	-22.08%

(II) Budget execution: The Company did not publish 2023 financial forecast.

(III) Profitability analysis:

Unit: NT\$ thousand

Analysis item		Year	Financial information for the latest 5 years				
			2019	2020	2021	2022	2023
Profitability	Return on assets (%)		3.62	3.17	5.23	3.56	3.36
	Return on equity (%)		6.59	6.19	11.08	6.69	5.18
	Percentage of net profit before tax to the paid-in capital (%)		30.70	33.43	71.45	42.30	29.10
	Net profit rate (%)		2.57	2.36	4.17	3.09	2.95
	Earnings per share (NT\$)		2.1	2.21	4.39	2.66	2.05

(IV) Financial revenue and expenditure

The Company booked operating revenue of NT\$7,518,472 thousand in 2023, operating cost of NT\$6,467,054 thousand, operating gross profit of NT\$1,051,418 thousand, operating expenses of NT\$802,993 thousand, operating net profit of NT\$248,425 thousand, non-operating income and expenses of NT\$42,616 thousand, net profit before tax of NT\$291,041 thousand, and net profit after tax of NT\$221,431 thousand.

(V) Research and development

1. 2023 Research and development expenditures

Unit: NT\$ thousand

Item	2022	2023
R&D expenditure	214,336	229,285
Operating revenues	9,183,092	7,518,472
R&D expenditure / Operating revenue %	2.33%	3.05%

2. Future product development direction

The overall economic environment continued to be impacted by inflation in 2023. With high prices and high inventory levels, end-customer demand decreased, and global sales of panels and displays declined compared to 2022. In response to these changes in the external environment, Wah Hong continued to develop high value-added products and work with customers to facilitate the transformation. For example, the development of various types of optical films used in automotive displays, customized coating materials, and battery modules for drones has made product innovations and applications more

diversified, bringing more possibilities for the Company's future.

II. 2024 Business plan outline

(I) Impact from external competitive environment, regulatory environment, and overall macroeconomic environment

1. External competitive environment

Compared with the competitors, Wah Hong has economies of scale, and large-scale production can reduce long-term average costs over time. In addition, Wah Hong has more diversified products (coatings, functional materials, thermal conduction products, etc.) than our competitors, which allows us to expand into different areas of the industry to seize market opportunities and gain priority in obtaining development opportunities with more potential customers. In addition, Wah Hong also has the opportunity to get closer to our customers and even collaborate with them in research and development.

Therefore, diversifying our business operations and sales channels, strengthening our customized and differentiated marketing strategies, and providing products that match industry trends and market demands have always been our goals.

2. Regulatory environment

In recent years, there have been certain standards and regulations regarding the sustainable development and ESG issues in the world. In accordance with the requirements of the competent authorities and laws and regulations, in addition to obtaining international management system standard certifications such as ISO 9000, 14001, 50001, and 27001, Wah Hong has also begun to carry out the ISO 14064-1 Greenhouse Gas Inventory and the ISO 14067 Carbon Footprint Certification, and has completed the setup of air pollution prevention equipment and wastewater treatment system. The Company's products comply with relevant laws and regulations and international standards, such as EU RoHS, halogen-free and flame-resistant standards, and many plastic products have obtained UL or SGS certification without any hazardous substances, minimizing their environmental impact.

3. Macro economic environment

In response to the global economic demands, each business division of Wah Hong has made continuous promotion plans for target markets for its existing major products, in the hope of increasing its market share. Among them, the market for automotive-related optical films is expected to grow by more than 10% year by year. With the rapid expansion of the electronic paper display market, the electronic optical functional film market will expand from US\$3.4 billion in 2023 to US\$4.48 billion in 2024, with a compound annual growth rate (CAGR) of 31.9%. The EV power module packaging market will also grow at a CAGR of 14.1% along with power components. As for thermal conduction materials, the market value of the heat dissipation market is expected to grow by 13% annually and by 29% in 2024, driven by the increase in the embedded value of

fans and heat dissipation modules.

(II) Specific policies and business strategies

1. Customized coating materials:

- (1) For EV applications: Focusing on the development of materials related to automotive panels (smart cockpit), such as anti-shatter film and automotive sunroof dimming film.
- (2) For electronic readers: Customized special optical films.
- (3) Others: Composite UV peptization protection film.

2. Materials of DAP

- (1) For EV: EV electronic power supply frame, 3C transformer, EV motor rotor.
- (2) For passive component packaging.

3. Battery module:

- (1) For various customized drones.

4. Thermal conduction materials:

- (1) For NB: graphite heat dissipation and new materials.
- (2) For networking products/servers: graphite composite heat dissipation new materials, newly developed heat dissipation modules.

The above concludes Wah Hong's 2023 operating results and future development strategies. Looking ahead, due to the external economic factors that bring certain influence to the Company, we will continue to develop and expand products, technologies and channels, establish a long-term partnership of coexistence and co-prosperity with customers and suppliers, and achieve the four major missions of developing new technologies, producing forward-looking materials, protecting environment, and fulfilling social responsibilities. Finally, the Company would like to thank all shareholders for their who have long-term trusted and supported to Wah Hong so long.

Sincerely

Good health good luck

Chairman: Tsuen-Hsien, Chang

President: Ching-Pin, Yeh

Chapter II. Company Profile

I. Date of Incorporation: August 9, 1973

II. Company History:

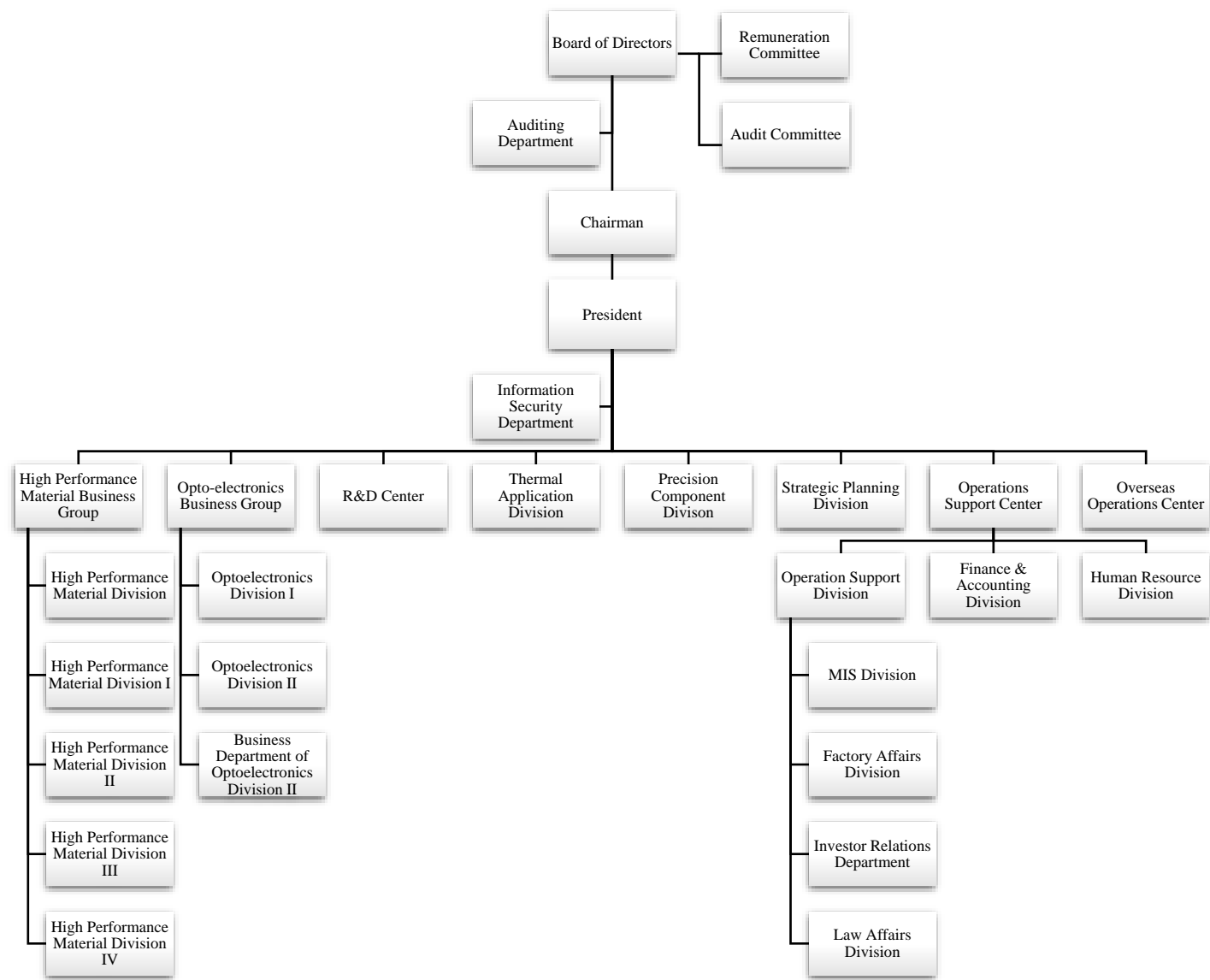
- 1973 : Approved the establishment of Wah Hong Chemical Industry Co., Ltd.
- 1974 : Developed composite material technologies, such as polyester resin, glass fiber.
- 1981 : Set up Nantzu plant.
- 1983 : Developed wear-resisting floor and acid/alkaline resisting epoxy resin.
- 1984 : Researched and developed glass fiber prepreg cloth for fishing rods for Taiwan fishing rod industry.
- 1985 : Developed epoxy resin for tennis rackets to the tennis racket industry.
- 1988 : Developed epoxy resin for hot melt glue prepreg to replace traditional solvent-based prepreg.
- 1990 : Set up Kuangtien plant. Developed glass fiber reinforced BMC for automobile headlight mirrors, achieving a step forward in the localization of automobile lamps.
- 1991 : Researched and developed of PC polycarbonate sheet and thermal vacuum processing to supply lighting cover and bulletproof sheet.
- 1992 : Introduced OA high-precision BMC molding technology to American ROSTONE/Japan Asahi Glass Co. to support Taiwan business machines.
- 1997 : Nantzu plant received ISO9002 certificate. Researched and developed dry BMC technology to supply heat-resistant grade electronic components. The Company was renamed to Wah Hong Industrial Corp. due to the product expansion.
- 1998 : Kuangtien plant received ISO9002 certificate.
- 1999 : Developed magnesium alloy products to supply computer casings.
- 2000 : Kuangtien plant developed Diffusion film and Reflection film for TFT-LCD backlight modules.
: Approved to be a public company by S.F.C.
- 2002 : On November 30, the Company acquired Super Tech Company Ltd. and the capital after the merger was NT\$562,000 thousand.
- 2003 : On August 31, the Company reduced the capital by NT\$412,200 thousand in order to give magnesium alloys independent development space, and spun off the magnesium alloy business department into a joint venture with Japan's Yamaha Fine Tech to establish Hong Ya Technology Corp separately.
- 2004 : In January, the Company was listed in the emerging stock market.
In April, the Company acquired 100% equity of SIP Chang Hong Optoelectronics Ltd. through third-place investment transfer, in order to meet customer needs and supply to downstream manufacturers nearby.
In June, the large-size LCD TV material diffusion film and reflector products obtained the certification of panel manufacturers, and started mass production to

- supply the TFT-LCD TV industry.
- 2005 : In April, the Company reinvested to establish Sun Hong Optronics Ltd. (Huizhou) Co., Ltd.
In June, the Company began initial public offering (IPO) on the TPEX.
In July, the diffuser plate for TFT-LCD TV passed the certification of major panel manufacturers and started shipping.
- 2006 : In July, the Company acquired GMK Technology Corp.
- 2007 : In May, the Company reinvested to establish Xiamen Guang Hong Optronics Ltd.
In September, the Company reinvested to establish Ningbo Changhong Optoelectronics Ltd.
In September, the Company obtained a number of patents for autofocus actuators.
- 2008 : In October, the Company has cooperated with Gunze Ltd. and established Jun Hong Optronics Corporation to produce ITO films
- 2010 : In December, the Company reinvested to establish Qingdao Changhong Optoelectronics Ltd.
- 2011 : In December, the Company established the Remuneration Committee.
- 2012 : In August, the No. 3 coating machine of Kuangtien plant was officially mass-produced.
- 2013 : In August, the Company celebrated its 40th anniversary.
- 2014 : In June, the Company reinvested and established Qingdao Yi Hong New Material Ltd.
- 2015 : In May, the Company was selected as the Third Potential Taiwan Mittelstand by the Ministry of Economic Affairs.
In November, the Company reinvested to PT. Wah Hong Indonesia.
- 2016 : In July, the Company signed a technical cooperation contract with Nanoco, a British company, and produced CFQD film for use in displays.
- 2017 : In March, the Company won the 14th “Taiwan Golden Root Award” of the Taiwan Industrial Technology Association.
Customer certified the polarizer used in the TFT-LCD NB and Car Display. Then, the Company its started mass production.
- 2018 : In November, Wah Ma Chemical Sdn. Bhd. changed its name to “Wah Ma Technology Sdn. Bhd.”
In November, PT Wah Hong Indonesia’s new photoelectric material cutting production line was put into mass production.
- 2019 : In April, the Company reinvested to Suzhou Alliance Material Co., Ltd.
In May, the Company established the Audit Committee.
In June, Wah Hong Optoelectronic Materials Division - Precision Punching Factory obtained the IATF16949 certificate.
Customer certified the polarizer used in TFT-LCD Monitor. Then, the Company started its mass production.

- 2020 : In June, the SIP Chang Hong Optoelectronics Ltd. obtained the IATF16949:2016 certificate.
- 2021 : In July, Qingdao Changhong Optoelectronics Ltd. completed the plant relocation. In October, the Kaohsiung head office obtained the Operation Headquarters certification.
- 2022 : In June, the first roof-mounted solar power generation system in the Kuangtien plant was officially launched.
- 2023 : In March, obtained the ISO 27001:2013 certificate.
In October, Ningbo Changhong Optoelectronics Ltd. completed the plant relocation.
In November, Tsuen-Hsien, Chang took over as the Chairman of the Board of Directors of the Company.

I. Organizational structure

(I) Organization chart



(II) Business affairs operated by the key divisions

Department	Business affairs	
Auditing department	<ol style="list-style-type: none"> 1. Internal audit system planning, formulation and implementation. 2. Submit audit reports and track improvement results. 	
President department	<ol style="list-style-type: none"> 1. Planning and implementing the Company's short-term, medium- and long-term business plans. 2. Manage and supervise the planning and implementation of company strategy, internal control operations, and work safety and environmental protection. 3. Evaluation, planning and execution of new business and new product development. 	
Information security department	<ol style="list-style-type: none"> 1. Information security system planning. 2. Monitor and execute information security management operations. 	
Strategic planning division	<ol style="list-style-type: none"> 1. Formulate and implement the Company's business strategy and investment strategy, and integrate the strategies of different business departments. 2. Reinvestment planning, evaluation and execution. 3. Manage and supervise the performance of business units and subsidiaries, and coordinate operational support. 4. Plan and establish various systems for domestic and overseas reinvestment companies. 5. Analyze the industrial environment and development trends, implement and promote various company projects. 	
Human resource division	<ol style="list-style-type: none"> 1. Human resources and organizational development planning and execution. 2. Education and training planning and execution. 	
Finance & accounting division	<ol style="list-style-type: none"> 1. Financial policy planning implementation and fund management. 2. Stock registrar management. 3. Customer credit investigation, investigation and control. 4. Accounting and financial budget planning and execution, tax management. 	
Operation support division	MIS division:	<ol style="list-style-type: none"> 1. Information system planning and design, technical support and management services. 2. Through computerization, process transformation, and system introduction, effectively improve the operating efficiency, and ensure information security protection. 3. Management and maintenance of information equipment, Internet-related software and hardware equipment.
	Factory affairs division:	<ol style="list-style-type: none"> 1. Planning and maintenance of factory affairs systems and facilities. 2. Implementation of labor safety, sanitation, environmental protection and resource management. 3. General affairs.

	Legal and investor relations:	<ol style="list-style-type: none"> 1. Public affairs management and investor relations. 2. Legal consultation and review, planning and handling of contracts and litigation and other legal matters.
Overseas operations center		<ol style="list-style-type: none"> 1. Resources integration in Chinese mainland. 2. Assistance in overseas market development. 3. Overseas subsidiary management monitoring.
Various divisions		<p>R&D:</p> <ol style="list-style-type: none"> 1. New product development. 2. Automation engineering research and development. 3. Development and introduction of new materials and new technologies.
		<p>Marketing:</p> <ol style="list-style-type: none"> 1. Market development and sales. 2. Customer services and consultations. 3. Business resource planning, management and utilization. 4. International market expansion and economic and trade affairs.
		<p>Manufacturing:</p> <ol style="list-style-type: none"> 1. Manufacturing management and production and sales planning. 2. Raw material procurement and control. 3. Warehouse management and storage logistics operations. 4. Establishment and maintenance of quality system.

II. Background information of Directors, President, Vice Presidents, Associate Managers, and the heads of various departments and branches

(I) Director information

March 31, 2024

Title	Nationality or registry	Name	Gender Age	Date of election	Term	Date first elected	Shareholding of election		Current number of shares held		Current shareholding of the spouse and minor children		Shares held in the names of others		Education and experience	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relationship	
Chairman	R.O.C.	Wah Lee Industrial Corp.	-	May 26, 2022	3 years	June 5, 2002	26,122,978	26.12%	27,135,978	27.13%	0	0.00%	0	0.00%	None	Corporate director of Daily Polymer Corporation Corporate director of Tetrahedron Technology Corporation Corporate director of Forcera Materials Co., Ltd. Corporate director of Nagase Wahlee Plastics Corp. Corporate director of Chang Wah Electromaterials Inc Corporate director of ORC Technology Corp. Corporate director of ORC Electrical Machinery Co., Ltd. Corporate director of Asahi Kasei Wah Lee Hi-Tech Corporation Corporate director of Kingstone Energy Technology Corporation Corporate director of Tranceed Logistics Co., Ltd. Corporate director of Minima Technology Co., Ltd. Corporate director of Evergreen New Energy Corporation Corporate director of CNI Powerenergy Technology Co., Ltd. Corporate director of High Tech Gas Company Ltd. Corporate director of Feng Huang Er Innovation Venture Capital Co., Ltd. Corporate supervisor Taigene Biotechnology Co., Ltd.	None	None	None	None
	R.O.C.	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang	Male Age 51-60	May 26, 2022	3 years	May 29, 2019	0	0.00%	0	0.00%	19,994	0.02%	0	0.00%	University of Southern California, USA Department of Electrical Engineering Department of Biomedical engineering	Chairman, serves as the president concurrently, and chief executive officer of Wah Lee Industrial Corp. Chairman of Raycong Industrial (Hong Kong) Limited Chairman of DongGuan HuaGang International Trading Co., Ltd.	Director	Ray-Ching, Chang	Father-son relationship	None

															Chairman of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Chairman of Wah Lee Tech (Singapore) Pte. Ltd. Chairman of Wah Tech Industrial Co., Ltd. Chairman of Wah Lee Holding Limited (BVI) Director of Chang Wah Electromaterials Inc Director of Shanghai Hua Chang Trading Co., Ltd. Director of ORC Technology Corp. Director of Huaying Supply Chain Management(SZ) Co., Ltd. Director of ORC Electrical Machinery Co., Ltd. Director of Nagase Wahlee Plastics Corp. Director of Wingent International Limited Chairman of Advance Hightech Solutions Inc.					
Director	R.O.C.	Bau Guang Investment Corp.	-	May 26, 2022	3 years	October 24, 2003	1,427,357	1.43%	1,427,357	1.43%	0	0.00%	0	0.00%	None	None	None	None	None	None
	R.O.C.	Bau Guang Investment Corp. Representative: Ray-Ching, Chang	Male Age 81-90	May 26, 2022	3 years	June 29, 1973	917,633	0.92%	917,633	0.92%	32,306	0.03%	0	0.00%	Honorary Doctor of Engineering, National Sun Yat-sen University Honorary Doctor of Engineering, National Cheng Kung University Chief executive officer of Wah Lee Industrial Corp.	(Note 1)	Director	Tsuen-Hsien, Chang	Father-son relationship	None
Director	R.O.C.	Ching-Pin, Yeh	Male Age 71-80	May 26, 2022	3 years	August 9, 1973	1,494,994	1.49%	1,494,994	1.49%	124,139	0.12%	0	0.00%	EMBA of National Sun Yat-sen University Senior Vice President of Wah Lee Industrial Corp.	President of the Company Director of Wah Lee Industrial Corp. Supervisor of Jin Tai Shun Industrial Corp. Director of Wah Ma Technology Sdn. Director of Jun Hong Optronics Corporation Director of Feng Huang Wu Innovation Venture Capital Co., Ltd.	None	None	None	None
Director	R.O.C.	Chih-Cheng, Wu	Male Age 71-80	May 26, 2022	3 years	October 28, 1996	571,129	0.57%	571,129	0.57%	115,121	0.12%	0	0.00%	EMBA of National Cheng Kung University Vice President of Wah Hong Industrial Corp. President of Hong Ya Technology Corporation	Chairman of Wah Sheng Industrial Corp. Supervisor of Sun Hong Optronics Ltd. Director of IMAT Corporation	None	None	None	None

Independent Director	R.O.C.	Chen-Chi, Ma	Male Age 71-80	May 26, 2022	3 years	June 21, 2016	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor of Chemical Engineering, North Carolina State University, USA Senior Material Engineer, Phillips Petroleum Company, USA Senior Researcher of Lord Corporation, USA Senior Research Engineer of Monsanto Company, USA	Honorary Professor of the Department of Chemical Engineering, National Tsing Hua University Independent Director of Shiny Chemical Industrial Co., Ltd Independent Director of Topkey Corporation	None	None	None	None
Independent Director	R.O.C.	Liang-Chien, Li	Male Age 51-60	May 26, 2022	3 years	May 26, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor, Department of Transportation and Communication Management Science, National Cheng Kung University Dean of the Department of Finance and Extension Education Center, I-Shou University Chief Executive Officer of the in-service Master Program of the College of Management, I-Shou University Director, Finance Bureau Kaohsiung City Government	Vice President of Administration and Professor of Department of Finance, I-Shou University Minister of Kaohsiung Youth League Committee, China Youth Corps. Chairman of Kaohsiung National Cheng Kung University Alumni Association Cultural Educational Foundation Chairman of Wang Ke Cultural Foundation Director of Syin-Lu Social Welfare Foundation Director of Guo-Sheng Cultural and Educational Foundation	None	None	None	None
Independent Director	R.O.C.	Kuan-Neng, Chen	Male Age 41-50	May 26, 2022	3 years	May 26, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor of Department of Electrical Engineering and Information Science, Massachusetts Institute of Technology Master of Materials Science and Engineering, Massachusetts Institute of Technology Professor, and Distinguished Professor of National Chiao Tung University	Chair Professorship of Institute of Electronics, National Yang Ming Chiao Tung University Joint Appointment Engineer of Industrial Technology Research Institute Supervisor of Spring Foundation of NCTU Director of Electronics Devices and Materials Association Vice President and Chief Scientist of TRON Future Tech Inc.	None	None	None	None

Note 1: Ray-Ching Chang is currently the director of Wah Lee Industrial Corp., the chairman of Nagase Wahlee Plastics Corp., Wah Hong Holding Limited, Wah Hong Technology Limited, Wah Hong International Limited, Wah Hong Development Limited, SHC Holding Limited, Fu Wang Hong Co., Ltd., Ding Bao Co., Ltd., Feng Huang Wu Innovation Venture Capital Co., Ltd., and the director of Feng Huang Er Innovation Venture Capital Co., Ltd.

(II) 1. Major Shareholders of Corporate Shareholders

March 31, 2024

Corporate shareholder name	Major shareholders of corporate shareholders
Wah Lee Industrial Corp.	Kang Tai Investment Corp. (7.98%), Fu Shi Investment Co., Ltd. (6.38%), De Wei Investment Co., Ltd. (5.08%), Ding Bao Co., Ltd. (3.32%), Jing Zan Investment Co. Ltd.(2.80%), Wah Hong Industrial Corp. (2.52%), Dian Chiang Chia Industrial Co., Ltd. (2.31%), Ray-Ching, Chang (2.30%), CTBC Bank is entrusted by Wah Lee Co. Ltd. employee shareholding meeting trust estate account (2.30%), Norges Bank under custody of Citibank (Taiwan) investment account (1.37%)
Bau Guang Investment Corp.	Fu Shi Investment Co., Ltd.(100%)

2. Major Shareholders of Major Corporate Shareholders

March 31, 2024

Name of juristic person	Major shareholders of juristic person
Kang Tai Investment Corp.	Fu Shi Investment Co., Ltd. (94.28%), De Wei Investment Co., Ltd. (5.72%)
Fu Shi Investment Co., Ltd.	Rui Kang Investment Co. Ltd. (98.90%), Jing Zan Investment Co. Ltd. (1.10%)
De Wei Investment Co., Ltd.	Tang Di Nuo Investment (B.V.I.) Co., Ltd. (100%)
Ding Bao Co., Ltd.	Ray-Ching Chang (99.89%); Shu-Chen, Lin (0.11%)
Jing Zan Investment Co. Ltd.	Ya Jia Te International (B.V.I.) Corp. (78.63%), Yong Sheng Investments Limited (20.07%), Peng Da Investments Limited (1.30%)
Dian Chiang Chia Industrial Co., Ltd.	Ching-Sung, Chen (87.55%); Yi-Pu, Chen (5.80%); Hui-Yen, Chang (0.97%); Chia-Ying, Cheng (0.73%); Yu-Fan, Cheng (0.73%); Yu-Pei, Cheng (0.73%); Ching-Hui, Chen (0.40%); Hui-Ching, Hsieh (0.40%); Yu-Yun, Chen (0.40%); Ching-Cheng, Chen (0.38%)
CTBC Bank is entrusted by Wah Lee Co. Ltd. employee shareholding meeting trust estate account	Not applicable for non-company organization
Investment account of Norges Bank managed by Citibank Taiwan	Not applicable for non-company organization

(III) Information disclosure of professional qualification of director and independence of independent director:

Terms Name	Professional qualification and experience	Compliance of independence	Number of other public companies where the independent directors are also the independent directors of these companies
Chairman Tsuen-Hsien, Chang	Graduated from the Department of Electrical Engineering and Department of Biomedical Engineering of the University of Southern California, USA, he is currently the Chairman of Wah Lee Industrial Corp., and corporate director representative of several listed companies such as Chang Wah Electromaterials Inc. With more than 5 years of working experience required for business, finance, and corporate business, he has an international perspective and the ability to global professional market competition judgment and innovation.	Does not meet any descriptions stated in Article 30 of the Company Act.	None
Director Ray-Ching, Chang	Graduated from the Chemical Engineering Department of Cheng Kung University, and was awarded an honorary Doctor of Engineering from National Sun Yat-Sen University in 2015 and 2016 respectively. He is currently the corporate director representative of many companies such as Wah Hong Industrial Corp., and the Company. With more than 5 years of working experience required for business, finance, and corporate business, he has been committed to the development, production, and sales of prospective materials-related fields for more than 40 years, has the ability of professional leadership, operation management, and strategic planning, and operates and manages the image and corporate relationship of the Company, leading the Company to become a pioneer in the industry and move towards the sustainable operation.	Does not meet any descriptions stated in Article 30 of the Company Act.	None
Director Ching-Pin, Yeh	Graduated from EMBA of National Sun Yat-sen University, currently the President of the Company and the director of Wah Lee Industrial Corp., with more than 5 years of working experience required for business, finance, and corporate business, and has been committed to the field of optoelectronic industry for nearly 30 years, specializing in market strategy, business decision-making, and creative leadership, with abundant experience and business networks.	Does not meet any descriptions stated in Article 30 of the Company Act.	None

Terms Name	Professional qualification and experience	Compliance of independence	Number of other public companies where the independent directors are also the independent directors of these companies
Director Chih-Cheng, Wu	Graduated from EMBA of National Cheng Kung University, once served as the Vice President of the Company, and is currently the corporate director representative of IMAT Corporation, with more than 5 years of working experience required for business, finance, and corporate business, and specializing in strategic planning and corporate management leadership.	Does not meet any descriptions stated in Article 30 of the Company Act.	None
Independent Director Chen-Chi, Ma	Graduated from North Carolina State University in the United States with a Doctor of Chemical Engineering, chemical engineering, the convener of the Company's Remuneration Committee and Audit Committee. He is currently an honorary professor of the Department of Chemical Engineering of National Tsing Hua University and an independent director of Shiny Chemical Industrial Co., Ltd. and Topkey Corporation. With more than 5 years of work experience required for business and corporate business. He is committed to the research of nanomaterials, polymer composites, polymer processing, energy, and environmental protection. He has won the Outstanding Application and Technology Talent Award from the Executive Yuan. Offer professional advice on the Company's product development and sales. Subject to Article 2, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	(1) All subject to Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. (2) No spouse or a relative within the second degree of kinship with other directors. (3) Does not meet any descriptions stated in Article 30 of the Company Act. (4) No election as government, juristic person or its representative as stipulated in Article 27 of the Company Act.	2
Independent Director Liang-Chien, Li	Graduated from National Cheng Kung University with a Doctor of Department of Transportation and Communication Management Science. He is a member of the Audit Committee and the Remuneration Committee of the Company. He once served as the dean of the Department of Finance and Extension Education Center of I-Shou University, the Chief Executive Officer of the in-service Master Program of the College of Management, I-Shou University, the Director of the Finance Bureau Kaohsiung City Government, currently a professor of the Department of Finance of I-Shou University, the vice president of administration of I-Shou University, the Minister of Kaohsiung Youth League Committee, China Youth Corps, the	(5) No provision of business, legal, financial, accounting and other services for the Company or its affiliated companies in the past 2 years.	None

<div>Terms</div> <div>Name</div>	Professional qualification and experience	Compliance of independence	Number of other public companies where the independent directors are also the independent directors of these companies
	Chairman of the Kaohsiung National Cheng Kung University Alumni Association Cultural Educational Foundation, the Director of Syin-Lu Social Welfare Foundation, and the Director of Guo-Sheng Cultural and Educational Foundation. He has more than 5 years of working experience required for business, finance, accounting, and corporate business, specializing in financial planning and accounting professional affairs, and has abundant experience. Subject to Article 2, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.		
Independent Director Kuan-Neng, Chen	Graduated from Massachusetts Institute of Technology with a doctor of Department of Electrical Engineering and Information Science, and Master of Materials Science and Engineering. He is a member of the Company's Audit Committee. He once served as a researcher at IBM Watson Research Center, the Professor, Associate Professor, and Distinguished Professor of National Chiao Tung University. He is currently a chair professor of the Institute of Electronics, National Yang Ming Chiao Tung University, a joint appointment engineer of the Industrial Technology Research Institute, a Supervisor of Spring Foundation of NCTU, and a director of the Taiwan Electronics Devices and Materials Association. He has rich industrial experience in the Company's product development. Subject to Article 2, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.		None

(IV) Diversity and independence of board of directors:

According to Article 5.1 of the Corporate Governance Best Practice Principles Paragraph 5.1.3 Structure of the board of directors, the diversity of Board of Directors' membership and the overall capabilities of Board of Directors are as follows:

5.1. Structure of the board of directors

5.1.3. The board of directors should consider diversification in its membership, and an appropriate diversification policy should be formulated based on its operations, operation type, and development needs, which should include but not be limited to the following two major standard aspects:

1. Basic conditions and values: gender, age, nationality, culture, etc.
2. Profession knowledge and skills: profession background (e.g. law, accounting, industry, finance, marketing: or technology), profession skills, industry experience, etc.

The board members shall possess the necessary knowledge, skills and temperament. To achieve the corporate governance ideals of the Company, the board altogether shall possess the following capabilities:

1. Operational judgment.
2. Accounting and financial analysis.
3. Operating management.
4. Crisis management.
5. Industry knowledge.
6. Knowledge on international market.
7. Leadership.
8. Decision making capability.

The company's board of directors is composed of 7 directors, including 3 independent directors. The proportion of employee directors is 28%, and the proportion of independent directors is 43%. The members have rich experience and expertise in the fields of finance, electronic technology, optoelectronics, industry and management. Implementation situation is as follows:

Diversity core item Name of director	Basic compose								Serve as employees concurrently	Diversity core ability (principal 5)										
	Title	Gender	Age				Independent Director terms and seniority			Financial	Electronic technology	Industrial	Business administration	Business	Accounting	Optoelectronics	Marketing management	Information technology	Risk management	
			Age 41 - 50	Age 51 - 60	Age 71 - 80	Over age 81	Less than 3 years	3 - 9 years												More than 9 years
Tsuen-Hsien, Chang	Chairman	Male		✓							✓	✓		✓				✓	✓	
Ray-Ching, Chang	Director	Male				✓					✓	✓	✓			✓			✓	
Ching-Pin,	Director	Male			✓					✓	✓		✓			✓	✓		✓	

Diversity core item Name of director	Basic compose								Serve as employees concurrently	Diversity core ability (principal 5)										
	Title	Gender	Age				Independent Director terms and seniority			Financial	Electronic technology	Industrial	Business administration	Business	Accounting	Optoelectronics	Marketing management	Information technology	Risk management	
			Age 41 - 50	Age 51 - 60	Age 71 - 80	Over age 81	Less than 3 years	3 - 9 years												More than 9 years
Yeh																				
Chih-Cheng, Wu	Director	Male			✓					✓		✓	✓			✓				✓
Chen-Chi, Ma	Independent Director	Male			✓			✓				✓	✓			✓	✓			✓
Liang-Chien, Li	Independent Director	Male		✓			✓				✓		✓	✓	✓					✓
Kuan-Neng, Chen	Independent Director	Male	✓				✓					✓	✓			✓				✓

(V) Board of Directors diversity policies and specific management objectives:

Management objectives	Implementation
The number of directors who concurrently act as company managers shall not exceed half of the total number of directors	Achieved
The number of independent directors shall be more than one-third of the total number of directors	Achieved
The number of independent directors shall serve no more than three consecutive terms	Achieved

(VI) Information of President, Vice President, Associate Managers and supervisors of each department and branch.

March 31, 2024; Unit: Shares; %

Title	Nationality	Name	Gender	Date assumed position	Shareholding		Shareholding of the spouse, and minor children		Shares held in the names of others		Education and experience	Concurrent Position(s) in the other companies	Spouse or relatives within the second degree of kinship acting as managers			Managers obtaining employee stock option certificates	Remark
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relationship		
President	R.O.C.	Ching-Pin, Yeh	Male	November 2001	1,494,994	1.49%	124,139	0.12%	0	0.00%	EMBA of National Sun Yat-sen University Senior Vice President of Wah Lee Industrial Corp.	Director of Wah Lee Industrial Corp. Supervisor of Jin Tai Shun Industrial Corp. Director of Wah Ma Technology Sdn Bhd Director of Jun Hong Optronics Corporation Director of Feng Huang Wu Innovation Venture Capital Co., Ltd.	None	None	None	None	None
Vice President and President of Optoelectronics Business Group	R.O.C.	Chih-Ming, Lin	Male	September 2013	267,296	0.27%	38,680	0.04%	0	0.00%	Department of Chemical Engineering, National Kaohsiung University of Applied Sciences Engineer of LCY CHEMICAL CORP	Supervisor of Ningbo Changhong Optoelectronics Ltd. Supervisor of Qingdao Changhong Optoelectronics Ltd. Supervisor of SIP Chang Hong Optoelectronics Ltd. Supervisor of SIP Chang Jun Trading Limited Director of Sun Hong Optronics Ltd. Director of Xiamen Guang Hong Optronics Ltd. Supervisor of Ningbo Changli New Material Limited	Associate Manager	Su-Hui, Tsai	Spouse	None	None
President of Optoelectronics Business Group and Overseas Operations Center	R.O.C.	Ming-Chu, Tsai	Male	September 2013	14,000	0.01%	0	0.00%	0	0.00%	Department of Chemical Engineering, Feng Chia University	Director of SIP Chang Hong Optoelectronics Ltd. Director of Ningbo Changhong Optoelectronics Ltd. Director of Qingdao Changhong Optoelectronics Ltd. Director of SIP Chang Jun Trading Limited Supervisor of Xiamen Guang Hong Optronics Ltd.	None	None	None	None	None
President of High Performance Material Business Group	R.O.C.	Teng-Yuan, Cheng	Male	July 2011	78,988	0.08%	0	0.00%	0	0.00%	Master of Chemical Engineering, National Tsing Hua University	Director of Wah Ma Technology Sdn Bhd Member of PT Wah Hong Indonesia Director of Wah Sheng Industrial Corp.	None	None	None	None	None

Title	Nationality	Name	Gender	Date assumed position	Shareholding		Shareholding of the spouse, and minor children		Shares held in the names of others		Education and experience	Concurrent Position(s) in the other companies	Spouse or relatives within the second degree of kinship acting as managers			Managers obtaining employee stock option certificates	Remark
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relationship		
Vice President of Thermal Application Division	R.O.C.	Ko-Chun, Chen	Male	July 2007	59,705	0.06%	687	0.00%	0	0.00%	Department of Mechanical Engineering, Feng Chia University R&D Manager of Hong Ya Technology Corporation	None	None	None	None	None	None
Associate manager of Optoelectronics Division I	R.O.C.	Wen-Pang, Yang	Male	July 2021	14,000	0.01%	29,000	0.03%	0	0.00%	Department of Fiber and Polymer, National Taiwan University of Science and Technology Director of Manufacture Center, Flexup Technologies Corporation	None	None	None	None	None	None
Associate manager of Optoelectronics Division II	R.O.C.	Su-Hui, Tsai	Female	July 2011	38,680	0.04%	267,296	0.27%	0	0.00%	Department of Chemical Engineering, National Kaohsiung University of Applied Sciences Berlin Co., Ltd.	None	President	Chih-Ming, Lin	Spouse	None	None
Associate manager of High Performance Material Division III	R.O.C.	Hsin-Mo, Hsieh	Male	July 2011	20,045	0.02%	0	0.00%	0	0.00%	Department of Fiber Engineering, National Taiwan University of Science and Technology Manager of Wah Yao Construction Co., Ltd.	None	None	None	None	None	None
Associate manager of President Department	R.O.C.	Hsiang-Wei, Cheng	Male	July 2012	84,050	0.08%	2,507	0.00%	0	0.00%	Institute of Chemical, National Chiao Tung University Engineer of Chang Chun Petrochemical Co., Ltd.	Director and President of Sun Hong Optronics Ltd.	None	None	None	None	None

Title	Nationality	Name	Gender	Date assumed position	Shareholding		Shareholding of the spouse, and minor children		Shares held in the names of others		Education and experience	Concurrent Position(s) in the other companies	Spouse or relatives within the second degree of kinship acting as managers			Managers obtaining employee stock option certificates	Remark
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relationship		
Associate manager of President Department	R.O.C.	Chou-Hsing, Wu	Male	July 2012	27,123	0.03%	0	0.00%	0	0.00%	Department of business information, Sanno University Vice President of Attack Technology & Trading Co., Ltd.	Chairman of Smart Succeed Ltd.	None	None	None	None	None
Associate manager of President Department	R.O.C.	Wei-Chih, Chen	Male	August 2014	14,030	0.01%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Chienkuo Technology University Administration manager of ADI Corporation	Director and Vice President of Xiamen Guang Hong Optronics Ltd.	None	None	None	None	None
Associate manager of President Department	R.O.C.	Fu-Liang, Hsu	Male	July 2011	74,090	0.07%	35,329	0.04%	0	0.00%	Master of Business Administration, National Pingtung University of Science and Technology	Director and President of SIP Chang Hong Optoelectronics Ltd. Director of SIP Chang Jun Trading Limited Director of Chang Hong (HK) Optronics Limited	None	None	None	None	None
Assistant Manager of R&D Center	R.O.C.	Ching-Wen, Yu	Male	May 2018	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Chemical Engineering, National Taiwan University of Science and Technology Senior Associate Manager of Taiflex Scientific Co., Ltd.	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date assumed position	Shareholding		Shareholding of the spouse, and minor children		Shares held in the names of others		Education and experience	Concurrent Position(s) in the other companies	Spouse or relatives within the second degree of kinship acting as managers			Managers obtaining employee stock option certificates	Remark
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relationship		
Associate of Operations Support Center (Treasurer and head of corporate governance)	R.O.C.	Yu-Jen, Chang	Male	August 2013	20,728	0.02%	0	0.00%	0	0.00%	Master of Finance, National Kaohsiung University of Science and Technology	Chairman of SIP Chang Hong Optoelectronics Ltd. Chairman of Sun Hong Optronics Ltd. Chairman of Xiamen Guang Hong Optronics Ltd. Chairman of Ningbo Changhong Optoelectronics Ltd. Chairman of Qingdao Changhong Optoelectronics Ltd. Chairman of SIP Chang Jun Trading Limited Chairman of SuZhou Alliance Material Co., Ltd. Chairman of Chang Hong (HK) Optronics Limited Director of Wah Sheng Industrial Corp. Director of WAH MA TECHNOLOGY SDN. BHD. Chairman of GRANITE INTERNATIONAL LTD. Chairman of ALLIED ROYAL LLC. Chairman of PT. WAH HONG INDONESIA Chairman of Best Honor Inc.	None	None	None	None	None
Director of Finance & Accounting Division (Chief Accounting Officer)	R.O.C.	Hui-Jung, Chang-Chien	Female	June 2006	15,309	0.02%	0	0.00%	0	0.00%	Department of Accounting, National Chung Hsing University CPA, Horwath Chien Hsing	None	None	None	None	None	None

III. Remuneration to directors, supervisors, President and Vice President in the latest year

(I) Remuneration to directors and independent directors

Unit: NT\$ thousand; %

December 31, 2023

Title	Name	Remuneration of directors								Sum of A, B, C and D as a percentage of net income after tax (Note 7)		Remuneration of directors also serving as Company employees								Sum of A, B, C, D, E, F and G as a percentage of net income after tax (Note 7)		Remuneration from investee businesses other than subsidiaries or parent Company (Note 8)
		Remuneration (A) (Note 1)		Pension (B)		Remuneration of directors (C) (Note 2)		Business Execution Expenses (D) (Note 3)				Salary, bonus and special allowances, etc. (E) (Note 4)		Pension (F) (Note 5)		Employees' compensation (G) (Note 6)						
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company		All companies shown in the financial report		The Company	All companies shown in the financial report	
Cash Amount	Stock Amount															Cash Amount	Stock Amount					
Director	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang	0	0	0	0	3,917	3,917	220	220	4,137 2.04%	4,137 2.04%	9,346	9,346	58	58	2,689	0	2,689	0	16,230 8.02%	16,230 8.02%	50,217
	Bau Guang Investment Corp. Representative: Ray-Ching, Chang																					
	Ching-Pin, Yeh																					
	Chih-Cheng, Wu																					
Independent Director	Chen-Chi, Ma	0	0	0	0	3,000	3,000	370	370	3,370 1.67%	3,370 1.67%	0	0	0	0	0	0	0	0	3,370 1.67%	3,370 1.67%	0
	Liang-Chien, Li																					
	Kuan-Neng, Chen																					
<div>1. Independent director remuneration policy, system, standard, and structure, according to factors such as the undertaken responsibilities, risks, investment of time, etc., and state the relevance of payment amounts: Under Article 19 of the Company's Articles of Association, regardless of the operating profit or loss, the board of directors was authorized to formulate remunerations to the Company's independent directors according to their participation in and contribution to the Company's operation shall not exceed the standard of the highest salary scale formulated in the salary system. If the Company has a profit surplus, the remuneration shall be distributed under Article 23.</div> <div>2. In addition to the disclosures in the above table, remuneration received by the Company's directors who provided services (such as consultant serving as the parent Company/ all companies in the financial report/ investee businesses non-employees, etc.) in the latest year: None.</div>																						

Remuneration bracket table

Range of Remuneration for each director of the Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies shown in the financial report (H)	The Company	The parent company and all investee businesses (I)
Less than NT\$ 1,000,000	Ching-Pin, Yeh; Chih-Cheng, Wu	Ching-Pin, Yeh; Chih-Cheng, Wu	—	—
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang Bau Guang Investment Corp. Representative: Ray-Ching, Chang; Chen-Chi, Ma; Liang-Chien, Li; Kuan-Neng, Chen	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang Bau Guang Investment Corp. Representative: Ray-Ching, Chang; Chen-Chi, Ma; Liang-Chien, Li; Kuan-Neng, Chen	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang; Chen-Chi, Ma; Liang-Chien, Li; Kuan-Neng, Chen	Chen-Chi, Ma; Liang-Chien, Li; Kuan-Neng, Chen
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	—	—	Bau Guang Investment Corp. Representative: Ray-Ching, Chang; Chih-Cheng, Wu	Chih-Cheng, Wu
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	—	—	—	—
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	—	—	Ching-Pin, Yeh	—
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	—	—	—	Ching-Pin, Yeh
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	—	—	—	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang Bau Guang Investment Corp. Representative: Ray-Ching, Chang
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	—	—	—	—
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	—	—	—	—
Over NT\$ 100,000,000	—	—	—	—
Total	7 persons	7 persons	7 persons	7 persons

Note 1: It refers to the 2023 remuneration to directors approved by the board of directors.

Note 2: It refers to the 2023 director's remuneration amount distribution approved by the board of directors.

Note 3: It refers to the 2023 business execution expenses of the directors (including travel expenses, remuneration for remuneration committee members).

Note 4: It refers to salaries, duties allowances, severance pay, various rewards, bonuses, traveling expenses, special allowances, various allowances, dormitories, car distribution, and other in-kind provisions offered to directors who held concurrent positions as company employees (including the president, vice presidents, other managers, and employees) for 2023.

Note 5: It refers to the pension appropriation for 2023.

Note 6: It refers to the directors and employees (including concurrent the president, vice presidents, other managers, and employees) who received employee cash remuneration in 2023. The amount of employee remuneration approved by the board of directors is the proposed distribution amount.

Note 7: Net income after tax refers to net income after tax for 2023.

Note 8: (1) If the directors of the Company receive relevant remuneration from the investee businesses other than the subsidiaries or parent Company which shall be incorporated in column I of the remuneration bracket table. The column shall be renamed Parent Company and All Investee Businesses.

(2) Remuneration refers to the compensation, stipends (including stipends of employees, directors, and supervisors), and business execution expenses related to remuneration received by the directors of the Company as directors, supervisors, or managers of the investee businesses other than the subsidiaries or parent Company.

(II) Remuneration to President and Vice President

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

Title	Name	Salary (A) (Note 1)		Pension (B) (Note 4)		Bonus and special allowances, etc. (C) (Note 2)		Amount of remuneration to employees (D) (Note 3)				Sum of A, B, C and D as a percentage of net income after tax (%) (Note 5)		Remuneration from investee businesses other than subsidiaries or parent Company (Note 6)
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company		All companies shown in the financial report		The Company	All companies shown in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Ching-Pin, Yeh	9,351	9,351	202	202	7,136	7,136	5,984	0	5,984	0	22,673 11.20%	22,673 11.20%	2,060
President	Ming-Chu, Tsai													
President	Chih-Ming, Lin													
President	Teng-Yuan, Cheng													
Vice President	Ko-Chun, Chen (Note 7)													

Remuneration bracket table

Range of Remuneration for each President and Vice President of the Company	Names of President and Vice President	
	The Company	Parent company and all investee businesses (E)
Less than NT\$ 1,000,000	—	—
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	Ko-Chun, Chen (Note 7)	Ko-Chun, Chen (Note 7)
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	Teng-Yuan, Cheng	Teng-Yuan, Cheng
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	Chih-Ming, Lin	Chih-Ming, Lin
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	Ching-Pin, Yeh; Ming-Chu, Tsai	Ming-Chu, Tsai
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	—	Ching-Pin, Yeh
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	—	—
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	—	—
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	—	—
Over NT\$ 100,000,000	—	—
Total	5 persons	5 persons

Note 1: It refers to the salaries, duties allowances, severance pay, etc. of the President and Vice President in 2023.

Note 2: Various rewards, bonuses for the President and Vice President in 2023.

Note 3: The amount of employee remuneration in 2023 approved by the board of directors is the proposed distribution amount.

Note 4: It refers to the pension appropriation for 2023.

Note 5: Net income after tax refers to net income after tax for 2023.

Note 6: (1) If the President and Vice President of the Company receive relevant remuneration from the investee businesses other than the subsidiaries or parent company which shall be incorporated in column E of the remuneration bracket table. The column shall be renamed Parent Company and All Investee Businesses.

(2) Remuneration refers to the remuneration and remuneration received by the President and Vice Presidents of the Company as the director, supervisor or manager of the subsidiary's foreign investment business or the parent company (including the remuneration of employees, directors and supervisors) and business execution expenses and other related remuneration.

Note 7: Promoted to Vice President on September 1, 2023 (remuneration after September 1, 2023).

- (III) Analysis of the ratio of the total amount of remuneration paid by the Company and all companies in the consolidated statement to the Company's directors, President and Vice Presidents to the after-tax net income of the parent company only financial report, the policy, standard and combination of the remuneration, and the procedure for formulating the remuneration and its correlation with business performance and future risks

1. The ratio of the total remuneration of the Company's directors, presidents, and vice presidents accounted for after-tax net income of the parent company only financial report:

Title	Ratio of remuneration Total accounted for After-tax Net Income			
	2022		2023	
	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report
Director	9.30%	9.30%	9.68%	9.68%
President and Vice President	10.13%	10.13%	11.20%	11.20%

Note: Data in 2023 includes the earnings distribution, and the earnings distribution proposal was approved by the board of directors. The proposed distribution is estimated based on the data of the previous year and has not yet been resolved by the meeting of shareholders.

2. Remuneration Policy, Standard and Combinations:

(1) Remuneration of directors

- A. Remuneration to directors: If the Company makes profits, it will be paid according to the appropriated proportion by the Company's Articles of Association.
- B. Directors' travel expenses: The standard is issued based on the number of times they attend functional committees such as the board of directors, the remuneration committee, and the audit committee.
- C. In addition, serving as a company manager also includes salary, bonus, and employee remuneration.

(2) Remuneration to President and Vice President

- A. The salary structure of the President and Vice President is divided into two types: fixed salary and variable salary. The fixed salary is paid monthly, and the variable salary includes a year-end bonus, performance bonus, employee remuneration, etc.
- B. The variable salary of the President and Vice President is paid according to the employee's duties, ranks and grades, individual contribution, and departmental contribution as calculation weights, and the remuneration committee holds a meeting to review the salaries and provide with the board of directors for resolution.

3. Procedures for formulating remuneration:

- (1) Regarding remuneration for directors, President, and Vice President, according to Article 23 of the Company's Articles of Association, if the Company makes a profit for the year, it should allocate no less than 10% as employee remuneration and no more than 3% as directors remuneration. But

if the Company has accumulated a deficit, the profit shall be reserved for deficit compensation.

- (2) The remuneration paid to managers by the Company and its subsidiaries includes salary and bonuses, and the corresponding ranks and grades are assessed according to their education and experience, responsibilities, expertise, working years, market salary levels, and the monthly salary structure and payment amount are agreed.

When assessing salary adjustments in the past years, evaluate work performance, contribution to the Company, management functions, future potential, etc., according to the Company's annual salary adjustment and promotion plan, determine the ranks and grades of promotion, and adjust the salary in line with the Company's overall salary adjustment range.

Bonuses are based on various performance evaluation items of managers, including financial indicators (such as revenue and profit achievement rate), and non-financial indicators (such as innovation and integration, risk and information security management, etc.), which are considered by the remuneration committee. The position held, the scope of power and responsibility, and the contribution to the Company's operating goals are reviewed regarding the Company's annual operating performance proposal and submitted to the remuneration committee and the board of directors for resolution.

4. Relevance with business performance and future risks:

- (1) Evaluate the performance of directors regularly every year, and the evaluation results are submitted and reported to the board of directors for the next year under the provisions of the performance evaluation method of the board of directors of the Company, as a reference for review and improvement, as well as the basis for selection or nomination of directors or remuneration.
- (2) The remuneration to directors, President, and Vice President has fully considered their professional ability and the Company's operation and financial status, continuous education, and other special contributions, and link Company performance and individual performance, as the calculation standard for remuneration.
- (3) The Company will examine future operational risks, environmental protection, and corporate social responsibility at any time. And review the remuneration system promptly to strike a balance between the Company's sustainable operation and risk control.

(IV) Distribution of employee remuneration to management and managers' names:

Unit: NT\$ thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount (Note 2)	Total	Total as a percentage of after-tax income (%) (Note 3)
Managers	President	Ching-Pin, Yeh	0	10,827	10,827	5.35%
	President	Ming-Chu, Tsai				
	President	Chih-Ming, Lin				
	President	Teng-Yuan, Cheng				
	Vice President	Ko-Chun, Chen				
	Associate Manager	Su-Hui, Tsai				
	Associate Manager	Fu-Liang, Hsu				
	Associate Manager	Hsin-Mo, Hsieh				
	Associate Manager	Hsiang-Wei, Cheng				
	Associate Manager	Chou-Hsing, Wu				
	Associate Manager	Wei-Chih, Chen				
	Associate Manager	Ching-Wen, Yu				
	Associate Manager	Wen-Pang, Yang				
	Associate Manager (Treasurer and head of corporate governance)	Yu-Jen, Chang				
	Director (Chief Accounting Officer:)	Hui-Jung, Chang-Chien				

Note 1: It refers to the incumbents on the publication date of the annual report.

Note 2: It refers to March 31, 2024, the amount of employee remuneration in 2023 approved by the board of directors is the proposed distribution amount.

Note 3: Refers to the after-tax net income in the parent company only financial report of 2023.

IV. Corporate governance

(I) Facts about performance by the board of directors:

- The Board of Directors convened 6 meetings (A) in 2023 and the participation of the directors are shown below:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance (%) (B/A) (Note)	Remark
Chairman	Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang	6	0	100%	

Director	Bau Guang Investment Corp. Representative: Ray-Ching, Chang	4	2	67%	
Director	Ching-Pin, Yeh	6	0	100%	
Director	Chih-Cheng, Wu	6	0	100%	
Independent Director	Chen-Chi, Ma	5	1	83%	
Independent Director	Liang-Chien, Li	6	0	100%	
Independent Director	Kuan-Neng, Chen	6	0	100%	

Note: The actual attendance rate (%) of a director is calculated based on the number of board meetings and actual attendance during his tenure.

Other remarks:

- I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:
- (I) Issues required under Article 14-3 of the Securities and Exchange Act are as follows:
The Company has established an Audit Committee, and the provisions of Article 14-3 are not applicable. For the explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the Audit Committee.
- (II) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintain a qualified opinion with record or documented declaration in a decision resolved by the Board of Directors:
None.
- II. Implementation status of directors' recusal of interest-related proposals: None.
- III. The cycle, duration, scope, method and content of board self-evaluations (or peer-evaluation) performed and the board evaluations are as follows:

Evaluation method	Evaluation cycle	Evaluation period	Evaluation scope	Evaluation content and result
Internal self-assessment	Evaluation performed once a year	January 1, 2023 - December 31, 2023	Board of Directors, Individual Directors, Functional Committees (including Audit Committee and Remuneration Committee)	<p>Evaluation content:</p> <p>Board evaluation: Participation in the operation of the company; Improvement of the quality of the board of directors' decision making; Composition and structure of the board of directors; Election and continuing education of the directors and Internal control.</p> <p>Individual board member performance evaluation: Alignment of the goals and missions of the company; Awareness of the duties of a director; Participation in the operation of the company; Management of internal relationship and communication; The director's professionalism and continuing education and internal control.</p> <p>The functional committees evaluation: Degree of participation in the Company's operations, Recognition of the functional committee responsibilities, Improvement of the decision-</p>

				<p>making quality of functional committees, Composition and selection of members of functional committees and internal control.</p> <p>Assessment Result:</p> <p>The performance evaluation of the Board of Directors and the Functional Committee for 2023 has been reported to the Board of Directors on January 25, 2024. The overall result of the self-evaluation of the performance of the Board of Directors was 4.90 (excellent), and the overall result of the self-evaluation of the performance of the individual members of the Board of Directors was 4.98 (excellent), indicating that the overall operation performance of the Board of Directors is good. The overall result of the self-evaluation of the Remuneration Committee was 4.98 (excellent) and the overall result of the self-evaluation of the Audit Committee was 4.98 (excellent) (the full score of the above ratings is 5), indicating that the overall operation performance of the Remuneration Committee and the Audit Committee is good and meets the requirements of corporate governance, effectively enhancing the functions of the Board of Directors.</p>
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IV. Targets for strengthening of the functions of the board during the current and immediately preceding fiscal years:

1. In order to improve the board functions and strengthen the management mechanism, the Company set up an Audit Committee on May 29, 2019 to exercise the functions and powers stipulated in the Securities and Exchange Act, the Company Law and other laws and regulations.
2. On December 8, 2011, the Company set up a Remuneration Committee, regularly evaluating and formulating the remuneration of directors and managerial officers and reviewing the policies, systems, standards and structures for performance evaluation and remuneration of directors and managerial officers.
3. On May 4, 2022, the Company set up a corporate governance supervisor to handle matters related to the Board of Directors and shareholders' meetings, provide directors with information needed to perform business, and collect the latest laws and regulations developments related to company operations to assist directors in complying with laws and regulations, and assist directors in taking office and continuing education, etc.
4. To enhance the functions of the members of the Board of Directors, information on continuing education courses for directors is provided irregularly, and lecturers are regularly arranged to give lectures to the Company.
5. In order to implement corporate governance, improve the board function, and strengthen the board operational efficiency, the Company formulated the board performance evaluation method, and regularly carry out the board performance evaluation every year. The 2023 annual appraisal results have been submitted to the board of directors on January 25, 2024.

(II) The operation of the Auditing Committee:

1. The Company has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, which is composed of all independent directors. Please refer to the attached table on pages 16-17 for their professional qualifications and experience.
2. Annual work focuses
 - (1) Effectiveness of Internal Control Policies
 - (2) Review assets, derivatives transactions, lending funds to others, endorsement for others, and other major guarantees of financial business activities.
 - (3) Prior review of the appointment, dismissal or remuneration and services of CPAs.
 - (4) Review financial reports.
 - (5) Regularly communicate the audit report results with the head of internal auditor according to the annual audit plan.
 - (6) Regularly communicate with the certified accountant on the review or inspection results of the quarterly financial statements.
 - (7) Follow regulations.
3. In 2023, the Audit Committee held 6 meetings (A). The attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance (%) (B/A) (Note)	Remark
Independent Director	Chen-Chi, Ma	5	1	83.33%	
Independent Director	Liang-Chien, Li	6	0	100%	
Independent Director	Kuan-Neng, Chen	6	0	100%	

Note: The actual attendance rate (%) of an independent director is calculated based on the number of board meetings and actual attendance during his tenure.

Other remarks:

- I. The operation of the Auditing Committee:
 - (I) Issues required under Article 14-5 of the Securities and Exchange Act: Please refer to the table below "Operation of the Audit Committee in 2023".
 - (II) Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: None.
- II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.
- III. Communication between the independent directors, head of internal auditor and CPAs in 2023:
 - (I) The excerpts of communication between independent directors and CPAs are as follows:

Date	Communication focuses	Results
March 14, 2023	[Separate meeting] 1. Audit method, scope and reporting type of 2022 annual financial report 2. Independence of CPAs	This meeting includes no recommendations.

	3. Key Audit Matters 4. Audit results and analysis of financial statements 5. Other communications	
	[Audit Committee] 2022 Parent Company Only and Consolidated Financial Reports	This meeting includes no recommendations.
August 7, 2023	[Separate meeting] 1. Summary of Review Conclusions for the Second Quarter of 2023 2. Review results and analysis of financial statements 3. Securities Regulatory Act update	This meeting includes no recommendations.
	[Audit Committee] Consolidated Financial Reports for the Second Quarter of 2023	This meeting includes no recommendations.
November 7, 2023	[Separate meeting] 1. Duty of the governance unit 2. Deloitte Taiwan Quality Management System 3. Audit scope and method 4. Group audit 5. Significant accounting policies, significant accounting estimates and major events or transactions 6. Significant risk 7. Key Audit Matters 8. IFRS Sustainability Disclosure Standard 9. Appendix	This meeting includes no recommendations.

(II) The excerpts of the communication between the independent directors and the head of internal auditor are as follows:

Date	Communication focuses	Results
February 14, 2023	[Written Report] 1. Each department strengthen its self-inspections 2. Insufficient audit resources in the professional field	This meeting includes no recommendations.
	[Audit Committee] Internal audit business report from October to December 2022	This meeting includes no recommendations.
March 14, 2023	[Audit Committee] Internal audit business report in January 2023	This meeting includes no recommendations.
May 8, 2023	[Audit Committee] Internal audit business report from February to March 2023	This meeting includes no recommendations.
May 29, 2023	[Audit Committee] Internal audit business report in April 2023	This meeting includes no recommendations.
August 7, 2023	[Separate meeting] 1. OTC on-site review and suggested improvements	This meeting includes no recommendations.

		2. Auditing skills in different professional fields need to be strengthened	
		[Audit Committee] Internal audit business report from May to June 2023	This meeting includes no recommendations.
	November 7, 2023	[Audit Committee] Internal audit business report from July to September 2023	This meeting includes no recommendations.

4. The operation status and resolutions of the Audit Committee in 2023 are as follows:

Date of meeting	Session	Discussion	Resolutions and members' opinions
February 14, 2023	First meeting	1. Approved the discussion proposal of formulating a general principle for the Company's pre-approved non-assurance service policy.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the 2023 annual operation plan discussion.	
		3. Approved the discussion on authorization of the Company's 2023 credit line with financial institutions.	
		4. Approved the discussion proposal to provide an additional endorsement/guarantee for the subsidiary PT Wah Hong Indonesia.	
		5. Approved the discussion proposal of some provisions of the Company's Rules of Procedure for Board of Directors Meetings.	
		6. Approved the discussion proposal of some provisions of the Company's internal control measures CC-202 Regulations of Cyber Security Management and SG-127 Codes of Ethical Conduct.	
March 14, 2023	Second meeting	1. Approved the discussion proposal of 2022 Operating Report, Individual Financial Report and Consolidated Financial Report.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the discussion proposal for the 2022 earnings distribution.	
		3. Approved the discussion proposal of some provisions of the Rules of Procedure for Shareholder Meetings.	
		4. Approved the formulation of Financial Business Related Operation Standards for Related Parties of the Company, and abolish the discussion proposal of Operating Procedures for Transactions between Related Parties, Specified Companies and Group Enterprises.	
		5. Approved the discussion proposal of the amendment of the Company's Long-term and Short-term Investment Management Measures.	
		6. Approved the discussion on issuing the statement on the Company's 2022 internal control system.	
		7. Approved the discussion proposal of the proposal to lift the restrictions on the non-competition of the managers.	
May 8, 2023	Third meeting	1. Approved the discussion proposal to audit the Consolidated Financial Report for the First Quarter of 2023.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the discussion proposal to continue to provide an endorsement guarantee for the subsidiary Wah Hong Holding Ltd.	
		3. Approved the discussion proposal of the addition and modification of the Measures for Handling Cases of Reporting Illegal, Immoral or Dishonest Acts.	

Date of meeting	Session	Discussion	Resolutions and members' opinions
		4. Approved the discussion proposal of the addition and modification of partial articles of the Implementation Rules of Internal Audit.	
May 29, 2023	Fourth meeting	1. Approved the discussion proposal of the formulation of Risk Management Policies and Procedures and deleted the proposal of former Risk Management.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the discussion proposal of capital reduction of Qingdao Changhong Optoelectronics Ltd.	
August 7, 2023	Fifth meeting	1. Approved the discussion proposal to audit the Consolidated Financial Report for the Second Quarter of 2023.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the discussion proposal to provide an endorsement guarantee for the subsidiary Wah Ma Technology Sdn. Bhd.	
		3. Approved the discussion proposal to provide endorsements/guarantees to Suzhou Alliance Material Co., Ltd.	
		4. Approved the discussion proposal to provide endorsements/guarantees to subsidiary Sun Hong Optronics Ltd.	
		5. Approved the discussion proposal to provide endorsements/guarantees to Xiamen Guang Hong Optronics Ltd.	
		6. Approved the discussion proposal to continue to purchase liability insurance for the directors, supervisors and managers.	
		7. Approved the discussion proposal of amendments to some provisions of the Internal Major Information Processing Operating Procedures.	
		8. Approved the discussion proposal of amendments to some provisions in the Post Authorization Measures.	
		9. Approved the discussion proposal of amendments to some provisions of the Management Measures for Preventing Insider Trading.	
		10. Approved the discussion proposal of amendments to partial articles of the Implementation Rules of Internal Audit and Investment Cycle-Subsidiary Monitoring Operations.	
November 7, 2023	Sixth meeting	1. Approved the discussion proposal on the Consolidated Financial Report for the Third Quarter of 2023.	Approved as proposed and submitted to the board of directors for resolution
		2. Approved the discussion proposal of amendments to partial articles of the Standard Operating Procedures for Handling Demands by Directors.	
		3. Approved the discussion proposal of amendments to partial audit procedures of SG-100 Implementation Rules of Internal Audit.	
		4. Approved the discussion proposal on the 2024 annual audit plan.	

(III) Performance in corporate governance and the differential gap between corporate governance and Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the cause thereof

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Will the Company based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies set up and disclose the Company's corporate governance best-practice principles?	V		On November 11, 2020, the board of directors approved the revision of the "Corporate Governance Code" as the basis for the company's implementation of corporate governance matters, and disclosed it and its actual implementation in the annual report, TWSE MOPS and the Company's website.	Without a difference
II. Shareholding structure and shareholders' equity	V		In order to ensure the rights and interests of shareholders, the Company has a spokesperson, an acting spokesperson, a special person responsible for investor relations, stock affairs department, and investor mailboxes (ir@wahhong.com), and has established internal control measures to regulate shareholder suggestions and doubts, disputes and litigations.	Without a difference
(I) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V		The Company keeps abreast of relevant lists and reports the shareholding status of directors, supervisors, managers, and major shareholders holding 10% of the shares every month.	Without a difference
(II) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V		The Company has established internal control systems such as "Operation Standards for Financial Business among Related Parties" and "Operational Measures for Monitoring Subsidiaries", establishing and implementing risk control and firewall	Without a difference
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V			

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			mechanisms with related party companies.	
(IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		The Company has formulated internal control measures such as “Code of Ethical Conduct”, “Management Measures for Preventing Insider Trading” and “Internal Material Information Handling Procedures” to regulate and prohibit insider trading. The Company also launched a course in 2023 called Management Measures for Preventing Insider Trading - Promotion of Key Points for Insider Equity Changes. The total number of class hours for employees in 2023 was 81.5 hours. The directors or employees were notified of the prohibition of insider trading through internal operations 30 days/15 days prior to the announcement of each financial statements. Real-time dynamic information has been set up on the internal website to remind employees of the key points to prevent insider trading. On November 7, 2023, the Board of Directors completed a training on internal regulations on the prohibition of insider trading for all directors.	Without a difference
III. The constitution and obligations of the board of directors (I) Does the board of directors formulate and implement diversity policies,	V		1. The Company has formulated the “Corporate Governance Code” and adopted a candidate nomination system (including independent directors), which stipulates that the overall board	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies								
	Yes	No	Summary description									
specific management objectives?			<p>of directors should have operational judgment, accounting and financial analysis capabilities, business management capabilities, crisis management capabilities, industry knowledge, international market outlook, leadership and decision-making skills.</p> <p>2. Board of Directors diversity policies and specific management objectives:</p> <table><tr><th>Management objectives</th><th>Implementation</th></tr><tr><td>The number of directors who concurrently act as company managers shall not exceed half of the total number of directors</td><td>Achieved</td></tr><tr><td>The number of independent directors shall be more than one-third of the total number of directors</td><td>Achieved</td></tr><tr><td>The number of independent directors shall serve no more than three consecutive terms</td><td>Achieved</td></tr></table> <p>3. The Company's 2023 board of directors is composed of 7 directors, including 3 independent directors. The proportion of employee directors is</p>	Management objectives	Implementation	The number of directors who concurrently act as company managers shall not exceed half of the total number of directors	Achieved	The number of independent directors shall be more than one-third of the total number of directors	Achieved	The number of independent directors shall serve no more than three consecutive terms	Achieved	
Management objectives	Implementation											
The number of directors who concurrently act as company managers shall not exceed half of the total number of directors	Achieved											
The number of independent directors shall be more than one-third of the total number of directors	Achieved											
The number of independent directors shall serve no more than three consecutive terms	Achieved											

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			28%, and the proportion of independent directors is 43%. The members have rich experience and expertise in the fields of finance, electronic technology, optoelectronics, industry and management. See pages 15-17 for its implementation.	
(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		In order to improve the supervision function and strengthen the management function, the board of directors shall set up audit, nomination, salary, risk management, environmental protection and other functional committees. Currently, the Remuneration Committee and the Audit Committee have been lawfully set up. The sustainable development team promotes environmental, social and sustainable governance operations, and regularly reports the implementation status and results to the board of directors every year.	Without a difference
(III) Does the company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of directors?	V		The board of directors has formulated the “Performance Evaluation Operation Method of the Board of Directors and Functional Committees”. The board of directors should conduct performance evaluation at least once a year, and the scope of evaluation includes the overall board of directors, individual directors and the functional committees.	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>The Company conducts internal evaluation at the end of each year, and uses internal questionnaires to conduct performance evaluation for the year, including the operation evaluation of the board of directors and functional committees and the evaluation of directors' own participation. The board performance evaluation results will be used as the reference for individual directors' remuneration and selection or nomination of directors (including independent directors).</p> <p>The measurement items of the overall board performance evaluation include the following five aspects:</p> <ul style="list-style-type: none"> I. Level of participation in the Company's operations. II. Improvement in the decision-making quality of the board of directors. III. Composition and structure of the board of directors. IV. Election and continuing education of directors. V. Internal Control <p>The measurement items of the directors' performance evaluation include the following six aspects:</p> <ul style="list-style-type: none"> I. Director's awareness toward the Company's goals and missions. 	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>II. Director's awareness to duties.</p> <p>III. Level of participation in the Company's operations.</p> <p>IV. Management and communication of internal relations.</p> <p>V. Professionalism and continuing education of directors.</p> <p>VI. Internal Control</p> <p>The measurement items of the Remuneration Committee and the Audit Committee performance evaluation include the following five aspects:</p> <p>I. Level of participation in the Company's operations</p> <p>II. Responsibilities and duties of Functional Committee</p> <p>III. Improvement of the quality of decisions made by functional committees</p> <p>IV. Composition of functional committees and selection of members</p> <p>V. Internal Control</p> <p>The Company has completed the Board of Directors' self-evaluation for 2023, and the evaluation results have been reported to the Board of Directors on</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>January 25, 2024, as a basis for review and improvement.</p> <p>The overall result of the self-evaluation of the performance of the Board of Directors was 4.90 (excellent), and the overall result of the self-evaluation of the performance of the individual members of the Board of Directors was 4.98 (excellent), indicating that the overall operation performance of the Board of Directors is good. The overall result of the self-evaluation of the Remuneration Committee was 4.98 (excellent) and the overall result of the self-evaluation of the Audit Committee was 4.98 (excellent) (the full score of the above ratings is 5), indicating that the overall operation performance of the Remuneration Committee and the Audit Committee is good and meets the requirements of corporate governance, effectively enhancing the functions of the Board of Directors.</p>	
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		The Audit Committee regularly evaluates the independence of CPAs every year, and then submits the evaluation results to the board of directors. After the latest evaluation was passed by the Audit	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Committee on January 25, 2024, it was reported to the Board of Directors for approval.</p> <p>The evaluation mechanism is as follows:</p> <ol style="list-style-type: none"> 1. According to the Company's Measures for Selection and Review of Certified Public Accountants, the CPAs' independence is not affected by any circumstances. 2. Refer to the audit quality index (AQI) to evaluate the independence and competence of accountants. 3. Regularly obtain the statement of independence issued by the accountants. 4. In accordance with the requirements of the professional ethics standards of international professional accountants, prior approval from the Audit Committee has been obtained before the appointment of the annual authorization case. <p>Assessment Result is as follows:</p> <ol style="list-style-type: none"> 1. The independence between the certified accountant and the Company complies with relevant regulations such as the Certified Public Accountant Act and the CPA code of professional ethics. 2. The Company has not changed its accountant for 7 consecutive years. 	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VI. Does a public company equip an appropriate number of eligible governance personnel and assign the governance officer to take charge of company's governance affairs (including, without limitation, providing directors and supervisors with the data required for business operations, assistance for the legal compliance of directors and supervisors, handling affairs related to holding a board meeting or a general meeting of shareholders and producing minutes for board meetings and general meetings of shareholders)?	V		On May 4, 2022, the board of directors approved associate Yu-Jen, Chang as the director of corporate governance to handle the corporate governance supervision and planning. The duties and responsibilities of the corporate governance supervisor include: handling matters related to the Board of Directors and shareholders' meetings under the law, evaluating the purchase of all directors' liability insurance, conducting performance evaluations of the Board of Directors and individual director members, preparing minutes of the Board of Directors and shareholders' meetings, and reviewing the latest regulatory developments related to company operations/governance. Besides, regularly notify Board members and amend relevant measures. The corporate governance implementation in 2023 was reported to the board on January 25, 2024. The training hours for the corporate governance supervisor totaled 15 hours. For the complete training course information, please refer to page 52 of the annual report.	Without a difference
VII. Has the Company established a communication channel with the stakeholders (including but not limited to the	V		The Company has a spokesperson system to address stakeholder concerns through shareholders' meetings, legal briefings, customer satisfaction surveys, and the	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?			Stakeholders section of the Company website(https://www.wahhong.com/sta.html) and mailbox (ir@wahhong.com), as well as other multiple communication methods.	
VIII.Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has entrusted the agency department of Taishin Securities Co., Ltd. to handle the stock affairs and shareholders' meeting affairs.	Without a difference
IX. Disclosure of information (I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		The Company discloses the latest financial, business and corporate governance information at any time through the company website (https://www.wahhong.com), and links to the TWSE MOPS.	Without a difference
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		<ol style="list-style-type: none"> 1. The Company has set up an English website and assigned special personnel to be responsible for information disclosure and announcement reporting in accordance with laws and regulations. 2. The Company has implemented the spokesperson system, with the president serving as the spokesperson, the associate manager of the operations support center serving as the 	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			acting spokesperson, and a dedicated person responsible for investor relations business. 3. The Company has placed the full recording file of the conference call on the Company website.	
(III) Does the company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations?	V		The Company has announced and submitted the annual financial report, the first, second and third quarter financial reports and the operating conditions of each month within the time limit according to the laws and regulations, and placed the relevant information on the company website.	Without a difference
X. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		1. For the Company's employee rights, employee care, further training, safety and health measures, please refer to the "Labor-Management Relations" in this annual report. 2. Continuing education for directors: All directors had 57 hours of continuing education in total in 2023. Please refer to "Further education for directors in 2023" in this annual report. 3. The status of director board attendance: the average attendance rate of all directors in 2023 was more than 90%, meaning a good attendance situation. 4. Managers (president, deputy general manager, accountant, finance, head of internal auditor, etc.)	Without a difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>participation in corporate governance trainings: Please refer to the table “Managers’ participation in corporate governance-related continuing education and training in 2023” below this year’s annual report.</p> <p>5. Personnel related to financial information transparency who obtained relevant certificates: 1 with a CPA license, 1 with a CIA (Certified Internal Auditor) license, and 2 passing the exam of “Basic Ability Test for Enterprise Internal Control System” under the Securities and Futures Institute.</p> <p>6. In order to promote sustainable operation, consider risk management and impact on the environment, the Company regularly organizes employee training on safety, sanitation and environmental management, and handles various operations in accordance with relevant provisions of environmental protection laws and regulations.</p> <p>7. Implementation of directors’ recusal from interested proposals: The directors have recused themselves from discussing relevant interested proposals.</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>8. The company has purchased liability insurance for all directors.</p> <p>9. For investor relations, supplier relations, rights of interested parties, implementation of customer policies, please refer to the Company's website (https://www.wahhong.com/sta.html).</p> <p>10. Implementation of risk management policies and risk measurement standards: The company revised and approved the "risk management" policy and procedures on May 7, 2020, revealing the risk management scope and organizational structure. The Company regularly (at least once a year) submits and reports the risk management operation to the Board of Directors. The 2023 operation is expected to report to the Board of Directors in May 2024. For relevant content, please refer to the Company's website (https://www.wahhong.com/risk.html) and this annual report (VII. Review and Analysis of Financial Status and Financial Performance and Risk Matters, pages 151-158).</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
XI. Please describe the improvement performed according to the corporate governance evaluation results published by the Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures and Corporate: (No need to fill in for companies not included in the evaluation)				
The Company were listed among the top 6%~20% of the companies in the (ninth) corporate governance evaluation results in 2022, and has remained in the range for six consecutive years. In order to safeguard the rights and interests of shareholders and ensure equal treatment, the Company has uploaded the shareholders' meeting agenda handbooks and meeting supplementary information 30 days before the Annual Shareholders' Meeting; to strengthen the structure and operation of the Board of Directors, the Company has formulated a succession plan for board members and important management planning, and disclose its operation status on the Company website; regarding implementing corporate social responsibility, the Company has referred to international human rights conventions to formulate human rights protection policies and specific management plans, which are also disclosed on the Company website. The Company has formulated policies and goals for energy conservation and carbon reduction, greenhouse gas reduction, water usage reduction, as well as other waste management practices. It continues to strengthen its corporate social responsibilities for the future.				

Continuing education for directors and supervisors in 2023:

Title	Name	Training date	Organizer	Course name	Training hours	Training hours in the year
Representative of director	Tsuen-Hsien, Chang	May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	9
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	
		November 16, 2023	Taipei Foundation of Finance	Important tax strategies and application analysis for wealth inheritance	3	
Representative of director	Ray-Ching Chang	May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	6
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	
Director	Ching-Pin, Yeh	April 10, 2023	Taiwan Investor Relations Institute (TIRI)	Business opportunities and challenges under the net zero movement	3	9
		May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	
Director	Chih-Cheng, Wu	April 10, 2023	Taiwan Investor Relations Institute (TIRI)	Business opportunities and challenges under the net zero movement	3	9
		May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	

Title	Name	Training date	Organizer	Course name	Training hours	Training hours in the year
Independent Director	Chen-Chi, Ma	May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	12
		July 19, 2023	Taiwan Investor Relations Institute (TIRI)	The key to corporate sustainable operation and family governance	3	
		October 25, 2023	Digital Governance Association	The key to corporate sustainable operation and family governance - legal and taxation	3	
		November 9, 2023	Corporate Governance Association in Taiwan	The development trend of carbon rights, carbon fees (taxes), and carbon trading, and the evolution and application of the Climate Change Response Act	3	
Independent Director	Liang-Chien, Li	May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	6
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	
Independent Director	Kuan-Neng, Chen	May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	6
		September 8, 2023	Corporate Governance Association in Taiwan	Succession plan launched - employee reward plan and equity inheritance	3	

Managers' participation in corporate governance-related continuing education and training in 2023:

Title	Name	Training date	Organizer	Course name	Training hours	Training hours in the year
Treasurer and head of corporate governance	Yu-Jen, Chang	May 22, 2023	Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEX)	Sustainable development action plan promotion seminar	3	15
		May 29, 2023	Securities and Futures Institute	How directors and supervisors oversee the Company to establish and promote a sound risk management system	3	
		May 30, 2023	Securities and Futures Institute	Technical development and application business opportunities of chatbot ChatGPT	3	
		August 24, 2023	Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEX)	Insider equity promotion briefing	3	
		November 16, 2023	The Business Development Foundation of the Chinese Straits	The connection between intellectual property management and corporate ESG and ESG and patents & Essentials for corporate sustainable operations - starting with green trademarks	3	
Chief Accounting Officer:	Hui-Jung, Chang-Chien	February 13, 2023	Taishin Securities	Discussion on the new shareholders' meeting system and practical issues of the Board of Directors and introduction to ESG development trends	3	12.5
		March 2, 2023	Taiwan Green Productivity Foundation	TCFD corporate climate financial information disclosure trends and current status	3.5	
		June 15, 2023	Accounting Research and Development Foundation	ESG sustainable practices: How to build culture and report well	3	
		November 23, 2023	Taipei Exchange	IFRS promotion seminar: Introduction to S1 and S2 Sustainability Disclosure Standards	3	

(IV) Composition and operation of the Remuneration Committee:

The Remuneration Committee is composed of three directors (including two independent directors). It operates under the Remuneration Committee Chart. Its primary responsibilities are:

1. Formulate and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of directors and managers.
2. Regularly evaluate and determine the remuneration of directors and managers.

(1) Information on the members of the Remuneration Committee

Identity	Name	Professional qualification and experience	Compliance of independence	Number of other public companies where the members are also the members of the Remuneration Committee of these companies.
Independent Director and Convener	Chen-Chi, Ma	<ol style="list-style-type: none"> 1. All comply with the provisions of paragraph 1 of Article 5 of the “Measures for the Establishment and Exercise of Powers of the Company’s Remuneration Committee for Stock Listing or Trading at Securities Brokers”. ● All have working experience in business, legal affairs, finance, accounting or corporate business. 2. Please refer to pages 16-17 for the professional qualifications and experience of independent directors. 3. Please note in detail the professional qualifications and experience of other committee members. 	<ul style="list-style-type: none"> ● All comply with the provisions of paragraph 1 of Article 6 of the “Measures for the Establishment and Exercise of Powers of the Company’s Remuneration Committee for Stock Listing or Trading at Securities Brokers”. ● No election as government, legal person or its representative as stipulated in Article 30 and Article 27 of the Company Law. ● No provision of business, legal, financial, accounting and other services for the company or its affiliated companies in the past 2 years. ● None of the Remuneration Committee members, their spouses, and relatives within the second degree of kinship (or in the name of others) hold shares in the Company. 	3
Independent Director	Liang-Chien, Li			0
Others	Yi-Ming, Chen (Note)			1

(Note) Mr. Yi-Ming, Chen graduated from the Business Administration Department of National Chengchi University and is a member of the Remuneration Committee. He is currently a practicing accountant of Yi-Ming, Chen Certified Public Accountants, and has at least five years working experience in business, accounting and corporate business, specializing in the field of accounting.

(2) The operation of the Remuneration Committee:

A. The Company's Remuneration Committee has three committee members in total.

B. Term of office of the 5th Committee members: From May 26, 2022, to May 24, 2025, the Remuneration Committee held 2 meetings (A) in 2023. The committee member attendance are as follows:

Title	Post	Name	Actual attendance (B)	Proxy attendance	Actual attendance (%) (B/A) (Note)	Remark
Convener	Independent Director	Chen-Chi, Ma	2	0	100%	
Committee	Independent Director	Liang-Chien, Li	1	1	50%	
Committee	Others	Yi-Ming, Chen	2	0	100%	

Note: The actual attendance rate (%) of the Remuneration Committee member is calculated based on the number of the committee meetings and the number of actual attendance during the term of office.

Other remarks:

I. The board does not adopt or amend on the recommendations of the Remuneration Committee: None.

II. Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration: None.

C. Regularly review the directors and managers' performance evaluation, and remunerations:

The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors

(A) Formulate and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of directors and managers.

(B) Regularly evaluate and determine the remuneration of directors and managers.

D. The Remuneration Committee operation in 2023:

Remuneration Committee meeting dates	Session	Discussion	Resolution	Handling of the opinions of the Remuneration Committee
March 14, 2023	First meeting	Approved the Company's 2022 director and employee remuneration distribution plan.	Approved by all committee members	Proposed to the Board of Directors for approval by all directors present
		Approved the Company's 2023 director and employee remuneration ratio.	Approved by all committee members	Proposed to the Board of Directors for approval by all directors present
August 7, 2023	Second meeting	Approved the Company's 2022 manager employee bonus distribution and 2023 manager salary remuneration.	Approved by all committee members	Proposed to the Board of Directors for approval by all directors present

(V) Implementation of the promotion of sustainable development and the deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Does the Company have a specific (or part-time) unit set up to promote the sustainable development governance framework, and the Board of Directors authorizing the management to handle matters and report the supervision results to the Board of Directors?	V		1. The Company's Board of Directors reported on March 18, 2022, that the Sustainable Development Promotion Group composed of the management team was responsible for the formulation and review of the Company's sustainable operation policies, systems, and management guidelines, as well as cross-department communication. The Company takes environmental protection (E, Environment), social	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>responsibility (S, Social) and corporate governance (G, governance) as important indicators for evaluating sustainable management and making investment decisions.</p> <p>The general convener of the sustainable development promotion team is assumed by the chairman, and the senior manager of the operation support center serves as the executive secretary. All business units, human resources, factory affairs, finance and accounting, strategic planning, legal affairs, and investor relations etc. units are organized into various working groups according to Environmental Protection E, Social Responsibility S, and Corporate Governance G and other functional organizations and implementation practices. The executive secretary regularly convenes members of each group to discuss the latest progress of ESG-related businesses, future directions, and the types of issues concerned by stakeholders, formulate annual target projects, supervise implementation progress and promote results, and prepare written materials to report the implementation results of the year and the implementation plan for the next year to the board of directors on a regular basis every year.</p> <p>2. The Board of Directors reviews the progress of the</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Company's strategies and goals, and urges it to adjust its direction when necessary. It must adhere to the principle of environmentally friendly and balanced operation and management, proper enforcement of business integrity, and improve risk control, moving towards sustainable development goals.</p> <p>3. The sustainable development promotion team regularly reviews and reports on the implementation results and improvement directions. It reports the sustainable development implementation results and future work plans to the Board of Directors at least once a year. The 2023 implementation status has been reported to the Board of Directors (see Page 72 item 7 board report schedule for details). The directors listened to the report of the promotion team, reviewed the relevant implementation work content and target improvement progress, and provided timely suggestions and directions to promote the team to make adjustments.</p>	
II. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies or strategies in relation to risk management?	V		The Company's sustainable development promotion team has conducted risk assessments on important issues based on the principle of materiality. The assessment scope mainly includes the Company and its subsidiaries in Taiwan and Chinese mainland. In addition, management processes such as risk identification,	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
	Yes	No	Summary description							
			<p>analysis and evaluation, risk response, monitoring management, and risk report and disclosure are used to reduce the impact of related risks.</p> <p>After risk assessment, formulate relevant risk management policy or strategy as follows:</p> <table><tr><th>Material issue</th><th>Risk assessment indicator</th><th>Risk management policy or strategy</th></tr><tr><td>Environmental</td><td>Environmental protection</td><td>The Company is committed to environmental protection, responds to the green product manufacturing, implements process safety management in the production process, and regularly reviews plans and achievement every year. At present, the Company has built three sets of air pollution control equipment and one set of waste water pollution control equipment to reduce pollution discharge and</td></tr></table>	Material issue	Risk assessment indicator	Risk management policy or strategy	Environmental	Environmental protection	The Company is committed to environmental protection, responds to the green product manufacturing, implements process safety management in the production process, and regularly reviews plans and achievement every year. At present, the Company has built three sets of air pollution control equipment and one set of waste water pollution control equipment to reduce pollution discharge and	
Material issue	Risk assessment indicator	Risk management policy or strategy								
Environmental	Environmental protection	The Company is committed to environmental protection, responds to the green product manufacturing, implements process safety management in the production process, and regularly reviews plans and achievement every year. At present, the Company has built three sets of air pollution control equipment and one set of waste water pollution control equipment to reduce pollution discharge and								

Promotion items	Performance					Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description			
					impact on the environment.	
			Social	Product safety	The Company’s products comply with relevant laws and regulations and international standards, such as EU RoHS, halogen-free and flame-resistant standards, and many plastic products have passed UL or SGS certification without any hazardous substances. Meanwhile, to ensure product quality and customer satisfaction, the Company formulated policies such as “Customer Complaint Management Procedures”, and regularly visited customers every year to understand their needs, and set up a customer	

Promotion items	Performance				Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary description			
					service email address and a communication website for interested parties to properly respond to customers’ related rights and interest and issues of concern.	
			Governance		Through the establishment of corporate governance organizations and the implementation of internal control mechanisms, the Company ensures that all personnel and operations do comply with relevant laws and regulations. Our developed products apply for protection under the Patent Act to safeguard our rights and interests.	
					Strengthen the functions of	

Promotion items	Performance				Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description		
				directors	education issues for directors and provide them with the latest regulations, system developments and policies every year. 2. Every year, we purchase directors' liability insurance under the law to protect them from lawsuits or claims for compensation.
				Stakeholder engagement	1. To prevent misunderstandings and mitigate litigation risks arising from stakeholders holding divergent positions from the Company's, the Company analyzes critical issues of

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<div>concern to key stakeholders every year.</div> <div>2. Establishing various communication channels, actively engaging in communication, and minimizing confrontation and misunderstandings. Set up an investor mailbox, with the spokesperson being responsible for managing it and responding to inquiries.</div>	
III. Environmental issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	V		1. The Company set up dedicated personnel related to environmental management to promote environmental management operations and implement environmental protection-related laws and regulations. According to the characteristics of	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>the industry, the Company have formulated relevant measures such as “waste management procedure”, “chemical substance management procedure” and “noise management procedure”.</p> <p>2. The Company has obtained the ISO14001:2015 Environmental Management System Certificate (Certification No.: TW06/01006; with the validity period from July 24, 2021 to July 24, 2024 and acquisition date on July 24, 2021).</p> <p>3. In January 2024, the ISO 14064-1:2018 standard for greenhouse gas inventory was introduced, and the Company publicly disclosed the tracking of emission reduction results on its website.</p>	
(II) Is the company committed to enhancing the power efficiency and using renewable materials that are with low impact on the environmental impacts?	V		<p>The Company has always attached great importance to environmental protection and energy conservation, and obtained the ISO 50001-2018 certification in December 2023. The Company strengthened pollution prevention, energy and resource conservation, waste reduction and recycling more devotedly. On the management of product packaging materials, the Company implemented resource recycling incentives to reduce packaging material resources and reduce greenhouse gas emissions. The Company’s products comply with relevant laws and regulations and international standards, such as EU RoHS, halogen-free and flame-resistant standards, and</p>	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
	Yes	No	Summary description							
			many plastic products have obtained UL or SGS certification without any hazardous substances, minimizing their environmental impact. The Company's total power consumption in 2023 was 17,043 kWh, reflecting a decrease of 2,698 kWh (approximately 14% decrease) compared to the previous year. This achievement aligns with the planned goal of saving 1% of electricity every year. Another solar power generation system is expected to be built in 2024 to enhance the efficiency of renewable energy utilization year by year.							
(III) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related?	V		<div>The Company has assessed the present and future potential risks and opportunities of climate change on the corporate level and taken actions to related climate. The explanation is as follows:</div> <table><tr><th>Risks (potential financial impact)</th><th>Opportunities (potential financial impact)</th><th>Countermeasures</th></tr><tr><td>Rising temperatures (increased electricity use, costs and carbon emissions)</td><td>Promote low-carbon green production and use of renewable energy (save electricity and cost)</td><td>At present, a total of four solar power generation systems have been built in the Kuangtien plant area. In 2023, green energy</td></tr></table>	Risks (potential financial impact)	Opportunities (potential financial impact)	Countermeasures	Rising temperatures (increased electricity use, costs and carbon emissions)	Promote low-carbon green production and use of renewable energy (save electricity and cost)	At present, a total of four solar power generation systems have been built in the Kuangtien plant area. In 2023, green energy	Without a difference
Risks (potential financial impact)	Opportunities (potential financial impact)	Countermeasures								
Rising temperatures (increased electricity use, costs and carbon emissions)	Promote low-carbon green production and use of renewable energy (save electricity and cost)	At present, a total of four solar power generation systems have been built in the Kuangtien plant area. In 2023, green energy								

Promotion items	Performance					Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description			
					generated a total of 788,994 kWh. Another solar power generation system is expected to be built in 2024.	
			Unreliable water supply	Improve water use efficiency	Promote water saving in the plant area and achieve the goal of saving water by 5% every year; the first water supply monitoring system expected to be completed in 2024.	
			Impact on company image	Improve investors' long-term investment willingness	Continue to strengthen the green manufacturing of products in 2024.	
(IV) Has the Company gathered data on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulated policies for energy conservation,	V		The relevant statistics of the Company for the past two years are as follows: (1) Greenhouse gas emissions: 9,966,620kg in 2022, 8,551,014kg in 2023, an annual decrease of 1,415,606kg.			Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?			<p>(2) Water consumption: 57,035 kWh in 2022, 47,889 kWh in 2023, an annual decrease of 9,146 kWh.</p> <p>(3) Waste recycling: 449 tons of leftovers, 64 tons of paper, 8 tons of plastic, 65 tons of scrap iron and other waste recycling, with a total of 586 tons.</p> <p>The Company continues to promote energy conservation and carbon reduction measures and obtained ISO 50001-2018 certification in December 2023. It sets the goal of reducing greenhouse gas emissions and water consumption by 5% each year, and an average annual electricity saving rate of 1%.</p> <p>In order to achieve this goal, the Company introduced energy conservation designs when the factory buildings were built (such as clean rooms, sewage equipment, etc.), including low water and electricity consumption and energy efficiency improvements. At the same time, the Company actively used renewable energy and installed solar power generation systems. There are 4 sets of solar power generation systems, which generate zero-carbon renewable energy for self-use in the factory, generating a total of 788,994kWh in 2023 and reducing carbon emissions (CO₂) by 1,415,606 kg. The Company is currently engaging in ISO14064-1: 2018 verification. Meanwhile, the relevant information will be updated on its website.</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
IV. Social issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		<p>The Company attaches great importance to the safety, health and dignity of all employees, and also abides by the Taiwan Labor Standards Law, local government regulations of overseas factories and relevant international labor human rights norms, including the United Nations Universal Declaration of Human Rights, the Electronics Industry Code of Conduct, and the Global Sullivan Principles.</p> <p>In terms of policies, the Company has formulated management policies and procedures such as “Employee Work Rules”, “Sexual Harassment Appeal and Disciplinary Measures”, and “Corporate Social Responsibility Code”, and is committed to creating a high-quality working environment to protect the rights and interests of employees, ensure non-discrimination and prohibit inhumane treatment, and treat all employees fairly regardless of race, religion, gender, age, nationality, etc.</p> <p>In terms of implementation, the main specific measures include: new employee education and training to publicize employee work rules, integrity attention and human rights protection policies, etc., with 25 people trained for a total of 200 hours; promotion of a friendly and equal workplace culture to create gender-friendly</p>	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			workplace; attaching great importance to the employee voices in terms of establishing a communication mechanism with employees, and setting up employee email address (yourwh@wahhong.com) and an independent complaint hotline (07-9717707). The email address and the hotline will be handled by the dedicated department (Human Resource Division), so that the voices of employees can be heard and responded to.	
(II) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?	V		The Company has formulated and implemented reasonable employee welfare measures (including salaries, vacations and other benefits, etc.). For details, please refer to this annual report ("V. Business performance, Five. Employee-employer relationship"). At the same time, the Articles of Association stipulate that for any profit in the year, not less than 10% should be set aside as employee compensation.	Without a difference
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		1. The Company is committed to providing employees with a safe and healthy working environment. In addition to formulating the Safety and Health Management Operation Measures, Emergency Incident and Procedure Management Procedures, Employee Health Management Measures, Prevention Procedure of Illegal Infringement in the Workplace, and other regulations. There is also a factory guard room and a dedicated labor safety and	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>health management unit (Factory Affairs Department of the General Management Office) regularly conducting operating environment testing and fire drills in the factory area and holds labor safety meetings. Work safety and protection training is included in the new employee education and training. Special operation colleagues must receive professional training and obtain certificates. Every two years, all employees are provided with employee health checks, and regular education and training courses on occupational safety and health. In 2023, the company held a total of 1,942 person-times of safety and health and industrial safety education, with a total of 3,383 class hours.</p> <p>2. The Company is currently in the process of arranging the verification plan for the above information.</p> <p>3. Disaster-free working hours record: 639,600 hours accumulated in 2023.</p> <p>4. Twelve day and night fire drills were held in 2023, with no fire incidents.</p>	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		Please refer to this annual report ("V. Business performance, Five. Employee-employer relationship").	Without a difference
(V) Does the company comply with the	V		The Company is committed to the management	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
related laws and regulations and international standards regarding the customer health and safety, customer privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?			philosophy of product quality, customer health and safety and customer satisfaction. The Company's products are mainly LCD optical films and functional materials, which meet the requirements of relevant laws and regulations, such as RoHS, halogen-free and flame-resistant standards. Many plastic products have passed UL or SGS certification, and marketing and labeling also follow relevant laws and regulations and international standards. At the same time, the Company has established policies such as Customer Complaint Management Procedures, Code of Integrity Management, Code of Ethical Conduct, and other policies. The Company's website includes both an external communication mailbox and an independent complaint mailbox, which is personally managed by a senior company official; Additionally, there is a stakeholder area to properly address to consumer complaints and related rights issues of concern.	
(VI) Has the company established policies for management to request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the company keep track on the	V		The Company has formulated a "Supplier Management Policy", and continues to cooperate with suppliers and contractors to jointly fulfill corporate social responsibilities, and provide assistance for improvement when necessary. When the Company conducts supplier evaluation and assessment every year, the environmental and social risks and improvement of suppliers and	Without a difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
implementation of such policies?			<p>contractors in environmental protection, occupational safety and health, and labor human rights are included in the assessment items and audit plans for inspection. The Company holds the principle of honesty, fairness and openness requiring suppliers to sign a letter of commitment to integrity. If they violate any agreement, the Company may stop, suspend or terminate the transaction relationship at any time.</p> <p>In 2023, a total of 100 suppliers in Taiwan underwent evaluation, with questionnaires covering aspects such as quality, delivery, and compliance. Among them, 39 questionnaires included environmental protection, occupational safety and health, or labor human rights and other assessments. New manufacturers are required to sign 100 copies of the Integrity Commitment Letter and 100 copies of the Supplier (including outsourcers) Code of Conduct Commitment Letter.</p>	
V. Did the Company, following internationally recognized guidelines, prepare and publish reports such as its sustainable environment report to disclose non-financial information of the Company? Did the Company apply for assurance or guarantee of such reports to a third-party certification body?		V	The Company has started to prepare the sustainability report. In addition, the Company discloses the non-financial information on the company website, annual report, and Market Observation Post System, and updates relevant information on the company website from time to time for public reference.	Without a difference
VI. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles				

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
for TWSE/TPEX Listed Companies,” please describe any discrepancy between the principles and their implementation: The Board of Directors of the Company approved the formulation of Sustainable Development Best Practice Principles on November 8, 2022, which include relevant regulations on environmental protection, community participation, social welfare, customer rights, human rights, safety and hygiene. You can inquire on the corporate governance section of the Company website (https://www.wahhong.com/cov.html).				
VII. Other important information for the implementation of sustainable development: Sustainable Development Board Report schedule:				
Name and date of the meeting	Report Content			
2023 the 2nd Board of Directors Meeting (March 14, 2023)	<div>■ Report on the Company's stakeholder implementation status in 2022.</div> <div>■ Report on the Company's operation and implementation of corporate governance, corporate social responsibility and integrity management team in 2022.</div> <div>■ Report on the Company and its subsidiaries’ greenhouse gas inventory and verification schedule planning in the first quarter of 2023.</div> <div>■ Report on the Company's sustainable development promotion status in the First Quarter of 2023.</div>			
2023 the 3rd Board of Directors Meeting (May 8, 2023)	<div>■ Risk management operations status in 2022.</div>			
2023 the 4th Board of Directors Meeting (May 29, 2023)	<div>■ Report on the Company's sustainable development promotion status in the Second Quarter of 2023.</div> <div>■ Report on the Company and its subsidiaries’ greenhouse gas inventory and verification schedule planning in the Second Quarter of 2023.</div>			
2023 the 5th Board of Directors Meeting (August 7, 2023)	<div>■ Report on the Company and its subsidiaries’ greenhouse gas inventory and verification schedule planning in the Third Quarter of 2023.</div> <div>■ Report on the Company's sustainable development promotion status in the Third Quarter of 2023.</div>			

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
2023 the 6th Board of Directors Meeting (November 7, 2023)	■		Report on the Company and its subsidiaries' greenhouse gas inventory and verification schedule planning in the Fourth Quarter of 2023.	
	■		Report on the Company's sustainable development promotion status in the Fourth Quarter of 2023.	
	■		Report on the Company's intellectual property management plan and implementation status in 2023.	
Please go to the sustainability development section of the company website (https://www.wahhong.com) for inquiries.				

Climate-related information for TWSE/TPEX Listed Companies

1. Climate-related information performance

Item	Performance
1. Describe Board of Directors and management oversight and governance of climate-related risks and opportunities.	<p>■ Board of Directors</p> <p>The Company pays attention to climate issues, promotes and oversees the operational effectiveness of its functional committees, and implements them under the Sustainable Development Best Practice Principles. The sustainable development working team reports important information and the implementation status of the current period to the Board of Directors every quarter, including the results of energy conservation and carbon reduction efforts, greenhouse gas emissions management, climate impact assessment, and progress towards sustainability goals.</p> <p>■ Management</p> <p>The sustainable development working team is the highest unit for climate change management. The chairman serves as the chairperson and the top manager of the operations support center serves as the executive secretary. They coordinate, plan and formulate the Company's action plan to respond to climate change and promote green energy, and implement relevant climate risk management and control plans and countermeasures. At the same time, they plan the connection between senior managers' compensation and ESG performance, and set indicators to promote decision-making that integrates environmental or social aspects, which will help the Company achieve its sustainable development goals.</p>

2. Describe how the identified climate risks and opportunities impact the Company's business, strategy and finances (short-term, medium-term, and long-term).	Identify climate risk impacts		Risk	Opportunity
	Business	Short-term	Damage of production equipment and inventory	Manufacturers collaborate to find business cooperation projects
		Medium-term	Climate disasters increase the risk of supply chain anomaly or disruptions	Develop low-carbon, energy-saving and environmentally friendly technologies and materials
		Long-term	Consumer preferences change original life and consumption patterns	Develop smart manufacturing lines and factories to respond to changes in industry trends.
	Strategy	Short-term	Increased operational transition costs	Improve internal management efficiency through opportunities to increase revenue and reduce expenditure.
		Medium-term	Using existing resources to coordinate the enforcement of laws may encounter technical bottlenecks	Establish partnerships with various supply chains in the industry and collaborate to advance.
		Long-term	Guide operations with the goal of low-carbon transition	Enhance corporate competitiveness and industrial strategic position.
	Financial	Short-term	Corporate transition and increase in raw material procurement costs	Reduce operation and management costs through smart computing technology.
		Medium-term	Replace old equipment with new ones and expand investment in R&D technology expenses	Add circular economy projects, increase product added value, expand revenue base, and optimize sales profits.
		Long-term	The undecided low-carbon and energy policies in various countries will only increase operating and investment costs.	Find investment targets with potential in the future and boost investment returns.
	* Definition of impact time range: short-term is within 3 years, medium-term is 3 to 5 years, and long-term is more than 5 years.			

3. Describe the financial impact of extreme climate events and transition actions.	Impact on extreme climate	Financial impacts	Transition action
	Personnel	Personnel being unable to attend work due to injury or death results in the interruption of ERP system maintenance and daily accounting workflow, affecting the provision of business information and leading to a loss of production capacity.	A system off-site backup system and a mechanism for rotating office attendance have been established to reduce the risk of operational interruption and financial impact.
	Assets	Damage or loss of land, buildings and equipment, in addition to affecting financial statements due to asset revaluation, may also lead to abnormal cash flow and deterioration of financial condition as a result of reduced production capacity and decreased revenue.	Each year, all of the Company's buildings are insured against risks of earthquake, fire, and explosion to cover property losses.
	Raw materials	The shortage of raw materials, loss of semi-finished products, and rising prices of water, electricity, gas, and other energy sources have resulted in higher production costs and substantial reductions in corporate profits.	We have started developing technology for recycling scraps and expanding diversified procurement and product layout to diversify business risks. In 2024, we started to introduce ISO14064 and ISO14067:2018 standards and established green factories and green manufacturing technologies, which can improve the Company's energy efficiency and low-carbon transition products, reduce operating costs, and enhance product competitiveness; in addition to the existing 5 solar power generation systems, we plan to add one more system in 2024; wastewater recycling equipment will be installed to prepare for emergencies. Through the ISO 50001:2018 energy management system, we aim to enhance

			the energy and water use efficiency of the factory, diversify and save production costs, and build energy conservation and carbon reduction-related software and hardware equipment. Additionally, we plan to invest in purchasing green power or renewable energy certificate fees and carbon rights fees in the future.
	Logistics and transportation	Due to disruptions in transportation routes, there are difficulties in supplying and shipping raw materials or finished products from the warehouse smoothly. As a result, delivery costs increase, leading to operational losses and a decline in goodwill.	In addition to having 8 overseas business locations across the Mainland, Taiwan, Hong Kong, and Southeast Asia, the Company continues to plan a global layout in other emerging markets to diversify the risk of highly concentrated production lines.
	Legal compliance	Costs and penalties for compliance with climate-related regulations in various countries	With the help of experts and scholars, we can understand the climate-related regulations in the locations along the industrial chain to avoid breaking laws and regulations due to unfamiliarity, which could result in increased operating costs.
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	In May 2023, the Company's Board of Directors approved the Risk Management Policies and Procedures, which also include climate-related risks. Through management processes such as risk identification, risk analysis and evaluation, risk response, risk monitoring management, risk report and disclosure, each operation responsible units conduct risk identification based on short, medium and long-term goals and business responsibilities. They analyze the probability of risk events occurring for assessment, and propose risk response improvement plans based on the assessed risk appetite level. All relevant execution processes and their results should be recorded, reviewed and reported to effectively adjust risks using appropriate mechanisms.		



- Climate risk management and promotion unit

The Company is supervised by the Audit Committee. The risk management working team implements management processes such as identification, analysis, evaluation, and control of the Group's operational risks under the Risk Management Policies and Procedures. It also integrates climate risks into the risk management structure, conducts risk identification and assessment in accordance with procedures. After formulating response policies and strategies, all responsible units implement them, and report the implementation results to the Board of Directors.

- Climate Risk Identification

The Company uses a questionnaire survey method based on past experience and information, and considers climate risk factors, key concerns of stakeholders, and other relevant criteria as the basis for risk identification.

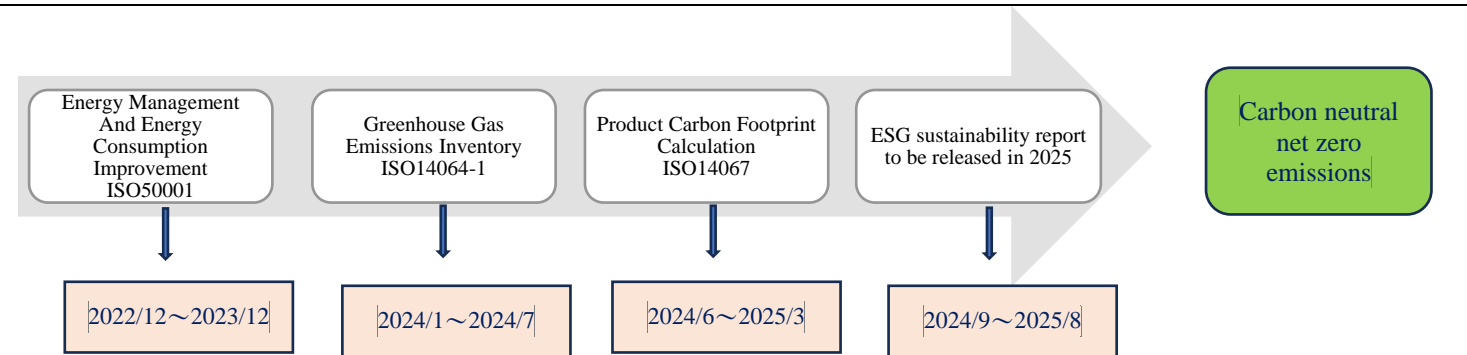
The scope of climate risk assessment mainly covers subsidiaries in Taiwan and Chinese mainland, which accounted for more than 90% of the revenue in 2023. The types of identification include physical risks such as abnormal weather, natural disasters, and water crisis, and transition risks such as legal, goodwill, and market supply chains.

- Climate Risk Assessment

	<p>Each department collaboratively discusses and consults external experts for the identified climate risk events. Based on factors such as the probability of occurrence, timing, and impact on operations, the comprehensive score is calculated according to the risk level confirmed by the survey results, and a risk matrix is drawn according to their severity.</p> <ul style="list-style-type: none"> ● Climate Risk Response Based on the climate risk appetite approved by the climate management unit, the cost-effectiveness of risk response, possibility and impact reduction and other factors, an appropriate risk response plan will be selected to achieve a balance between achieving goals and cost-effectiveness. ● Climate Risk Monitoring Management The risk management working team regularly reports climate risk management-related information and implementation status to senior management and the Board of Directors every year, and follows up on enhancement initiatives, response measures and strategic goals. ● Risk Report and Disclosure The implementation process and results of the risk management team should be recorded, reviewed and reported through appropriate mechanisms. Information related to climate risk management should be disclosed on the Company's website or MOPS, provided for reference by external stakeholders, and continuously updated.
5. If the Company employs scenario analysis to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be described.	The Company adopts a questionnaire survey method to assess climate change risks, so it is not applicable.
6. If the Company has a transition plan to manage climate-related risks, describe the plan content, and the indicators and targets used to identify and manage physical and transition risks.	In line with the country's 2050 net-zero carbon emission path, and the Financial Supervisory Commission released the Sustainable Development Roadmap for TWSE/TPEX Listed Companies, the Company identifies climate change risks and opportunities, assesses their impact of climate-related risks on operations and finance, and plans relevant management climate adjustment measures accordingly. We promote various energy conservation, carbon reduction and environmentally friendly actions, introduce international management standards related to climate environment. Additionally, we invest manpower, material resources, and funds in

	stages according to the content of the transition plan to advance towards the goal of a green supply system.				
	Transition plan	Plan content	Action items	Indicator	Objectives
	Physical risk	Prevent floods	Strengthen waterproofing facilities and flood diversion tubes	Complete waterproofing facilities and flood diversion tubes	Reduce the risk of operational interruption and financial impact
		Earthquake explosion	Buy property and casualty insurance	Complete insurance of all registered assets	Reduce property damage
	Transition risk	Energy conservation	Follow ISO 50001:2018 management procedures	Energy intensity	The annual electricity saving rate is reduced by 1% compared with the previous year.
		Carbon reduction	Follow ISO 14064:2018 management procedures	Carbon emission intensity	The annual carbon emissions are reduced by 5% compared with the previous year (Scope 1 plus Scope 2)
			Follow ISO 14067:2018 management procedures	Product carbon footprint quantification process	Effectively control carbon emission sources and reduce the risk of additional levies in the carbon fee or carbon tax market in the future.
		Water recycling	Follow ISO 46001:2019 management procedures	Tap water intake	The annual water consumption is reduced by 5% compared with the previous year
		Green energy	Solar energy power generates	Solar energy power generation	Annual power generation increased by 15%
		Circular production economy	Increase sustainable product revenue	Turnover of recyclable new materials	Revenue more than NT\$10,000 thousand
		Climate change adaptability	Launch relevant plans under the climate change adaptation plan	Plan completion	Improving climate resilience to adapt to the impacts of climate change

<p>7. If the Company employs internal carbon pricing as a planning tool, the basis for setting the price should be described.</p>	<p>Not applicable</p>
<p>8. If the Company sets climate-related goals, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information should be described; if the Company employs carbon offsets or renewable energy certificates (RECs) to achieve relevant goals, the source and quantity of offset carbon reduction credits or the quantity of renewable energy certificates (RECs) should be described</p>	<p>The Company, with a paid-in capital of less than NT\$5 billion, collaborates with the Financial Supervisory Commission to promote the Sustainable Development Roadmap for TWSE/TPEX Listed Companies. We will disclose greenhouse gas inventory and assurance information in stages. Individual companies (i.e. parent companies) are required to disclose greenhouse gas inventory and assurance information in the third stage. Greenhouse gas inventory is applicable (to be completed by 2026 and verified by 2028); the consolidated reporting subsidiary are required to complete the inventory by 2027 and verify it by 2029.</p> <p>In accordance with the regulations of the Financial Supervisory Commission, the Company has completed the greenhouse gas inventory and verification schedule plan of the parent company and the Group (including subsidiaries) on March 18, 2022 and March 14, 2023, respectively, and submitted it to the Board of Directors for approval and control and manage on a quarterly basis. Moving forward, the Company will continue to monitor and complete greenhouse gas inventory and verification under the reference guidelines and relevant regulations issued by the competent authorities, regularly report the implementation status to the Board of Directors every quarter, and formulate carbon reduction goals, strategies and specific action plans.</p> <p>In order to accurately assess the greenhouse gas and carbon emissions generated by operating activities, the Company officially launched the greenhouse gas inventory and verification work in January 2024. It introduced the ISO14064:2018 standard and designated 2023 as the base year for the inventory. It is expected to complete the three-party verification by the end of June 2024. In order to calculate the direct and indirect carbon emissions generated by products and services throughout their life cycle, the ISO14067:2018 standard is expected to be introduced in 2024, and third-party verification is anticipated to be completed by the end of February 2025. This initiative aims to find out how to improve product processes and explore multiple business opportunities for energy conservation and carbon reduction, thereby mitigating the potential impact of future carbon tariff systems.</p>



The Company's self-inventory of greenhouse gas emissions (metric tons of CO₂e) for 2022 is as follows:
(Information scope - parent company)

Scope	Definition	Content Explanation	Data (metric tons CO ₂ e)
Scope No. I	Direct greenhouse gas emission levels	Refers to the emission sources owned or controlled by the Company, from process emissions or stationary fuel combustion sources, as well as mobile combustion sources (such as emissions caused by fuel combustion in transportation equipment), and fugitive emission sources (such as refrigerants in air-conditioning equipment).	1,155
Scope No. II	Energy indirect emissions	Refers to indirect emissions from the energy utilization of purchased electricity, steam and other energy sources for the Company's own use.	9,966

9. Greenhouse gas inventory and assurance, reduction goals, strategies and specific action plans (fill in 1-1 and 1-2 separately).

In order to accurately assess the greenhouse gas and carbon emissions generated by operating activities, the Company officially launched the greenhouse gas inventory and verification work in January 2024. It introduced the ISO14064:2018 standard and designated 2023 as the base year for the inventory. It is expected to complete the three-party verification by the end of July 2024.
The Company's greenhouse gas reduction target is to reduce annual carbon emissions by 5% compared with the

previous year (Scope 1 plus Scope 2). For strategies and specific action plans, please see Item 6 "Indicators and Target Description of Transition Risks".

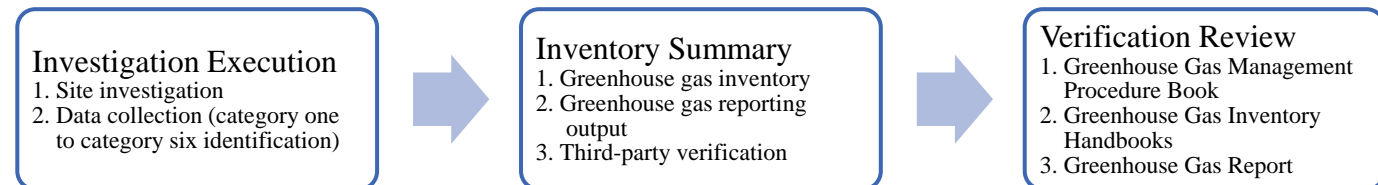
The parent company's greenhouse gas inventory and verification work schedule is as follows:

Work Item	Scheduled/Completion Time
Formulate the establishment of full-time (part-time) units, the number of full-time (part-time) personnel and their scope of duties	June 2023/January 2024
Formulate an inventory plan	July 2023/February 2024
Formulate a verification plan	January 2024/ July 2024

The greenhouse gas inventory and verification schedule of subsidiaries in consolidated statements is as follows:

Work Item	Scheduled Time
Formulate the establishment of full-time (part-time) units, the number of full-time (part-time) personnel and their scope of duties	June 2025
Formulate an inventory plan	July 2025
Formulate a verification plan	January 2026

Greenhouse gas inspection (ISO14064) three stages:



(VI) Performance in ethical corporate management inconsistency with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”:

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
I. Business Integrity Policy and action plans				
(I) Has the Company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	V		On November 11, 2020, the Board of Directors approved the revision of the “Code of Integrity Management”, revised the “Code of Ethical Conduct” and other norms on the general meeting on May 29, 2020, and placed them on the company website, annual report and Market Observation Post System, to reveal the board and management commitment in implementing honest management.	Without a difference
(II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”?	V		In order to improve integrity management, the Company has set up an integrity management implementation group, which is responsible for the promotion and supervision of the integrity management policy and prevention plan, and regularly analyzes and evaluates business activities with high risks of dishonesty within the scope of business. The Company’s Code of Integrity Management, Code of Ethical Conduct and Measures for Handling Cases of Reporting Illegal, Unethical or Dishonest Acts have formulated a plan to prevent dishonest behaviors. The content covers the preventive measures for the behaviors in Article 7, Paragraph 2 of the Ethical Corporate Management Best	Without a difference

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
			Practice Principles for TWSE/TPEX-Listed Companies.	
(III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?	V		The Company has clearly defined the relevant operating procedures, behavioral guidelines, punishments and complaints system for violations of the plan to prevent dishonest behavior in the Code of Integrity Business, Measures for Handling Cases Reporting Illegal, Immoral or Dishonest Acts, and Code of Ethical Conduct. It regularly reviews the appropriateness and effectiveness of relevant procedures and systems every year. Additionally, it integrates the integrity management policy with employee performance appraisal and human resources policies to establish a clear and effective reward and punishment system.	Without a difference
II. Proper enforcement of business integrity (I) Does the Company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		The Company's "Code of Integrity Management" assesses the integrity record of the transaction partner before the transaction, and the Company also requires the supplier to sign the "Integrity Commitment Letter". If there is any violation of the law or any agreement in the commitment letter, the Company would immediately stop, terminate or dissolve the trading relationship.	Without a difference

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
(II) Has the Company established a dedicated (concurrent) unit to implement ethical corporate management under Board of Directors and report regularly (at least once a year) to BOD the status of implementation and supervision of ethical management policy and preventive programs of unethical behavior?	V		In order to ensure the management of integrity management, the Company has established an integrity management promotion team under the sustainable development promotion team. Its members are composed of management team members. They evaluate and review countermeasures based on plan goals, execution results, promotion effectiveness, and other relevant factors. Additionally, they prepare written information; regularly report the implementation results to the Board of Directors every year. The implementation status of 2023 has been reported to the Board of Directors on January 25, 2024. Important implementation contents include holding internal and external education and training related to integrity management issues (finance, information security, integrity management related regulations, and more.), with a total number of participants of 2,503, accumulating 5,336 person-hours of training; for Code of Integrity, Ethics and Conduct-related courses for managers and employees had 370 participants, totaling 375.5 person-hours of training; and training sessions on employee work rules, integrity precautions, and other relevant matters for new employees involved 25 participants with a total of 200 hours of training.	Without a difference

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		The Company's "Code of Integrity Management" and "Code of Ethical Conduct" set out policies to prevent conflicts of interest, and provide a variety of independent reporting channels, such as employee email address, regular seminars, and complaint email address.	Without a difference
(IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit?	V		The Company's internal audit unit conducts audits in accordance with the annual audit plan or project approved by the board of directors to assist the board and managers to reasonably ensure that the accounting system and internal control system can be continuously and effectively implemented. Meanwhile, the internal audit unit also incorporates the compliance with the integrity management principle into the audit scope. According to the evaluation results of dishonesty behavior risks, the Company formulates relevant audit plans, prepares audit reports and submits them to the board of directors on a regular basis, so as to ensure the implementation of the integrity management policy.	Without a difference
(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		The Company regularly holds internal and external education, training and promotion on integrity management for directors, managers and all employees. In 2023, the total training hours reached 375.5 person-hours.	Without a difference

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p>	V		<p>The Company's code of integrity management stipulates a specific reporting and reward system, and discloses relevant information and regulations on the company website. Employees can report following the direct supervisors, the top human resources supervisor, or the existing internal and external reporting mechanisms, such as employee email address, regular symposiums and complaint email address. Among them, the company website complaint email yourwh@wahhong.com also accepts reports from external parties (such as suppliers or contractors) at any time. When a report is received, it will be personally handled by the Company's designated senior management.</p>	Without a difference
<p>(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?</p>	V		<p>The Company has formulated the "Code of Integrity Management" and "Measures for Handling Reports of Illegal, Immoral or Dishonest Behavior Cases". When accepting the report, it will be investigated in accordance with the relevant operating procedures, and a confidentiality mechanism is set up for the report. A senior company official will personally handle the complaint email.</p>	Without a difference
<p>(III) Has the Company taken proper measures to protect the whistle-blowers from suffering</p>	V		<p>The Company provides an independent and confidential reporting channel, and keeps the whistleblower identity and</p>	Without a difference

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
any consequence of reporting an incident?			the report content confidential, so as to protect the whistleblower from being improperly dealt with due to the reporting.	
IV. Enhanced information disclosure Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company exposes the contents of the Code of Integrity Management on the company website, newspapers and Market Observation Post System, and updates the relevant promotion results on the company website from time to time.	Without a difference
V. Where a Company has worked Ethical Corporate Management Guiding Principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”, please expressly elaborate on the differential gap between the substantial performance and the Practice Principle: The Company formulated the “Code of Integrity Management”, and there is no major difference between the integrity management operation and the Code of Integrity Management.				
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity). Integrity is one of the Company’s core values. The Company establishes reliable and long-term partnerships with suppliers, customers and employees in an attitude of commitment, mutual trust, and mutual benefit. In addition to the “Code of Integrity Management” and “Code of Ethical Conduct”, the Company reviews relevant measures from time to time to meet the needs of current laws and practical management. The Company requires suppliers to sign a “Letter of Integrity Commitment”, and hold educational training and publicity from time to time by inviting them to engage in business with the company counterparty, so that they can fully understand the Company’s determination in integrity management.				

(VII) Where the Company has formulated the corporate governance principles and related regulations, it should disclose its inquiry method:

The Company has formulated the Corporate Governance Principle and related regulations to establish a good corporate governance system and improve the governance operation mechanism. Please refer to the corporate governance section of its website (<https://www.wahhong.com>) for inquiries.

(VIII) Other significant information that is helpful to better the awareness of corporate governance performance should be disclosed together.

1. The Company's internal major information processing procedures are as follows. The Company has established Internal Major Information Processing Procedures and amendments to some provisions of Management Measures for Preventing Insider Trading was approved by the Board of Directors on August 5, 2023. They serve as the Company's major mechanism for information processing and disclosure, clearly stipulating that the directors and managers, and employees should abide by the rules and regulations. Except for internal announcements, education, the company holds training and publicity from time to time.
2. The Company currently has 3 independent directors, accounting for about 43% of total, and has the Remuneration Committee and Audit Committee to implement corporate governance, improve supervisory functions, and strengthen management mechanisms.
3. In the 9th Corporate Governance Evaluation, the Company was ranked among the top 6% - 20% of all the companies in the evaluation results, and has maintained such ranking for six consecutive years.

(IX) Internal control system implementation

1. Statement of Internal Control

Wah Hong Industrial Corporation

Statement of Internal Control System

Date: March 13, 2024

Based on the results of a self-assessment, the Company states the following with regard to its internal control system in 2023:

1. The Company's Board of Directors and Managers are responsible for establishing, implementing, and maintaining an adequate internal control system, and the Company has already established such a system. The system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets, etc.), reliability, timeliness, transparency, and regulatory compliance of our reporting, and compliance with relevant rules, laws, and regulations to achieve the goals.
2. The internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance for achieving the above three objectives; Moreover, the effectiveness of an internal control system may alter due to environmental circumstances change. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate corrective actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (The "Regulations"). The criteria adopted by the Regulations identify five key components of a managerial internal control system: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component also includes several items. Please refer to the Regulations for the preceding items.
4. The Company has adopted the above internal control system to judge items and evaluate the effectiveness of the design and implementation of the system.
5. Based on the results of such evaluation, the Company believes that, on December 31, 2023, it has maintained achieving goals, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rules, laws, and regulations.
6. This statement will become the main content of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Board of Directors in their meeting held on March 13, 2024, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Wah Hong Industrial Corporation

Chairman: Tsuen-Hsien, Chang

President: Ching-Pin, Yeh

2. Hiring an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: None.
- (X) In the latest year and up to the publication date of the annual report, the Company and its staff were punished according to law, the Company's staff violated internal control system regulations, major deficiencies, and improvements: None.
- (XI) Material resolutions of the Shareholders' Meeting and the board of directors in the latest year and up to the publication date of the annual report

1. Material resolutions and Implementation in the Shareholders' Meeting:

Name and date of the meeting	Material resolutions	Performance
2023 Annual Shareholders' Meeting (May 29, 2023)	1. Approved 2022 Business Report and Financial Statements.	Approved the resolution.
	2. Approved the proposal for the 2022 earnings distribution. (Cash dividends Per Share at NT\$1.5)	After approving the resolution of the board of directors on May 29, 2023, the ex-dividend base date was formulated on July 12, 2023, and a cash dividend of NT\$147,780,621 was distributed to shareholders on July 28, 2023.
	3. Approved the discussion proposal of the amendments to some provisions of the Rules of Procedure for Shareholder Meetings.	After the resolution of the shareholders' meeting on May 29, 2023 is approved, it will become applicable.

2. Material Resolutions of the Board of Directors

Name and date of the meeting	Material resolutions
2023 the 1st Board of Directors Meeting (February 14, 2023)	<ol style="list-style-type: none"> 1. Approved the 2023 annual operation plan. 2. Approved the proposal on authorization of the Company's 2023 credit line with financial institutions. 3. Approved to provide an additional endorsement/ guarantee for the subsidiary PT Wah Hong Indonesia ("WH Indonesia"). 4. Approved the formulation of some provisions of the Company's Rules of Procedure for Board of Directors Meetings. 5. Approved the revision of the Company's internal control measures "CC-202 Regulations of Cyber Security Management" and "SG-127 Codes of Ethical Conduct". 6. Approved the proposal to the date and venue of the 2023

Name and date of the meeting	Material resolutions
	Annual General Meeting.
2023 the 2nd Board of Directors Meeting (March 14, 2023)	<ol style="list-style-type: none"> 1. Approved the proposal of 2022 Business Report, Parent Company Only Financial Report and Consolidated Financial Report. 2. Approved the proposal for the 2022 earnings distribution. 3. Approved the Company's 2022 director and employee remuneration distribution plan. 4. Approved the Company's 2023 director and employee remuneration ratio. 5. Approved the revising partial provisions of the Rules of Procedure for Shareholder Meetings. 6. Approved the establishment of Financial Business Related Operation Standards for Related Parties of the Company. 7. Approved the amendment of the Company's Long-term and Short-term Investment Management Measures. 8. Approved the issuing the statement on the Company's 2022 internal control system. 9. Approved the proposal to lift the restrictions on the non-competition of the managers. 10. Approved the revision of the 2023 Annual Shareholders' Meeting.
2023 the 3rd Board of Directors Meeting (May 8, 2023)	<ol style="list-style-type: none"> 1. Approved the proposal to audit the Consolidated Financial Report for the First Quarter of 2023. 2. Approved the proposal to continue to provide an endorsement guarantee for the subsidiary Wah Hong Holding Ltd. 3. Approved the proposal of the addition and modification of the Regulations on Handling Cases of Reporting Illegal, Immoral or Dishonest Conduct. 4. Approved the proposal of the addition and modification of partial articles of the Implementation Rules of Internal Audit.
2023 the 4th Board of Directors Meeting (May 29, 2023)	<ol style="list-style-type: none"> 1. Approved the 2022 cash dividend distribution related matters. 2. Approved the proposal of the formulation of Risk Management Policies and Procedures and deleted the proposal of former Risk Management. 3. Approved the proposal of capital reduction of Qingdao Changhong Optoelectronics Ltd.
2023 the 5th Board of Directors Meeting (August 7, 2023)	<ol style="list-style-type: none"> 1. Approved the proposal to audit the Consolidated Financial Report for the Second Quarter of 2023. 2. Approved the proposal of remuneration to managers reviewed by the Company's remuneration committee.

Name and date of the meeting	Material resolutions
	<ol style="list-style-type: none"> 3. Approved the proposal to provide an endorsement guarantee for the subsidiary Wah Ma Technology Sdn. Bhd. 4. Approved the proposal to provide endorsements/guarantees to subsidiary Suzhou Alliance Material Co., Ltd. 5. Approved the proposal to provide endorsements/guarantees to subsidiary Sun Hong Optronics Ltd. 6. Approved the proposal to provide endorsements/guarantees to subsidiary Xiamen Guang Hong Optronics Ltd. 7. Approved the proposal to continue to purchase liability insurance for the directors and managers. 8. Approved the amendment of some articles in the Internal Major Information Processing Operating Procedures. 9. Approved the amendment of some articles in the Post Authorization Measures. 10. Approved the proposal of amendments to some provisions of the Management Measures for Preventing Insider Trading. 11. Approved the proposal of amendments to some provisions of the Implementation Rules of Internal Audit and Investment Cycle-Subsidiary Monitoring Operations. 12. Approved the formulation of some provisions of the Rules of Procedure for Board of Directors Meetings. 13. Approved the proposal of amendments to some provisions of the Audit Committee Charter. 14. Approved the proposal of amendments to some provisions of Remuneration Committee Charter.
2023 the 6th Board of Directors Meeting (November 7, 2023)	<ol style="list-style-type: none"> 1. Approved the proposal to audit the Consolidated Financial Report for the Third Quarter of 2023. 2. Approved the proposal of amendments to some provisions of the Standard Operating Procedures for Handling Demands by Directors. 3. Approved the proposal of amendments to part audit procedures of the SG-100 Internal Audit Implementation Rules 4. Approved the proposal on the 2024 annual audit plan. 5. Approved the proposal of the chairman election.
2024 the 1st Board of Directors Meeting (January 25, 2024)	<ol style="list-style-type: none"> 1. Approved the 2024 annual operation plan. 2. Approved the proposal on authorization of the Company's 2024 credit line with financial institutions. 3. Approved the proposal to continue to provide an endorsement guarantee for the subsidiary PT Wah Hong Indonesia ("WH Indonesia"). 4. Approved the ratification of the signing of an important contract between Wah Hong and AVC Technology

Name and date of the meeting	Material resolutions
	<p>(Vietnam) Co., Ltd.</p> <ol style="list-style-type: none"> 5. Approved the appointment and remuneration of the Company's replacement of CPAs. 6. Approved the amendment of some articles in the Post Authorization Measures. 7. Approved the resolution to change the date and venue of the 2024 Annual General Meeting.
2024 the 2nd Board of Directors Meeting (March 13, 2024)	<ol style="list-style-type: none"> 1. Approved the proposal of 2023 Business Report, Parent Company Only Financial Report and Consolidated Financial Report. 2. Approved the proposal for the 2023 earnings distribution. 3. Approved the proposal of cash distribution from capital reserves. 4. Approved the Company's 2023 director and employee remuneration distribution plan. 5. Approved the Company's 2024 director and employee remuneration ratio. 6. Approved the proposal of the addition and modification of some audit procedures to the Implementation Rules of Internal Audit. 7. Approved the proposal of amendments to some provisions of the Subsidiary Post Authorization and Report Management Measures. 8. Approved the issuing the statement on the Company's 2023 internal control system. 9. Approved the proposal of the factory sale of Ningbo Changhong Optoelectronics Ltd. 10. Approved the revision of the 2024 Annual Shareholders' Meeting.

- (XII) In the latest year and up to the publication date of the annual report, the directors or supervisors have different opinions on the material resolutions approved by the board of directors and there are records or statements in writing: None.
- (XIII) In the latest year and up to the publication date of the annual report, a summary of the resignations and dismissals of the Company's chairman, president, accounting supervisor, financial supervisor, internal audit supervisor, and R&D supervisor: None.

V. Information on the professional fees of the CPAs:

(I) Information on the professional fees of the attesting CPAs

Name of CPA firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remark
Deloitte & Touche Taiwan	Chiu-Yen, Wu	January 1, 2023 - December 31, 2023	5,800	0	5,800	
	Chen-Li, Chen	January 1, 2023 - December 31, 2023				
	Yung-Fa, Lai	January 1, 2023 - December 31, 2023		1,100	1,100	Compilation of transfer pricing reports

1. Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: Not applicable.

2. Reduction of audit fees by more than 10% compared to the previous year: None.

(II) The audit fees for auditing services referred to in the preceding item means the audit fees paid by the Company to CPAs for auditing, review, and reviews of financial reports and for financial forecast reviews.

VI. Information on replacement of CPA:

If the Company has replaced its CPA within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information:

(I) Regarding the former CPA

Date of replacement	March 18, 2022		
Reasons for replacement and explanation	Due to the internal adjustment of the accounting firm, CPA Chiu-Yen, Wu and CPA Chen-Li, Chen replaced CPA Chen-Li, Chen and CPA Jui-Hsuan, Hsu.		
Indicates that the appointor or CPA has terminated or refused to accept the appointment	Participants		CPA
	Condition		Appointor
	Voluntarily ended the engagement		
Issued an audit report expressing other than an unqualified opinion during the last 2 fiscal years, furnish the opinion and reason	Declined (discontinued) further engagement		V
	Not applicable		
Opinion differing from the issuer	Yes		Accounting Principles or Practices
			Financial report disclosure
			Auditing scope or procedure
			Others
	None	V	
		Explanation	

Other disclosures (Other disclosures (Disclosure in pursuant of Article 10, Paragraph 6, Subparagraph 1(4) to 1(7)))	Not applicable
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(II) Regarding the successor CPA

CPA firm	Deloitte & Touche Taiwan
Name of CPA	CPA Chiu-Yen, Wu and CPA Chen-Li, Chen.
Date of engagement.	March 18, 2022
Prior to formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	Not applicable
Written opinions from the successor CPA that are different from the former CPAs' opinions	Not applicable

(III) Reply from previous independent auditors in pursuant of Article 10, Paragraph 6, Subparagraph 1, 2(3): Not applicable.

VII. For any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the Auditor's Firm or any of its affiliated company in the latest year: None.

VIII. In the latest year and up to the publication date of the annual report, the Transfer of Equity Interest and Change in Stock Pledge of Directors, Supervisors, Managers and Shareholders with Stake of 10% or More:

(I) Changes in equity of directors, managers and major shareholders

Title	Name (Note)	Unit: Shares			
		2023		As of March 31, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Corporate director	Wah Lee Industrial Corp.	0	0	1,006,000	0
Representative of director Chairman	Tsuen-Hsien, Chang	0	0	0	0
Corporate director	Bau Guang Investment Corp.	0	0	0	0
Representative of director	Ray-Ching, Chang	0	0	0	0
Director	Ching-Pin, Yeh	0	0	0	0
Director	Chih-Cheng, Wu	0	0	0	0
Independent Director	Chen-Chi, Ma	0	0	0	0
Independent Director	Liang-Chien, Li	0	0	0	0
Independent Director	Kuan-Neng, Chen	0	0	0	0
More than 10% of shareholders	Wah Lee Industrial Corp.	0	0	1,006,000	0
President	Chih-Ming, Lin	2,000	0	0	0

President	Ming-Chu, Tsai	0	0	0	0
President	Ching-Pin, Yeh	0	0	0	0
President	Teng-Yuan, Cheng	0	0	0	0
Vice President	Ko-Chun, Chen	0	0	0	0
Associate Manager	Fu-Liang, Hsu	0	0	0	0
Associate Manager	Hsin-Mo, Hsieh	0	0	0	0
Associate Manager	Su-Hui, Tsai	0	0	0	0
Associate Manager	Chou-Hsing, Wu	0	0	0	0
Associate Manager	Hsiang-Wei, Cheng	0	0	0	0
Associate Manager	Wei-Chih, Chen	0	0	0	0
Associate Manager	Ching-Wen, Yu	(14,000)	0	0	0
Associate Manager	Wen-Pang, Yang	0	0	0	0
Associate Manager	Yu-Jen, Chang	0	0	0	0
Director	Hui-Jung, Chang-Chien	0	0	0	0

Note: It refers to the incumbents up to the publication date of the annual report.

(II) Relationship information of the counterpart of the transfer of equity interest: None.

(III) Relationship information of the counterpart of the pledge of equity interest: None.

IX. Shareholding percentage of top 10 Shareholders and their affiliated persons, spouses, or other relatives within the second degree of kinship:

March 31, 2024

Name	Shareholding by themselves		Shareholding of the spouse, and minor children		Shareholding under other person(s)		Names of spouse or other relatives within the second degree of kinship, or any related party as defined in the Statement of Financial Accounting Standards (SFAS) No. 6 who are also among the Company's top 10 largest shareholders.		Remark
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Name	Relationship	
Wah Lee Industrial Corp.	27,135,978	27.13%	0	0.00%	0	0.00%	None	None	
Wah Lee Industrial Corp. Representative: Tsuen-Hsien, Chang	0	0.00%	19,994	0.02%	0	0.00%	Bau Guang Investment Corp.	Under relative within the first degree of kinship of the chairman of Polycon Investment Limited	
Rui Kang Investment Co. Ltd.	3,384,676	3.38%	0	0.00%	0	0.00%	Kang Tai Investment Corp.	Affiliated companies of the Company	
Rui Kang Investment Co. Ltd. Representative: Li-Yi, Lin	32,651	0.03%	0	0.00%	0	0.00%	Jing Zan Investment Co. Ltd.	Under relative within the second degree of kinship of the chairman of Jing Zan Investment Co. Ltd.	
De Wei Investment Co., Ltd.	3,033,513	3.03%	0	0.00%	0	0.00%	Tang Di Nuo Investment (B.V.I.) Co., Ltd.	Parent company of the Company	
De Wei Investment Co., Ltd.	20,045	0.02%	0	0.00%	0	0.00%	None	None	

Representative: Hsin-Mo, Hsieh									
Jing Zan Investment Co. Ltd.	2,594,035	2.59%	0	0.00%	0	0.00%	Ya Jia Te Investment (B.V.I.) Co., Ltd.	Parent company of the Company	
Jing Zan Investment Co. Ltd. Representative: Li-Hsiu, Lin	236,043	0.24%	0	0.00%	0	0.00%	Rui Kang Investment Co. Ltd.	Under relative within the second degree of kinship of the chairman of Rui Kang Investment Co. Ltd.	
Kang Tai Investment Corp.	1,753,148	1.75%	0	0.00%	0	0.00%	Rui Kang Investment Co. Ltd.	De facto controls of the Company	
Kang Tai Investment Corp. Representative: Shu-Fen, Tsai	0	0.00%	0	0.00%	0	0.00%	None	None	
Tang Di Nuo Investment (B.V.I.) Co., Ltd.	1,686,911	1.69%	0	0.00%	0	0.00%	De Wei Investment Co., Ltd.	Subsidiary of the Company	
Ya Jia Te International (B.V.I.) Corp.	1,613,123	1.61%	0	0.00%	0	0.00%	Jing Zan Investment Co. Ltd.	Subsidiary of the Company	
Yi Kang Investment Co., Limited	1,584,790	1.58%	0	0.00%	0	0.00%	None	None	
Yi Kang Investment Co., Limited Representative: Hsien-Chang, Chen	0	0.00%	0	0.00%	0	0.00%	None	None	
Ching-Pin, Yeh	1,494,994	1.49%	124,139	0.12%	0	0.00%	None	None	
Bau Guang Investment Corp.	1,427,357	1.43%	0	0.00%	0	0.00%	Rui Kang Investment Co. Ltd.	De facto controls of the Company	
Bau Guang Investment Corp. Representative: Shu-Chen, Lin	32,306	0.03%	917,633	0.92%	0	0.00%	Wah Lee Industrial Corp.	Under relative within the first degree of kinship of the chairman of Wah Lee Industrial Corp.	

X. The number of shares held by an affiliate by the Company, Directors, supervisors, managers or other affiliates directly or indirectly held shall be combined to calculate the syndicated shareholding ratio:

December 31, 2023; Unit: Thousand Shares

Investee businesses	Investments of the Company		Investments of directors, supervisors, managers, and other affiliates directly or indirectly		Aggregated investment	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding
Wah Hong Holding Limited	30,625	100%	-	-	30,625	100%
Toprising Precision Tech. Co., Ltd.	720	27.48%	-	-	720	27.48%
PT. Wah Hong Indonesia	7,920	99%	80	1%	8,000	100%
Wah Sheng Industrial Corp.	1,000	25%			1,000	25%

Note: 1. Please refer to page 327 for the detailed list of securities held by Wah Hong Industrial Corp. at the end of 2023.

2. Please refer to page 330 for information about Wah Hong Industrial Corp.'s invested companies in 2023.

Chapter IV. Capital Raising

I. Source of share capital

March 31, 2024; Unit: share/NT\$

Month/ Year	Par value per share	Authorized capital		Paid-up capital		Source of share capital	Remark	
		Shares	Amount	Shares	Amount		Assets other than cash contributed as equity capital	Approval effective date and reference number
August 2008	10	150,000,000	1,500,000,000	74,692,980	746,929,800	Capitalization of retained earnings and employee bonuses NT\$ 28,070,780	None	Chin-Kuan-Cheng-(I)-Tzu No. 0970039168 on August 4, 2008
June 2009	10	150,000,000	1,500,000,000	76,114,460	761,144,600	Capitalization of retained earnings NT\$ 14,214,800	None	Chin-Kuan-Cheng-Fa-Tzu No. 0980031380 on June 24, 2009
December 2010	10	150,000,000	1,500,000,000	74,464,460	744,644,600	Treasury shares retired NT\$ 16,500,000	None	Ching-Shou-Shang-Tzu No. 09901286270 on December 28, 2010
September 2011	10	150,000,000	1,500,000,000	72,504,414	725,044,140	Corporate bonds of NT\$ 89,540 converted to shares and treasury shares retired NT\$ 19,690,000	None	Ching-Shou-Shang-Tzu No. 10001221370 on September 22, 2011
October 2011	10	150,000,000	1,500,000,000	85,004,414	850,044,140	Capital increase from cash capital to issue new shares of NT\$ 125,000,000	None	Ching-Shou-Shang-Tzu No. 10001241440 on October 21, 2011
April 2013	10	150,000,000	1,500,000,000	100,004,414	1,000,044,140	Capital increase from cash capital to issue new shares of NT\$ 150,000,000	None	Ching-Shou-Shang-Tzu No. 10201059700 on April 8, 2013

March 31, 2024; Unit: Shares

Type of shares	Authorized capital				Remark
	Outstanding shares	Treasury stock	Unissued shares	Total	
Common shares	98,520,414	1,484,000	49,995,586	150,000,000	Taiwan Stock Exchange listed share

Information on shelf registration: None.

II. Shareholder structure

March 31, 2024

Shareholder structure	Government agency	Financial institutions	Other corporate entities	Individual	Overseas entities and individuals	Total
Quantities						
Number of holders	0	4	162	14,612	69	14,847
Number of shares	0	107,849	46,812,761	46,297,153	6,786,651	100,004,414
Ratio of shareholding (%)	0.00	0.11	46.81	46.30	6.78	100.00

III. Shareholding distribution

March 31, 2024

Shareholding brackets	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 - 999	9,922	282,493	0.28%
1,000 - 5,000	3,694	7,440,877	7.44%
5,001 - 10,000	547	4,214,943	4.22%
10,001 - 15,000	190	2,376,912	2.38%
15,001 - 20,000	115	2,094,884	2.10%
20,001 - 30,000	117	2,962,111	2.96%
30,001 - 40,000	59	2,100,844	2.10%
40,001 - 50,000	35	1,630,837	1.63%
50,001 - 100,000	75	5,393,554	5.39%
100,001 - 200,000	46	6,564,712	6.56%
200,001 - 400,000	17	4,374,522	4.37%
400,001 - 600,000	9	4,178,453	4.18%
600,001 - 800,000	3	2,144,936	2.15%
800,001 - 1,000,000	3	2,548,788	2.55%
Over 1,000,001	15	51,695,548	51.69%
Total	14,847	100,004,414	100.00%

IV. Major shareholders

March 31, 2024

Name of Major Shareholder	Shares	Number of shares held	Ratio of shareholding (%)
Wah Lee Industrial Corp.		27,135,978	27.13
Rui Kang Investment Co. Ltd.		3,384,676	3.38
De Wei Investment Co., Ltd.		3,033,513	3.03
Jing Zan Investment Co. Ltd.		2,594,035	2.59
Kang Tai Investment Corp.		1,753,148	1.75
Tang Di Nuo Investment (B.V.I.) Co., Ltd.		1,686,911	1.69
Ya Jia TeInternational (B.V.I.) Corp.		1,613,123	1.61
Yi KangInvestment Co., Limited		1,584,790	1.58
Ching-Pin, Yeh		1,494,994	1.49
Bau Guang Investment Corp.		1,427,357	1.43

V. Stock price, net worth, surplus, dividends and related information per share in the last two years

Unit: Thousand Shares/ NT\$

Item \ Year			2022	2023	As of March 31, 2024
Market price per share (Note 1)	Highest (NT\$)		34.45	42.00	35.45
	Lowest (NT\$)		25.00	28.00	33.65
	Average (NT\$)		29.51	32.55	34.65
Net value per share (Note 2)	Before distribution		41.19	41.98	Not applicable
	After distribution		39.71	40.80 (Note 7)	Not applicable
Earnings per share (EPS)	Weighted average shares (in thousand shares)		98,520	98,520	Not applicable
	Earnings per share (EPS) (Note 3)	Before adjustment (NT\$)	2.66	2.05	Not applicable
		After adjustment (NT\$)	2.66	2.05	Not applicable
Dividends per share	Cash dividends (NT\$)		1.5	1.5 (Note 7)	Not applicable
	Free allotment shares	From retained earnings (NT\$)	None	None	Not applicable
		From capital surplus (NT\$)	None	None	Not applicable
	Accumulated unpaid dividends		None	None	Not applicable
Return on investment analysis	Price to earnings ratio (Note 4)		11.09	15.88	Not applicable
	Price to dividend ratio (Note 5)		19.67	21.70 (Note 7)	Not applicable
	Cash dividend yield (Note 6)		5.08%	4.61% (Note 7)	Not applicable

Note 1: The source of information is from the Taipei Exchange (TPEX) website.

Note 2: It is based on the number of shares issued at year end and distribution as per resolution of the shareholders' meeting in the following year.

Note 3: Retrospective adjustment due to stock dividends, the earnings per share before and after adjustment shall be listed.

Note 4: Price to earnings ratio = Average market price / Earnings per share.

Note 5: Price to dividend ratio = Average market price / Cash dividend per share.

Note 6: Cash dividend yield = Cash dividend per share / Average market price.

Note 7: The 2023 distribution situation was based on the resolution of the board of directors on March 13, 2024.

(Cash dividend from earnings distribution is NT\$1.2 per share; cash from capital surplus is NT\$0.3 per share)

VI. Dividend policy and implementation

(I) Dividend policy formulated under Article 23-1 of the Articles of Association

If the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's paid-in capital, setting aside or reversing a special reserve under the

laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan in the form of new shares to be issued shall be resolved in the shareholders' meeting for the distribution of dividends; in the form of cash shall be resolved in the board of directors.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 10% of the total dividends.

(II) Status of dividend distribution proposed at this shareholders' meeting:

On March 13, 2024, the Company's Board of Directors approved a resolution to distribute cash dividends of NT\$118,224,497 from earnings in 2023, with NT\$1.2 per share in cash dividends. The issuance of shares at a premium exceeding the par value was appropriated as capital surplus, totaling NT\$29,556,125, with a cash allotment of NT\$0.3 per share. It will be submitted to report to the 2024 Annual Shareholders' Meeting.

(III) Dividend policy is expected whether there are major changes:

The Company overall has a sound financial structure whose proper cash management can provide stable shareholder returns for the future, will not affect future investment plans and funds required for operations, and can enhance shareholder equity and corporate value.

VII. The impact on the operating performance of the Company and earnings per share proposed of the annual shareholders' meeting to issue free allotment shares: Not applicable.

VIII. Remuneration to employees and directors

(I) The ratio or range of remuneration to employees and directors as stated in Article 23 of the Company's Articles of Association:

If the Company makes a profit for the year, it should allocate no less than 10% as employee remuneration and no more than 3% as directors remuneration. But if the Company has accumulated a deficit, the profit shall be reserved for deficit compensation.

Employee remuneration in the preceding paragraph may be distributed in the form of shares or cash, and the recipients of the payment include employees of affiliated enterprises who meet certain conditions.

The preceding two paragraphs shall be implemented by the resolution of the board of directors and reported to the Shareholders' Meeting.

(II) The estimation for estimated employee and director remuneration in the current period, calculation basis for employee remuneration based on stock distribution, and accounting treatments for any discrepancies between the estimation and the actual

allotment:

The Company's employee and director remuneration amount is appropriated under Article 23 of the Articles of Association. Any discrepancy between the amount approved by the Board and the estimation recognized shall be treated as a change in accounting estimate and recognized in profit or loss for the next year.

(III) The board of directors approved the distribution of remuneration:

1. Employees and director remuneration distribution in stock or cash:

On March 13, 2024, the resolution of the board of directors of the Company approved the 2023 cash distribution employee and director remuneration amount was NT\$ 41,499,775 and NT\$ 6,916,630, respectively.

2. Percentage of remuneration to employees by stock dividends over after-tax net income in the parent company only financial statements, and over total remuneration to employees: Not applicable, as the Company did not distribute stock dividends as employee remuneration for the current period.

(IV) The actual distribution of employee and director remuneration in the previous year, the number of discrepancies between the recognized employee and director remuneration, the reasons, and the treatment:

The Company's 2022 profit surplus was resolved by the board of directors on March 14, 2023, to distribute employee and director remuneration in cash of NT\$ 57,035,858 and NT\$ 9,505,976. The amount of the above proposed distribution was consistent with the amount of estimated expenses in 2022 and there was no difference.

IX. Share repurchase by the Company:

Repurchase serial number	Fourth meeting
Repurchase purpose	For the transfer of shares to employees
Repurchase period	November 11, 2019 - December 2, 2019
Repurchase range price	NT\$ 20 to NT\$ 35
Type and number of shares repurchase	1,484,000 shares (common shares)
Amount of shares repurchase	NT\$ 40,267,170
The ratio of the purchased number to the planned number (%)	74.20%
Number of shares that have been canceled and transferred	0 share
Cumulative number of shares that the Company holds	1,484,000 shares
The ratio of the cumulative number of shares that the Company holds to the total number of issued shares (%)	1.48%
Remark	

X. Corporate bond handling situation: None.

XI. Preference share: None.

XII. Overseas depositary receipts: None.

XIII. Employee stock option certificates and employee restricted shares: None.

XIV. New share issuance in connection with mergers and acquisitions: None.

(I) In the latest year and up to the publication date of the annual report, those who have new share issuance in connection with mergers and acquisitions: None.

(II) In the latest year and up to the date of publication of the annual report, those who have new share issuance in connection with mergers and acquisitions approved the resolution by the board of directors: None.

XV. Capital utilization plan: None.

Chapter V.

Business Performance

I. Content of business

(I) Scope of business operation

1. The main contents of the Company's business operations:

- (1) C801100 Synthetic Resin and Plastic Manufacturing
- (2) C802200 Coating, Paint, Dye and Pigment Manufacturing
- (3) C805070 Reinforced Plastic Products Manufacturing
- (4) CD01020 Tramway Cars Manufacturing
- (5) C805010 Manufacture of Plastic Sheets, Pipes and Tubes
- (6) CB01010 Mechanical Equipment Manufacturing
- (7) CD01060 Aircraft and Parts Manufacturing
- (8) C801990 Other Chemical Materials Manufacturing
- (9) CC01090 Manufacture of Batteries and Accumulators
- (10) C802990 Other Chemical Products Manufacturing
- (11) CC01080 Electronics Components Manufacturing
- (12) F401010 International Trade
- (13) F108031 Wholesale of Drugs, Medical Goods
- (14) F113070 Wholesale of Telecommunication Apparatus
- (15) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (16) ZZ999999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. The business revenue breakdown of the Company's main products:

Unit: NT\$ thousand

Product Category	2022		2023	
	Amount	Revenue proportion (%)	Amount	Revenue proportion (%)
Materials of LCD	7,731,575	84.19%	6,304,819	83.86%
Materials of BMC and Molding products	1,013,126	11.03%	828,954	11.03%
Others	438,391	4.78%	384,699	5.11%
Total	9,183,092	100.00%	7,518,472	100.00%

3. Products and services currently offered by the Company

Product	Main applications or functions
LCD optical materials	TFT LCD diffusion film/plate, brightness enhancement film, multi-functional film, cadmium-free quantum dot film, polarizing film, reflector, laminating film and light guide plate and other optical films.

Product	Main applications or functions
Precision coating products	Anti-shatter film, protective film, screen protector, hard coating film , OCA and various professional coating OEM products.
Materials of BMC and Molding products	Automobile headlight reflectors, optical engine bases and parts, as well as other precision molding materials and products.
High-performance engineering plastics	Granular thermosetting plastic molding materials (Dry BMC, DAP), high-performance engineering plastics, conductive engineering plastics, and halogen-free flame-retardant engineering plastics.

4. New products under development:

(1) Optical materials

- A. Development of high weather resistant multi-color optical adhesive for outdoor electronic displays
- B. Automotive dimming optical film
- C. Development of flexible solar cell module front panel film

(2) Functional materials

- A. DAP for electric vehicle power transformer frame development
- B. Chip Tray antistatic material / ABS+CNT material development
- C. PPE/CB for SMT loading frame surface impedance development
- D. Inductance element packaging development
- E. Development of micro-module LPL18R series

(II) Industrial overview

1. The status quo and development of industry

The Company's main products include optical films, polarizers, precision coating functional films for back light modules of liquid crystal display (TFT-LCD), anti-shatter film for inner/outer bonding in touch panel modules, high-performance materials such as BMC (Bulk Molding Compound) materials and molded products, high-performance engineering plastics and molded products, composites, as well as other products such as heat dissipation materials and semiconductor process polishing rings. Regarding the main product categories of the Company, here is a description of the current situation and development of the industries:

(1) TFT-LCD optical materials

The Company's LCD optical films are important materials that provide luminous efficacy in TFT-LCD back light modules. In addition to improving the panel's performance, they are also critical materials in the cost structure of panel components. According to TrendForce, in 2023, the global political and economic environment continues to be affected

by the Russia-Ukraine war and high inflation, and the weak economy is bound to have an impact on the sales of TVs, which are only supported by the consumer market. LCD TV panel market has been more severely impacted by the economic downturn due to its maturity and large supply. The shipment volume of LCD TV panels in 2023 is expected to decline by 3.1% compared to last year, reaching 256 million units. Although the overall demand is conservative, the shipping logistics costs gradually return to normal, and the prices of oversized TV panels have been in a very favorable level, the panel manufacturers will be motivated to promote oversized products.

In addition, TrendForce also pointed out that OLED and LCD TV panels would present two different situations in 2023. Regarding OLED, Korean panel manufacturers have shifted their focus towards OLED after withdrawing from the LCD market in 2022. More products will be introduced, enriching the product portfolio and contributing to shipment volumes. At the same time, Samsung Electronics has a positive attitude towards the QD OLED TV panels provided by Samsung Display, and it is expected that QD OLED TV panel shipments will increase by 26.5% per year. In addition to boosting overall OLED TV panel shipments by 7.8% per year, the overall OLED panel shipment penetration rate in the TV panel segment will also increase slightly to 3.1%.

As for 2024, the panel manufacturers have set a shipment target of 251 million. LCD TV panel operation is improving, IT panel competition is fierce, so we need to rely on the TV panel to consume the capacity, which becomes the main reason for the panel manufacturers to increase production in 2024.

As for automotive panels, according to the observations of TrendForce, the size of automotive panels is gradually enlarging. In terms of the medium- to long-term trend, when the panel size exceeds 30 inches, taking into account the cost savings of ICs, IC manufacturers are planning to switch to the LTDI structure, and now all IC manufacturers are at the early stage of development. However, unlike consumer electronics products, which have a faster verification time, automotive products emphasize more on reliability and safety in addition to price. Especially for traditional car makers in Europe, America, and Japan, the threshold of entering the supply chain is high, the manufacturing process and products have to pass automotive specifications, such as AEC-Q100 and ISO 26262, the verification time is mostly as long as 2-3 years, and at least a 5-year supply warranty is also required. Under the strategy of cooperation with panel manufacturers, the industry is gradually

introducing new products, and if the verification goes well, it is expected that the volume will be gradually increased from 2024 onwards.

(2) Automotive Component Industry

The BMC materials and molded products manufactured by the Company are mainly used in automotive lamp reflectors and OA machine parts. composites can be applied to automotive components and body structural materials. Taiwan's automotive components are mainly for export, mainly to the United States, Europe, Japan, and Chinese mainland. Among them, 70% to 80% are sold in the aftermarket (AM) market. Taiwan's advantage lies in its small-scale, diversified, and flexible manufacturing. Manufacturers have long accumulated experience in mold manufacturing, plastic injection molding, regulatory certification, etc. The collision parts we produce, such as front and rear bumpers, wheels, sheet metal, rearview mirrors, and car lights (headlights and taillights), have a competitive advantage in the global AM market. Due to the development of LED technology, the automotive lighting industry has continued to expand in the AM market with advantages such as energy-saving, high brightness, long lifespan, and various designs.

According to the information of the Ministry of Economic Affairs, in 2023, the shortage of materials gradually eased, and a number of car makers continued to launch new cars to stimulate buying willingness and increase production capacity, the output value in the first half was NT\$247.1 billion, an annual increase of 7.0%, continuing the positive growth trend, with the automobile manufacturing industry growing by 16.2% and making the greatest contribution. In the first half, sedan and truck grew by more than 3%, marking the most significant growth in Taiwan's automobile manufacturing industry: our automobile manufacturing industry mostly cooperates with foreign parent companies, obtains the technology authorization and key components of foreign parent companies and carries out assembly and production in Taiwan, and the products are mainly sold in domestic market. In 2022, the output value was NT\$208.3 billion, an annual increase of 2.2%, with positive growth for three consecutive years, and domestic sales accounted for nearly 90% of the total; in the first half of 2023, the output value was NT\$111.7 billion, a continuous increase of 16.2%. As for the sedan market, despite of the shortage of parts and the cargo congestion in 2021-2022, the goods tax subsidy policy for automobile trade-in, and the government's policies of encouraging the public to purchase electric vehicles and promoting the exemption of goods tax on electric vehicles in order to conserve energy and reduce carbon emissions, boosted the

demands for fuel and electric vehicles, resulting in an output value of NT\$105.1 billion in 2022 (50.5% of the automobile industry), a year-on-year increase of 3.9%, maintaining a positive growth for four consecutive years. The relief of parts shortage and the launch of many new vehicles increased the buying willingness on the market, and the output value in the first half of 2023 was NT\$61.6 billion, a continuous increase of 30.3%.

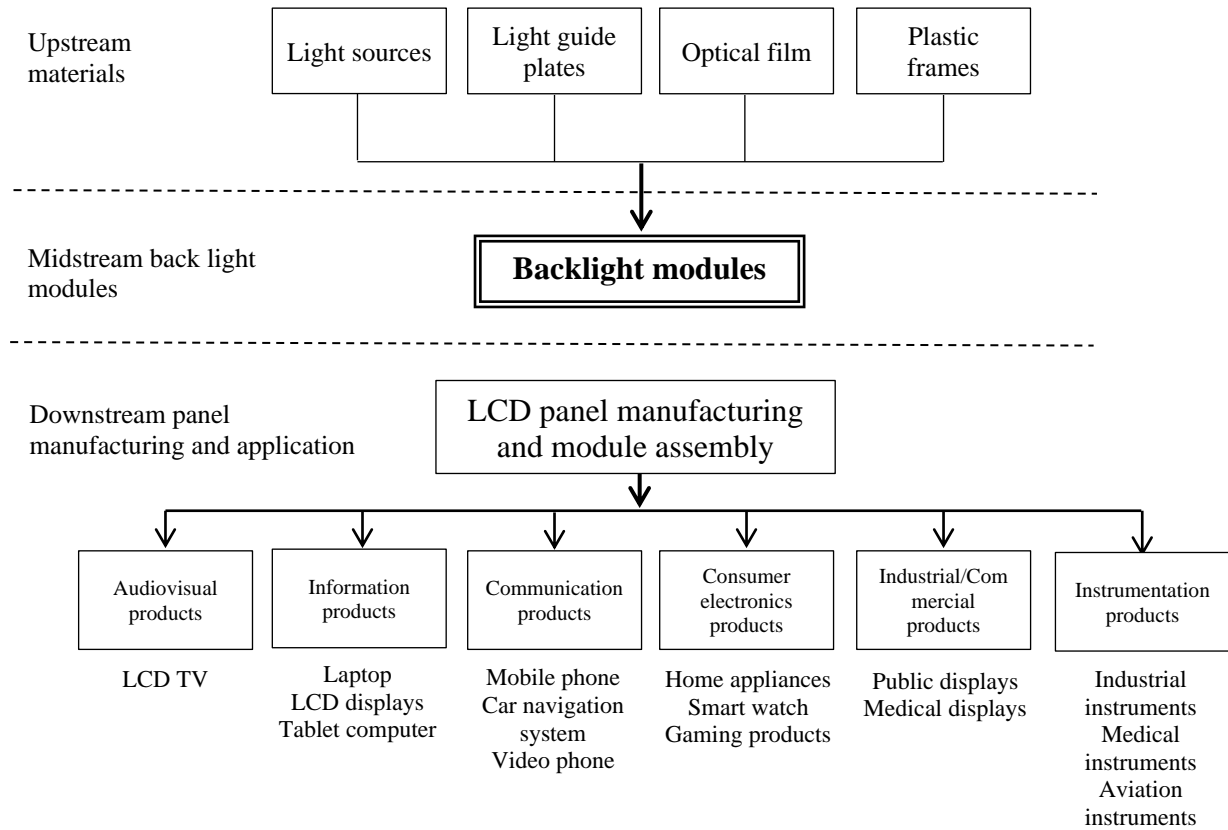
From January to July of 2023, due to the inventory reduction of European and American customers, the value of exports decreased to US\$3.6 billion, a year-on-year decrease of 28.1%. By export region, the USA was the largest export market for auto parts. From January to July, 2023, the export value was US\$1.9 billion, accounting for 52.2% of the total export value. Europe was the second largest export market, with an export value of US\$0.6 billion, accounting for 17.3%. In the Asian market, the largest export destination was Japan, with an export value of US\$0.2 billion, accounting for 5.0%.

2. Association among the up-, mid- and down streams

(1) TFT-LCD back light module materials

The Company provides key components of optical film/sheet materials, such as diffusion film/sheet, brightness enhancement film, multi-functional film, quantum dot film, polarizing film, reflector, and light guide plate, for the back light module of liquid crystal displays (TFT LCD). Back light modules are a part of the LCD industry structure, with interrelated upstream, midstream, and downstream industries as shown in the diagram below. Upstream raw material industries include light sources (LEDs, CCFLs, etc.), light guide plates, optical film sheets, and plastic frames. Downstream industries include the manufacturing and assembly of LCD panels as well as their application in various electronic products.

Upstream, midstream, and downstream industries of backlight modules

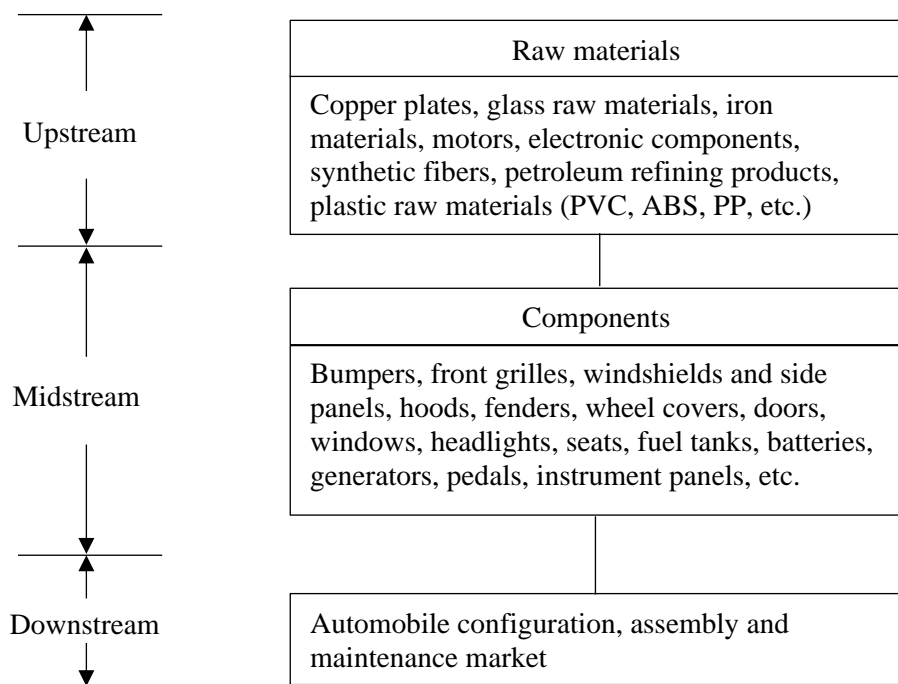


(2) Functional materials and molded products

The Company has the advantage of a vertically integrated production process, from material formulation and mold development to finished molded products. Our upstream raw material suppliers are mostly domestic and international manufacturers, so we can effectively manage quality assurance and delivery schedules. For downstream customers, including car lamp factories, O/A product companies, and motor and electrical appliance factories, we not only provide high-quality products but also timely technical services.

The following diagram illustrates the industry relationships of our functional materials, using the automotive component industry as an example. The BMC materials we produce belongs to the plastic materials in the upstream of the industry. Its composition includes special unsaturated polyester resin (UP), mixed with glass fibers and fillers. It has excellent electrical insulation properties, heat resistance, flame retardancy (UL-V0), low shrinkage, high mechanical strength, dimensional stability, chemical resistance, UV resistance and water resistance. We sell them to midstream component customers for molding into the base of automotive headlights.

In addition to material sales, the Company's professional knowledge of material properties enables us to provide customized molding services according to customer needs.



3. Product development trends

(1) LCD optical materials

The development of LCD optical film is closely related to the technological advancement of TFT-LCD. As liquid crystal displays gradually improve in specifications, including wide viewing angles, high resolution, high color saturation, lightness, and power efficiency, it drives the development of optical films for back light modules towards high brightness, thinness, light weight, and high color gamut. Due to industry competition and economies of scale and other factors, price increases in optical materials for back light modules are difficult to implement, leading to a trend of integrated optical films to reduce costs and minimize assembly methods for back light modules. This is not only to avoid monopolies of optical film suppliers but also a goal actively pursued by back light module manufacturers, existing optical film manufacturers, and newcomers.

Next-generation display technologies, including QD-LCD, transparent OLED displays, and Mini/Micro LEDs, will become the focus of the panel industry's development, driving material manufacturers to continue investing in critical materials for new display technologies, such as PI materials, optical adhesives, quantum dot materials applied to quantum dot-OLED displays, Micro LEDs, thin polarizing plates,

flexible transparent conductive films, and other materials. The goal is to enhance growth momentum through new products.

(2) High-performance materials such as automotive components

With global environmental protection and intelligent automotive trends on the rise, the international automotive components will develop towards modularization, intelligence, electrification and lightweight. The demand for materials will also be towards lightweight, recycling, reuse, and single material development. During the development process of lightweight vehicles, the application of future automotive materials is expected to gradually promote the use of carbon fiber multi-functional films, which are easy to process, have a high cost-effectiveness, and can be recycled and reused, making them potential replacements for some current materials.

Additionally, the future trend in green polymers for automotive materials will focus on (1) material innovation, (2) PVC replacement, and (3) the use of natural substances. To meet the green process requirements of electronic products, polymer materials (plastics) will develop towards non-toxic, low oil pollution, and clean-free materials to reduce hazardous waste generated in production. Furthermore, heat-conductive and energy-saving plastic materials have become one of the primary research and development strategies for their application in green electronic products.

4. Market competition

(1) Materials of LCD

For LCD backlight module materials, Chinese mainland has been continuously improving its self-production rate, with production capacity for materials such as reflective film, diffusion film, and brightness enhancement film ranking first in the world. In recent years, many manufacturers have chosen to withdraw from the optical film market due to their inability to compete with low-priced optical film factories in Chinese mainland. With Korean panel manufacturers exiting from the LCD panel market, original Korean material suppliers will have to find new markets, intensifying market competition. OLED-related products, whose shipments were originally expected to rise in 2023, were affected by the continuing impacts of the Ukraine-Russia War and inflation, and the global consumer market for 3C products shrank significantly, which also affected the downward trend of the overall demand for OLED panels.

2023 is the year when Micro LED is officially commercialized as a display technology. Large displays have already been officially launched on the market. Although the actual shipment scale is still negligible this year, with the expected improvement in component production yields, shipments in 2024 will have the opportunity to grow at a larger annual growth rate. TrendForce estimates that the market of Micro LED chips will grow to nearly US\$600 million in 2027, with a CAGR of 111% from 2022 to 2027, making it the most explosive application in the diverse applications of LED industry.

The Company's position in the optical materials industry is more of a manufacturing service provider. We process various film/plate materials provided by original manufacturers through cutting, printing, back gluing, and laminating, providing customers with inventory management and logistics services for sheet materials from nearby locations. Therefore, we have sufficient economies of scale and production technology to provide timely and on-site customer service. At the same time, we can integrate a full range of products and offer one-stop shopping services that meet customers' needs. This competitive advantage has become the primary consideration for customers when choosing us as their supplier.

(2) Functional materials and molded products

In the production of BMC materials, there are 4-5 competing manufacturers. Taiwanese manufacturers have smaller scales and fewer product lines, while our company holds a market share of over 60% in Taiwan's BMC material market. In the Chinese market, due to its vast territory and numerous manufacturers, there is a wide gap in the requirements for material quality. As a result, the Company faces severe competition from low-priced products. The ASEAN market has great growth potential, attracting many international big factories to invest. Taiwanese material manufacturers need to cooperate with downstream automotive component manufacturers to establish a layout in the ASEAN market, which can not only shorten material certification time but also ensure the stability of future downstream orders.

The Company positioned as a high-specification material provider in the market, providing higher value added through combining with quality control and good services, in order to avoid being caught in vicious price competition cycles. In terms of high-temperature resistant plastics such as DAP/Dry BMC, the Company also maintains a considerable market share in Taiwan and Chinese mainland. Furthermore, we are one of the few manufacturers in the Taiwanese market that possess both material

production and finished product molding technologies. Therefore, we actively develop new application products and market segmentation to enhance our competitive advantages and increase market share.

(III) Technology & know-how and research & development in summary:

1. The R&D expenses of the Company in the last two fiscal years and up to the publication date of the annual report:

Unit: NT\$ thousand

Item	2022	2023	As of March 31, 2024, for the current fiscal year (unaudited)
R&D expenditure	214,336	229,285	49,358
Operating revenues	9,183,092	7,518,472	1,653,814
R&D expenditure / Operating revenue %	2.33%	3.05%	2.98%

The Company has long attached importance to research and development work. In fiscal year 2023, we invested a total of NT\$ 229,285 thousand in R&D. Over the past two fiscal years, the ratio of consolidated R&D expenses to consolidated revenue have both exceeded 2%.

2. Successfully developed technology or products of fiscal year 2023
 - (1) Development of multi-functional optical brightness enhancement film.
 - (2) Development of environmentally friendly optical adhesives.
 - (3) Development of high-heat-resistant automotive material process carrier materials.
 - (4) UV release adhesive formulation technology for thermal molding process.
 - (5) BMC for high-speed rail cable brackets
 - (6) Replacement of BMC filler with grinding powder from crushed defective car lights.
 - (7) Development of micro-module LPL13R.
3. The future research & development plans and the expenses anticipated to be invested into research & development

The Company will continue to invest in R&D resources in a planned manner. The main R&D project directions can be summarized as follows:

Project directions	Project description
Enhance material self-sufficiency	Develop multiple material sources and master upstream raw material formulation technology.
Develop new product applications for existing materials	Utilize precision coating technology platform to promote product applications in different fields as well as extend and enhance the optoelectronic products.

	Using high-performance plastic technology platform and mastery of multi-functional film material properties to develop special property materials, enter different application market sectors and extend the range of functional material products.
Improve product technical specifications	Based on existing optoelectronics, functional, and heat-dissipation material, develop more diverse substrates and ultra-thin heat-dissipation materials to provide a complete product line.

The main objective of the Company's various R&D projects is to firstly develop new applications for existing materials to increase product sales, followed by increasing our material self-sufficiency to reduce material acquisition costs and enhance knowledge accumulation for material application characteristics. Over the years, the Company has been committed to the development of coating solutions, coating and lamination technologies for thin films, and expanding the use of various plastic material formulations. It is estimated that R&D expenses to be invested in the next two years will account for approximately 2% to 3% of the annual consolidated revenue. In 2024, the Company plans to allocate R&D expenses that are estimated to be more than 2% of the annual consolidated revenue. The summary of the planned R&D projects is as follows:

Project name	Current progress	Expected time of mass production	Key influencing factors
Development of high weather resistant multi-color optical adhesive for outdoor electronic displays	Material verification stage	2024	Control over material and coating formulations and process compatibility
Automotive dimming optical film	Material design	2024	Control over materials, coating formulations, and client usage conditions
Development of flexible solar cell module front panel film	Material design	2025	Control over materials, coating formulations, and client usage conditions
DAP for electric vehicle power transformer frame development	Formulation development	2024	Development of high yield and high-quality products that meet customer requirements.
Chip Tray antistatic material / ABS+CNT material development	Formulation development	2024	Development of formulations that meet customer requirements for Tray impedance values

Project name	Current progress	Expected time of mass production	Key influencing factors
PPE/CB for SMT loading frame surface impedance development	Formulation development	2024	Development of formulations that meet customer requirements for Tray impedance values, i.e. HDT
Inductance element packaging development	Mold under development	2024	Development of assembly designs that meet customer requirements
Development of micro-module LPL18R series	Customer verification	2024	Development of assembly designs that meet customer requirements

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

1. Short-term plan

(1) Product development:

- A. Continuously optimize the product portfolio of core businesses, provide comprehensive product and service solutions, including accelerating the promotion of new materials and increasing the proportion of niche products, strengthening the integration and sales of various material products, and actively developing high value-added products and product diversification applications to maintain industry competitiveness.
- B. Utilizing existing coating equipment and lamination technology to strengthen our in-house products, as well as seeking strategic partnerships with upstream and downstream manufacturers to jointly develop customized products.
- C. Accelerating R&D momentum, including expanding the R&D team, meeting the industrial development and customer needs, and accelerating the development and mass production of our own niche products, including 5G related materials and process protection film, Mini LED and Micro LED and flexible panel related optical materials, various functional films, high thermal conductivity and heat dissipating adhesive materials and next-generation electronic materials.
- D. Accelerating growth through strategic investments, mergers and acquisitions, and alliances.

(2) Management:

- A. Actively promoting digital transformation and intelligent

manufacturing, enhancing operational and process efficiency, such as introducing automated optical inspection equipment (AOI), monitoring production defects and product quality, to improve product yield and reduce process costs, effectively leveraging cost advantages.

- B. Accelerating global deployment and expanding into overseas markets by actively collaborating with partners to jointly develop markets in Japan, India, and ASEAN regions, thereby increasing overseas revenue growth and enhancing international visibility.
- C. Strengthening customer and supplier relationship management and fostering strategic partnerships.
- D. Constructing an integrated information system and information security management system.

(3) Learning and growth:

- A. Strengthening the development of core knowledge, professional skills, and key competencies for all employees, actively cultivating critical and international talents.
- B. Establishing a training platform to enhance management capabilities, strengthening personnel training, improving human resources quality, and establishing a comprehensive employee welfare and performance evaluation system to enhance employee engagement and business performance.

2. Long-term plan

- (1) Maintaining sensitivity to industry developments and adjusting our company's operational policies appropriately to ensure a certain level of competitive advantage.
- (2) Continuously strengthening strategic partnerships with upstream and downstream partners, establishing a robust international supply chain and sales channels.
- (3) Continuously investing in R&D resources, actively cultivating R&D talents, and fostering the ability to develop independent technologies. Accumulating core technological capabilities and utilizing them to increase our competitive advantage.
- (4) Based on customer demands and market trends, continue to innovate and offer diverse materials, develop high-value-added products to increase market share and profitability.
- (5) By implementing a product differentiation strategy, provide customers with comprehensive and value-added service solutions, expand profit basis, and enhance market competitiveness.
- (6) Integrate group resources, leverage the advantages of local factories (2

factories in Taiwan, 6 factories in Chinese mainland, 1 factory in Malaysia, and 1 factory in Indonesia) to reduce costs, increase productivity, and expand business scale.

II. Markets, production and marketing in summary

(I) Market analyses

1. The sales regions of our main products

Unit: NT\$ thousand

Region \ Year	2022		2023	
	Amount	%	Amount	%
Taiwan	1,537,840	16.75%	1,495,356	19.89%
China	7,307,896	79.58%	5,661,754	75.30%
Others	337,356	3.67%	361,362	4.81%
Total	9,183,092	100.00%	7,518,472	100.00%

2. Market share

(1) Materials of LCD

Currently, we have business cooperation with the top five global customers in TFT-LCD panel production, including partnerships with clients such as BOE, Innolux, LGD, AUO, and CSOT. In addition, we represent products from first-class manufacturers in Chinese mainland, the United States, Japan, South Korea, Taiwan, and other countries. With post-process cutting using various materials, we have become the most professional manufacturer of optical film sheets for backlight modules, and our products have a high market share.

(2) Materials of BMC and Molding products

The Company is one of the few domestic manufacturers that simultaneously produces Bulk Molding Compounds (BMC) raw materials and finished molded products. Our BMC materials have a market share of over 60% in Taiwan, and we are the only domestic manufacturer that produces Diallyl Phthalate (DAP) and Unsaturated Polyester (UP) molding materials. In the Chinese mainland market, our materials focus on mid-to-high-end products as the main market segment, and although our market share is relatively low compared to the overall market in China (estimated to be less than 10%), our products have stable quality, mature technology, and excellent service, which will contribute to our long-term competitiveness as the product application scale in Chinese mainland gradually expands. The outlook for our products is promising.

3. The future market supply and demand and growth potential

(1) LCD optical materials

According to the statistics of TrendForce, impacted by high inflation, TV sales were poor in 2022, the brand layout of large-size TV panels were affected by high freight costs, which not only reduced the panel demand area, but also decreased the panel price continuously. In order to quickly reduce the plant inventory and operating pressure, panel manufacturers began to regulate the production level sharply since the third quarter of 2022. After two quarters of control, panel manufacturers' inventory levels for both TV and IT panels have dropped significantly since the first quarter of 2023. Although the supply/demand ratio rose to 0.6% in the first quarter compared to -7.1% in the fourth quarter of last year due to the traditional off-season, which is still a little far from the supply/demand balance value of 3%, inventories have dropped significantly compared to the previous two quarters, laying the foundation for subsequent panel price increases.

Under the development trend of global 5G mobile communication and AIoT, the future display market will be driven by niche products towards emerging applications, such as automotive, commercial, and smart wearables, which are showing relatively high growth. It is estimated that the annual compound growth rate of automotive display products will be 5.5% by 2025, with shipments reaching 220 million pieces and a market size of US\$10.09 billion, which is considerable. Other high-growth products include public display products, wristband display products, AR/VR products, OLED TV, Mini LED and other products. Therefore, in recent years, new-generation display materials such as Mini LED and foldable panels have become the development direction of Taiwan, Japan, South Korea, and Chinese mainland.

(2) Automotive Component Industry

According to PWC's research, the automotive industry was affected by the epidemic blockade and chip shortage in 2023, and will still face the challenges of inflation, rising interest rates, economic recession and supply chain problems in 2024. OEMs, suppliers and investors have been driving the EV transformation all the way to the late 2020s, and the transformation is expected to accelerate further after 2030. The overall investment drivers will dramatically change the powertrain product mix of almost all OEMs by the end of the 2020s, shifting from internal combustion engine (ICE) to EV. By 2030, EV penetration rate is

expected to reach 41% globally and 30% in the USA, much higher than the current levels (10% and 5%).

On the other hand, at this stage, international car makers are facing a period of transformation and are accelerating the development of electric vehicles, and the supply chain is also actively investing in the R&D and production of EV-related parts. In order to achieve the most favorable utilization of resources, reduce the cost of supplying parts for the replacement and maintenance of old vehicles, and in view of the flexible production and small-quantity and diverse production characteristics of the Taiwanese parts manufacturers, international car makers have begun to shift the orders from OEMs and OESs to the non-OEM Taiwan manufacturers, which becomes an opportunity for Taiwan manufacturers to transform business structure and enter the supply chain system of international car makers, will help Taiwan auto parts manufacturers to gradually transform from non-OEM to OEM and upgrade the industry technology. This also brings new opportunities for our High Performance Material Business Division to develop more niche products that can be applied to electric vehicles in the future.

4. Competitive niche

- (1) Close relationships with upstream material manufacturers to ensure stable supply sources.

Our optical products cover all optical materials for polarizers and backlight modules, as well as complete products such as precision-coated optical films and anti-shatter films for internal/external lamination of touch panel modules. This allows us to provide customers with one-stop shopping services. Therefore, supply chain management and ensuring a stable supply of quality products are the source of our competitive advantage. To achieve this goal, we have established long-term strategic partnerships with suppliers from Taiwan, Japan, South Korea, and Chinese mainland. By combining our excellent production technology, market development capabilities, technical services, and quality response capabilities, we conduct manufacturing and sales in Taiwan and Chinese mainland through professional division of labor. Compared with the mode of direct sales in Japan or South Korea, this approach provides greater design flexibility and closer customer proximity, allowing us to offer real-time, on-site technical services and quality response.

- (2) Establishing partnerships with customers to jointly develop products.

Due to the rapid changes in customer product demand, our sales and R&D team not only directly face customers for sales but also keep abreast

of their dynamics. They work closely with customers' senior executives and R&D technical personnel during the R&D stage, closely cooperate with manufacturers, and engage in strategic partnerships with suppliers to seize the greatest business opportunities.

- (3) Core technologies and experience in material development and production process control.

In terms of LCD optical films, the Company is committed to improving process control capability and has accumulated rich experience due to the high defect rate in the post-processing stage. Currently, our product yield rate is higher than that of our competitors, which is an important niche for enhancing our competitiveness and deepening our relationships with suppliers. The Company is also actively extending the pre-coating process for optical films, deepening our core technology capabilities in the hope of developing more competitive products with greater niche value.

In addition, the Company has long been focused on the formulation research and development of functional engineering plastic materials and multi-functional film materials, and has entered the field of post-processing molding OEM. The multiple material properties of functional materials and composites combined with molding conditions have become a special operational advantage for us. Therefore, our business model has extended from formula preparation to molding OEM, allowing us to fully control the entire process. This not only helps in material development but also enhances product added value and strengthens customer loyalty.

- (4) A professional post-process manufacturer of comprehensive optical film products, with economies of scale and cost advantages

The Company is committed to the comprehensive development of optical films and continuously introduces new optical films and partner manufacturers. As we have set up production bases in Indonesia and Chinese mainland, such as Suzhou, Huizhou, Ningbo, Xiamen, and Qingdao, our company has become the largest professional manufacturer of cut-to-size optical films for backlight modules in Greater China region. With the advantages of localized supply and economies of scale, we are able to seize more opportunities for cooperation with customers and suppliers.

- (5) A strong management team with insight into industry trends

The Company has a strong R&D and technical team, as well as excellent marketing and business development experts. The highest management

leaders of each business unit has more than 20 years of relevant work experience, enabling them to quickly grasp market trends and industry developments while possessing excellent management capabilities. We have cultivated a business philosophy of integrity, efficiency, fairness, and innovation, with customer satisfaction as the company's ultimate goal.

5. Advantages and disadvantages of development and countermeasures

(1) Advantages

A. Continuous innovation in backlight module and touch panel technology increases demand for new materials

As TFT-LCD panel manufacturers continue to innovate in display technology, expand the application scope of terminal products, and experience stable growth in the application market, it drives the growth of upstream backlight modules. Therefore, the Company is continuously increasing various optical film materials and has a very comprehensive product line to meet the growing market demand, which provides us with robust revenue growth opportunities.

B. Strategic alliances with upstream suppliers to control the supply chain and provide complete products and services

Our company's suppliers include internationally renowned manufacturers from Taiwan, Japan, South Korea, Chinese mainland, and the United States. In terms of supply source and material quality control, technology advancement, and customer expansion, we work closely with upstream and downstream partners to provide one-stop shopping services that meet customer needs. Additionally, our long-term strategic partnerships with upstream suppliers enable us to collaborate on new materials and meet customers' demand for new technologies and materials. We can also assist customers in improving optical design quality, providing more competitive products and services.

C. Automotive, electronic components, and 5G network markets expected to continue growing moderately

Our functional materials and molded products are mainly used in automotive component parts such as car light reflectors, electronics, electric machinery, LED lighting heat dissipation mechanism components, and home appliances, which are closely related to the development of the automotive industry. We anticipate that the global 5G network and automotive component

markets will continue to grow moderately as consumer demand increases. And the Company continues to develop new application areas for engineering plastics, so high-performance material products still have considerable room for growth.

D. Continuous innovation of technology R&D and new product development ability

The Company continuously deepens our core technology and expertise in optoelectronic materials, actively develops precision coating process technology, expands the application of coating products in various fields, and develops and manufactures precision coating-related products such as OCA optical glue, anti-shatter film, and process protection films. In addition, the Company has long been focused on the formulation research and development of resins, composites, and functional materials, and has also entered into the post-process molding OEM field. We have operational advantages throughout the entire process, from material formula research and development, mold development and design to finished molded products, which not only help in developing new materials and new products, such as conductive, halogen-free flame-retardant, and thermally conductive engineering plastics but also enhance product added value and strengthen customer loyalty.

(2) Disadvantages

- A. The panel market is gradually entering a mature stage, and there is intense competition among panel manufacturers, who need to continuously lower costs to remain competitive, which has increased downward pressure on panel material prices.

Countermeasures:

- a. Align with customer demands, bring production lines closer to the market, and provide fast services nearby, thereby enhancing customer satisfaction and mitigating the impact of price competition.
- b. Continuously monitor market trends and develop a complete and cost-effective product line of functional films and high-end materials.
- c. Strengthen efforts to expand into overseas markets and increase customer market share in Chinese mainland, Japan, South Korea, and the ASEAN region.
- d. Continuously improve production technology and strengthen

cost advantages to maintain a leading position in the market in response to price competition from competitors.

- e. Adjust the production and sales strategy for optical film products in response to rapidly changing markets, and strengthen cooperation with material suppliers.
- f. Increase the revenue contribution of new products such as polarizing films, QD films, engineering plastics, coating products, conductive, thermally conductive, and heat-dissipating materials to diversify product sales and reduce concentration risk.

B. Taiwanese component manufacturers are rushing into the Chinese mainland market with huge business opportunities, leading to a trend of industrial relocation. As a result, the growth rate of Taiwan's high-functional materials market has gradually slowed down.

Countermeasures:

- a. Develop LED lighting thermally conductive plastics, thin and super-thermally conductive composites for 3C products, and engineering plastics to expand product applications and enter niche markets.
- b. Maintain the high market share advantage in DAP/Dry UP and develop customized new product applications while continuously seeking halogen-free flame retardant and heat-resistant substitute products.
- c. Integrate the resources of domestic and foreign production sites, improve production efficiency and material management to reduce costs. Use Taiwan as our R&D center to grasp customer demand, strengthen the efforts to expand the Chinese mainland and ASEAN markets.
- d. Increase the production capacity of engineering plastics and continuously develop new materials in line with industry development, actively expand application markets, and strengthen communication with customers to grasp industry trends.

(II) Manufacturing process and key purposes of our principal products

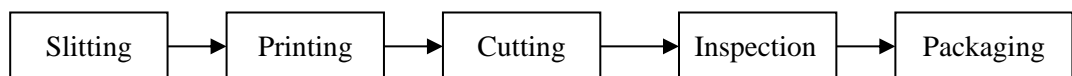
1. Key purposes of our principal products

Main product categories	Key products	Key applications or functions
LCD optical materials	Polarizing film, diffusion film/plate, brightness enhancement film, multi-functional film, quantum dot film, reflector, laminating film, light guide plate and other optical films	Key material in TFT-LCD and backlight module, which can achieve uniform distribution of light source and brightness enhancement.
Precision coating products	Anti-shatter film, protective film, screen protector, hard coating film, OCA and various professional coating OEM products	The products are used for the protection and decoration of touch panel. Process protective films are used to protect the surface of materials to prevent abnormal phenomena such as scratches during the manufacturing process.
Materials of BMC and Molding products	Bulk Moulding Compound (BMC) and BMC molding products	The product applications include automotive headlight reflectors, optical engine bases and parts, and other precision molding products. BMC material is widely used in various fields due to its excellent electrical insulation, heat resistance, flame retardancy, low shrinkage, high mechanical strength, dimensional stability, chemical resistance, weather resistance, and water resistance. It is particularly suitable for high-precision molding products.
High-performance engineering plastics	DRY BMC flame-retardant unsaturated polyester molding material, DAP flame-retardant diallyl phthalate molding material, conductive and antistatic engineering plastics.	These materials have good processability, dimensional stability, electrical properties, mechanical strength, and heat resistance, making them suitable for injection molded products used in electronics, automotive precision parts, semiconductor processes, etc. They

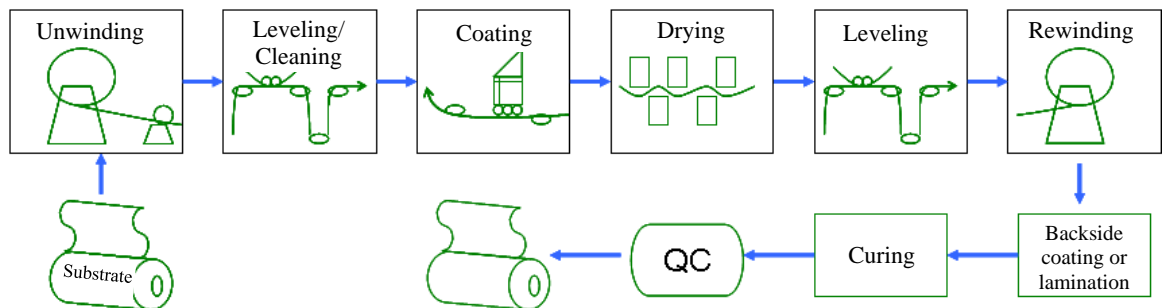
Main product categories	Key products	Key applications or functions
		can also be used to manufacture products such as IC tray, Socket, LCD tray, communication boxes, and more.

2. The manufacturing process of key products

(1) LCD materials - Back-end processes including diffusion film, reflector, brightness enhancement film, and multi-functional film

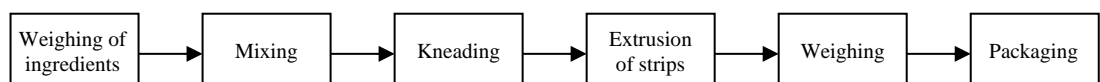


(2) Optical film front-end processes

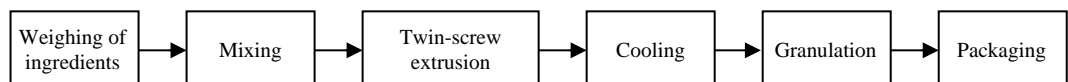


(3) Materials of BMC and Molding products

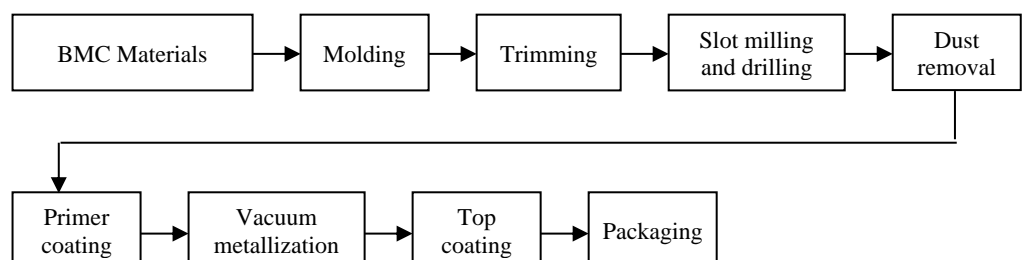
A. Bulk Moulding Compound (BMC) Materials



B. Thermosetting Molding Materials (DAP/Dry BMC, etc.)



(4) BMC molding products - Car headlight reflectors



(III) Supply status of major raw materials

Due to the various types and properties of optical materials related to TFT-LCD panels, its main raw materials include diffusion film, reflector, brightness enhancement film, multi-functional film, laminating film, polarizing film, diffusion plate, and light guide plate. Functional materials include unsaturated polyester resin and flame-retardant diallyl phthalate molding material.

The Company has long been committed to building and consolidating relationships with suppliers, enhancing supply chain management and safety protection capabilities. We maintain good cooperation with domestic and foreign raw material manufacturers, and procure critical materials and components from at least two suppliers or more to mitigate procurement risks. This not only ensures the availability of supplies and bargaining flexibility but also enables us to respond quickly to changes in market conditions.

(IV) The names of customer whose purchase (sales) amount accounted for more than 10% of the total purchase (sales) amount in any one of the latest two years, along with their purchase (sales) amounts and proportions

1. The names of customer who accounted for more than 10% of the total sales amount in any one of the latest two years, along with the sales amounts and proportions: None.
2. The names of supplier who accounted for more than 10% of the total purchase amount in any one of the latest two years, along with the purchase amounts and proportions

Major supplier information for the latest two years

Unit: NT\$ thousand

	2022				2023			
Item	Name	Amount	Ratio to net purchases in the whole year (%)	Relationship to the issuer	Name	Amount	Ratio to net purchases in the whole year (%)	Relationship to the issuer
1	A	638,717	10%	None	A	658,899	14%	None
2					B	485,984	10%	None
	Others	5,517,379	90%	Not applicable	Others	3,697,241	76%	Not applicable
	Net purchase	6,156,096	100%	Not applicable	Net purchase	4,842,124	100%	Not applicable

(V) Production value for the last two years

Unit: NT\$ thousand

Key Products \ Year	Unit	2022			2023		
		Capacity	Output	Output value	Capacity	Output	Output value
LCD (film)	Kpcs	746,400	423,083	5,582,759	746,400	380,084	4,661,524
LCD (roll)	Km	16,013	9,075	1,262,290	16,013	7,482	913,372
BMC compound and Engineering plastics	Tons	20,953	10,596	706,417	20,953	9,847	512,644
BMC molding products (Note 1)	Kpcs	12,917	8,091	207,426	12,917	7,264	227,689
Others (Note 2)				458,067			308,207
Total				8,216,959			6,623,436

Note 1: There is no standardized unit of measurement for the various product items.

(VI) Sales in the last two years

Unit: NT\$ thousand

Key Products \ Year	Unit	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
LCD (film)	Kpcs	30,989	329,680	395,305	6,006,701	66,036	438,211	312,053	4,782,685
LCD (roll)	Km	7,621	1,074,614	272	209,604	5,617	577,730	417	361,762
Materials of BMC	Tons	2,640	185,187	6,054	514,968	2,315	136,835	5,956	395,315
BMC molding products	Kpcs	2,296	163,247	6,017	48,143	2,479	197,120	4,783	43,599
Heat dissipation materials	Kpcs	391	1,672	35,363	357,178	64	573	28,039	307,846
Others (Note 1)			207,000		85,098		144,887		131,909
Total			1,961,400		7,221,692		1,495,356		6,023,116

Note 1: There is no standardized unit of measurement for the various product items.

III. Employee

Year		2022	2023	March 31, 2024
Number of employees (person)	Direct labor	912	899	875
	Indirect employee	597	561	609
	Management personnel	250	248	219
	Sales personnel	112	111	135

	R&D personnel	121	119	120
	Total	1,992	1,938	1,958
Average age		34.68	34.94	35.16
Average years of service (year)		5.74	6.21	6.23
Academic qualification (%)	Doctoral Degree	0.15	0.10	0.10
	Master's Degree	4.17	3.88	4.29
	Bachelor's Degree	34.44	34.63	34.37
	High school	37.45	38.56	37.49
	Below high school	23.80	21.81	23.75

IV. Environmental Spending

List the losses incurred due to environmental pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection) in the latest year and up to the publication date of the annual report. The disclosure should include the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions. The estimated amount of losses that may occur in the present or future and countermeasures should also be disclosed. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

- (I) Losses incurred due to environmental pollution for the latest year and up to the date of publication of the annual report:

On January 2, 2024, the Company received a letter from the Environmental Protection Bureau of Tainan City stating that the Lixing Plant has violated Article 20, Paragraph 1 of the Air Pollution Control Act and will be punished in accordance with Article 62, Paragraph 1, Subparagraph 1 of the aforementioned law. The Company has completed the announcement of material information on the same day in accordance with the current regulations.

- (II) The estimated amount and countermeasures for current and future potential losses

In the case of the violation of the Air Pollution Control Act by Lixing Plant, the Company has estimated and proposed the fine amount of NT\$1,350 thousand in advance. The Company will continue to strengthen the operation control and readiness of pollution prevention and control equipment, and value environmental protection work. In addition to carrying out pollution prevention and control within the company, all types of waste are legally entrusted to qualified vendors for processing. We will continue to strengthen education and training on relevant laws and regulations as well as the related environmental declaration and handling procedures.

V. Employee-employer relationship:

- (I) List the Company's employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees

The Company has always treated employees with integrity. We have established a good relationship of mutual trust and reliance with employees through perfecting and stabilizing the welfare system and providing good staff training. Therefore, our employees are able to demonstrate team spirit, support the company's decisions, and work closely together, creating a harmonious atmosphere between labor and management.

1. Employee benefits

(1) Create a friendly working environment

- A. The Company has set up staff lounges in each plant and office building, and provided free self-service ground coffee, milk and other beverages, as well as snacks and refreshments prepared by each department, to provide staff with physical and mental refreshment and social interaction during break time; vending machines are also installed to provide staff with more options.
- B. The Company encourages breastfeeding by providing special cleaning agents and breast milk refrigerators in the breastfeeding room, where access control is provided and plant guards are responsible for management; maternal consultation is also provided to offer physiological and psychological care.
- C. The Company has signed contracts with postnatal care institutions, nurseries and kindergartens in the vicinity of the plant, so that postnatal employees can recuperate in peace, get the care and preferential services of the contracted centers, and information on preferential and safe organizations for baby sitting and childcare.
- D. Each plant and office building has vehicle and motorcycle parking lots or parking spaces, which are convenient for employees to park their vehicles and motorcycles. For physically and mentally disabled employees or visitors, there are special vehicle and motorcycle parking spaces; for pregnant employees, there are special parking spaces in the plant, so that they can park easily and reduce the fatigue of walking and other unnecessary risks.
- E. Kuangtien plant also has a dormitory for employees who live in a remote place during the training or onboarding period, and the Operations Support Center will assist in handling short-term accommodation needs of employees in plants where no dormitory

is set.

(2) Pay equal attention to promoting health and providing protection

- A. Health checkups: Employees are provided with full-body health checkups once every two years, and for those who are expatriated and with more restrictions on medical care, additional personal checkups are provided without a budgetary limit. At the same time, plant doctors will come to the plant every month to provide employee counseling, and plant nurses are always available to provide proactive or passive health support in the plant. In 2023, we provided health checkups for 585 Taiwan employees, 290 Chinese employees, and 134 Southeast Asian employees.
- B. Group insurance: In addition to labor insurance, national health insurance, and employer's liability insurance, the Company has provided group insurance for employees since their first day of employment, covering life insurance/accidental injury insurance/medical insurance/cancer insurance, etc. The Company also organizes related seminars from time to time to assist employees in understanding group insurance protection and their personal rights and interests.
- C. Activities: The Company organizes weight loss competitions, evening walking competitions, and blood donation activities from time to time to help employees control their weight and increase their physical activity. The Welfare Committee also organizes walking and hiking activities from time to time and provides prizes and awards to encourage employees to be keep healthy and exercising. In 2023, the Company organized 9 staff travels with a total of 492 participants (276 employees and 216 family members), 16 staff dinners, 1 staff family day (participated by about 1,200 stakeholders), 2 blood donation events (46 participants and 60 bags), 2 CPR+AED trainings (37 participants), and 1 public welfare invoice donation and walking event (336 participants, including employees and family members, and 2,558 invoices were donated).

(3) Employee incentives are linked to business performance

In addition to basic monthly salary (including basic salary, work allowance, living allowance, meal allowance, etc.), the Company also provides bonuses for the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, and the year-end bonus. In addition to the employee bonus from profit distribution as stipulated in the Articles of Incorporation, there are also operating performance bonus and

production performance bonus. The Company will share the profit surplus with the employees based on the overall operation of the Company and the performance of the teams and individuals, in order to attract talents, motivate and train them.

(4) Commitment to workplace diversity and equality

In addition to providing migrant workers with dormitory and meals, the Company also organizes Chinese language skills enhancement courses and select outstanding migrant workers to serve as executives to assist them in integration and development. Foreign interns and graduates are provided with transportation subsidies and accommodation assistance, and receive equal pay for the same work as local interns and graduates, and special personnel from the Human Resource Division are responsible for assisting foreign interns and graduates in communication and integration issues.

(5) Employee Welfare Committee and the Company work together to provide benefits for employees

The Company has established the “Employee Welfare Committee”, which is responsible for the planning and implementation of various welfare programs. Each month, the Committee will allocate 1.5‰ of the turnover as the employee welfare fund, organize various dinners and travel activities, distribute coupons and gifts during the festivals, and provide welfare activities such as community subsidies and special discount stores. The Welfare Committee and the Company's Operations Support Center also jointly organize various activities such as family day and parent-child activity day with the goal of having fun with employees' families. The Welfare Committee also takes care of employees' lives by providing various welfare subsidies such as emergency assistance, hospitalization condolences, weddings and funerals.

(6) Provide unlimited development space

In addition to the annual training courses required by the Company and the department, Wah Hong Digital Training Academy also provides diversified and multi-level training resources for employees to choose from. Employees can choose from a variety of courses to meet their needs for professional enhancement, management skills development, or even personal wealth management/retirement planning/health knowledge/nutritional knowledge. Employees can also recommend the Company to supplement the resources for specific training courses. These courses are not limited by time and space, and can fully meet the learning needs of employees at home and abroad.

2. Employee continuing education and training

The philosophy and purpose of our company's education and training program is to align with the company's business philosophy, corporate culture, and quality policy, to improve employee quality, coupled with long-term talent cultivation plans, to promote effective human resource utilization. This aims to improve our operational efficiency, management standards, production technology, and quality consciousness. By strengthening our company structure and cultivating professional skills and management personnel, we aim to implement our quality policy, achieve excellence in quality, and sustain our operations over time.

The education and training system is mainly divided into two frameworks: new employee education and training and in-service education and training. In-service education and training are further divided into internal education and training, external training, and self-development training. This comprehensive education and training system fully utilizes the professional training functions and commonality of each department, as well as hierarchical training requirements, taking into account both the relevant training necessary for current job responsibilities and future development-related training.

- (1) The Company has established an education and training committee to develop an annual education and training plan based on the needs of the company and employees. The plan includes courses on strategic planning and management, industrial safety and environmental regulations, and professional certifications, which are implemented through the two frameworks mentioned previously.
- (2) We have implemented an internal lecturer incentive system to strengthen the company's professional skills and corporate culture inheritance.
- (3) We also review and track the results of training from time to time through satisfaction surveys and follow-ups with unit supervisors.
- (4) We have obtained TTQS certification from the Workforce Development Agency and received training subsidies to enrich our training resources.
- (5) To maximize the benefits of employee training, we have introduced an e-learning platform, allowing employees to learn through various channels.

Employee continuing education and training for the year 2023 are as follows:

Training categories	Internal/external training	Total number of participants	Total hours	Total cost
Production-related courses	Internal training	539	822	51,197
	External training	4	21	7,000
Research and development-related courses	Internal training	510	769	50,096
	External training	70	261	59,250
Quality-related courses	Internal training	257	378	18,812
	External training	4	52	0
Management-related courses	Internal training	2,406	5,012	107,981
	External training	77	571	15,900
Labor safety and health-related courses	Internal training	2,105	3,758	55,090
	External training	95	545	67,000
New employee training	Internal training	25	200	24,000
Total		6,092	12,389	456,326

3. Retirement system and implementation

- (1) The Company has established a Supervisory Committee of Workers' Retirement Reserve Fund in accordance with the Labor Standards Act and set aside retirement reserve funds every month at 2% of the total salary expenses into a designated account at Taiwan Bank. The Company has also formulated labor retirement measures in accordance with regulations for implementation.
- (2) Since July 1, 2005, the Company had adopted the new retirement plan formulated by the government. According to the Labor Pension Act, the Company contributes 6% of the employees' monthly salary to the personal pension account of the Bureau of Labor Insurance. For employees who are willing pay pension contributions, the Company will deduct the corresponding amount from the employee's monthly salary to the personal pension account of the Bureau of Labor Insurance according to the voluntary contribution rate.
- (3) Since the Company's employees are stable and have high average seniority, the Company is afraid that a fixed amount of contribution is not enough to provide for the full amount of retirement reserve. In accordance with IAS 19, the Company has an actuary to accurately calculate the amount of retirement reserve every year, and take the initiative to increase the amount of monthly contribution by several times, so as to make up for the difference in the amount of the retirement reserve

year by year, thus safeguarding the rights and interests of the employees.

4. Agreement between labor and management

All regulations and measures related to labor-management relations in the company are implemented in accordance with relevant laws. Therefore, the implementation is good. Any newly added or revised measures related to labor-management relations are only finalized after full negotiation and communication between both labor and management parties, thus avoiding any disputes. The Company sets up a special complaint line and an employee mailbox, and organizes employee seminars from time to time to establish an environment in which the management and employees can participate and fully communicate with each other. In 2023, a total of 16 seminars on new company systems and policies were held.

5. Employee Code of Conduct

The Company has established a “Code of Ethics” to guide the behavior of our employees and ensure that their conduct meets ethical standards. The purpose is to prevent improper behavior and ensure that our employees adhere to the following requirements:

- (1) Integrity and morality.
- (2) Avoidance of conflicts of interest and opportunities for personal gain.
- (3) Confidentiality obligations.
- (4) Fair trade principles.
- (5) Protection and appropriate use of company assets.
- (6) Prohibition of insider trading.
- (7) Compliance with laws and regulations.
- (8) Prohibition of bribery, gifts, and improper benefits

6. Protection measures for working environment and employee safety.

Item	Content
Access control	<ol style="list-style-type: none">1. There are strict access control and monitoring systems in place day and night. Access control system is set in each important operational area to control personnel access.2. 24-hour security guards are stationed on the premises, as well as a nighttime patrol mechanism to maintain security in the factory.3. Visitors are required to provide identification with a photo for registration before entering the factory.4. An “Access Control Management Policy” has been established to regulate the entry and exit of personnel, vehicles, and goods.5. Procedure are in place for reporting incidents of unauthorized entry into the workplace or illegal intrusions.6. Maintaining constant communication and readiness with police security units and fire and rescue units.

Item	Content
Maintenance and inspection of all equipment	<ol style="list-style-type: none"> 1. In accordance with fire safety regulations, an outsourced fire inspection is conducted annually and reported to the local fire department. 2. An outsourced electrical equipment inspection is conducted annually and reported to the power company. 3. In accordance with the regulations of the Labor Safety and Health Act, we conduct regular maintenance and inspections of all machinery and equipment on our premises, including elevators, cranes, forklifts, fire extinguishers, high and low voltage electrical equipment, drinking fountains, etc. We also conduct self-inspections on a monthly basis.
Disaster prevention measures and response	<ol style="list-style-type: none"> 1. To maintain the safety of our employees' workplaces, we have established a labor safety and health management unit in compliance with the law, to promote safety and health services. We have also hired Grade A occupational safety and health supervisors, Grade A safety managers, and Grade B safety and health administrators, and reported their appointment to the Southern Regional Labor Inspection Office. 2. The Company has established disaster prevention measures, rescue precautions, and accident reporting procedures through the development of policies such as the "Safety and Health Management Operating Procedures," "Emergency Event and Procedure Management Procedures," "Industrial Safety and Health Management Procedures," "Chemical Substance Management Procedures," "Occupational Accident Management Regulations," "Emergency Response Plan," and "Contractor Safety and Health Management Operating Procedures." These measures ensure that management responsibilities are clearly defined and employees comply with regulations. 3. To prevent and respond effectively to major disasters, an emergency response team has been organized in accordance with the Fire Services Act. The team members receive annual training and participate in emergency response drills to familiarize themselves with their responsibilities and ensure effective disaster response actions.
Physical health	<ol style="list-style-type: none"> 1. The Company has established an "Employee Health Management Policy", and set up a medical room and lactation room. We have also hired company physicians in compliance with the law to promote employee health and health-related management matters. 2. Health checkups: New employees receive physical examinations, and existing employees undergo regular health check-ups in accordance with the regulations of the Labor

Item	Content
	<p>Safety and Health Act.</p> <ol style="list-style-type: none"> 3. Workplace environmental hygiene: Smoking areas have been designated in accordance with regulations, with colleagues being encouraged to quit smoking. Appointments are arranged for those who wish to schedule smoking cessation consultations. Health lectures are held from time to time (cardiovascular disease education, stress management, healthy eating, etc.) 4. Emergency response training: CPR and AED courses are arranged 5. On-site medical services: Company physician conducts on-site inspections of special operation areas that have high noise levels or may pose health hazards to employees, providing relevant improvement measures and recommendations. Employees with work-related injuries are arranged to be examined by the company physician to determine whether they are capable of fulfilling their job duties based on their injury status. 6. Daily cleaning personnel are responsible for cleaning restrooms, dining areas, and other public spaces. 7. Health promotion activities: Partnering with the Tainan City Health Bureau to host the annual weight loss campaign and offering daily aerobic exercise sessions. 8. Emergency response measures: During outbreaks of influenza, we promote awareness, conduct environmental disinfection, and take necessary actions based on the current situation.
Mental health	<ol style="list-style-type: none"> 1. Questionnaire: Understanding which health topics employees would like to learn about. 2. Arrange stress relief health lectures to teach employees how to relieve stress in stressful work situations. 3. Health education 4. If employees have any questions or concerns related to their physical, mental, or spiritual health, we arrange for the company physician to be available at specified times or provide relevant channel and listen to employees' needs.
Notifying contractors of operational hazards	To ensure the safety of contractors during on-site construction, we have developed "Contractor Safety and Health Management Operating Procedures" and published it on the Company's intranet website for employees to download and use.
Insurance and medical support	<ol style="list-style-type: none"> 1. We comply with the law by providing labor insurance (including occupational accident insurance) and health insurance. We also offer group insurance for employees and discounted rates for their dependents for accidental injury, accidental medical expenses, and cancer insurance.

Item	Content
	2. The Company has insured employees against work-related accidents for coverage between NT\$1.2-6 million. For those who suffer permanent disability or death due to work-related accidents, we provide insurance compensation to assist the employee or their heirs.

(II) In the latest years and up to the publication date of the annual report, any losses suffered due to labor disputes, along with the estimated amounts and countermeasures for current and future potential losses:

1. Our company has always attached great importance to labor-management relations, and due to smooth communication and good interaction, we have not experienced any major labor disputes or suffered any losses as a result of such disputes. We will continue to comply with labor laws and regulations, enhance welfare measures, and establish multiple channels of communication and complaint handling to maintain the best labor-management relationship.
2. The Company has a harmonious labor-management relationship, and in the latest year and up to the publication date of the annual report, we have not experienced any significant labor disputes or losses. We also believe that the possibility of future labor disputes is extremely low.

VI. Cyber security management

(I) Cyber Security Policy and Organization:

To enhance cyber security management, the Board of Directors of the Company approved the revised “Cyber Security Management Procedure” on January 27, 2021.

In May 2022, we introduced the ISO 27001 Information Security Management System (ISMS) and obtained the ISO 27001:2013 certification. The current certificate is valid from March 7, 2023 to October 31, 2025.

The second year’s substantive examination and certification had been passed on January 9, 2024 and January 10, 2024, and the ISO 27001:2013 certificate remains valid.

1. Cyber Security Policy:

The Company’s cyber security risk management mainly includes compliance with laws and regulations, information security management strategies, education guidelines and policy promotion, anomaly handling, supervision and management, and technology applications. The scope of our policy includes the following:

- (1) Compliance with laws, regulations, and contractual obligations.
- (2) Establishment of an information security organization.
- (3) Resource allocation planning and application
- (4) Emphasis on information security factors.

- (5) Physical security monitoring and control.
 - (6) Implementation of access control management.
 - (7) Business continuity management.
 - (8) Implementation of information security education.
 - (9) Establishment of a culture of information security.
 - (10) Continuous review, improvement, and refinement.
2. Cyber Security Risk Management Framework
- (1) The Company's Information Security Office is responsible for the governance, planning, and supervision of the entire group's cyber security, and a cross-departmental Information Security Management Committee has been established. At least one meeting is held every year to review the information security policies, and the Information Security Office reports on the current execution results and future work plans.
 - (2) The committee is chaired by the Company's General Manager and has the operations support center director serving as secretary, responsible for coordinating work towards the various objectives. The highest executives of each business unit (group) and their designated representatives (agents) are all members of the committee.
 - (3) We adopt regular audits and cycle management to ensure the achievement of reliability objectives and continuous improvement.
3. Cyber Security Management Plan:
- (1) Information Security Audit Team: The team leader is appointed by the chairperson of the Information Security Management Committee, and the team members are assigned by the team leader. The main responsibilities include formulating relevant audit plans, conducting audit operations, presenting audit reports and related recommendations, reviewing corrective measures for non-compliant issues, establishing information security measures, and carrying out information security monitoring and other security preventive measures.
 - (2) Information Security Handling Team: The team leader is appointed by the chairperson of the Information Security Management Committee, and the team members are assigned by the team leader. The main responsibilities include establishing information security measures, carrying out information security monitoring and other security preventive measures. They plan crisis management procedures, investigate the causes of crisis events, determine the scope of impact and loss assessment, implement contingency measures, handle information security notifications, and execute resolution procedures for crisis management issues.

- (3) Document Control Team: The team manages the issuance, retrieval, storage, lending, disposal, and version control of the information security management system documents.
 - (4) The Company places great emphasis on information security and collaborates with other organizations to enhance our ability to respond to security incidents. We have strengthened the sharing of cyber security-related information within the company and joined Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) as a member in February 2022. Through various channels for sharing information, we aim to achieve effective cross-domain collaborative cyber defense.
 - (5) In May 2023, the Company participated in the information security testing and diagnostic services co-organized by the Administration for Digital Industries and the Information Service Industry Association of R.O.C. Through multi-level information security check-ups, we strengthen our information security protection, identify information security vulnerabilities, and solve information security problems.
4. Resources invested in cyber security management:
- (1) The Company's Cyber Security Office has total 3 persons (director and staff members), all of whom have obtained ISO 27001 successively in 2703: 2022 LA lead auditor certificate.
 - (2) The 2023 Cyber Security Management Objectives and Implementation Status have been submitted to the Cyber Security Management Committee on December 22, 2023. A total of 13 members were present (attendance rate: 100%). The contents include an inspection and improvement of the cyber security architecture; testing network devices, servers, and terminal devices; monitoring of network activities; website security checks, and information security checks for the Group (including subsidiaries).
 - (3) Employees who fall under the scope of information security management and control are required to receive at least three hours of information security education and training each year, and this is included as a performance appraisal item for the year. In 2023, a total of 379 employees participated in self-organized or outsourced information security education and training, totaling 1596 hours.
 - (4) In 2023, in accordance with the *Regulations on the Expense Deduction for Investments by Corporations or Limited Partnerships in Intelligent Machinery, Fifth Generation Mobile Communication Systems, and Cyber Security Products or Services*, the Company applied for the deduction program for investments in cyber security products or

services, and the deducted amount exceeded NT\$800 thousand, which was approved by the Industrial Development Bureau of the Ministry of Economic Affairs on December 30, 2023.

- (II) List the losses, possible impacts, and countermeasures from major cyber security incidents in the latest year and up to the publication date of the 2023 annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

In the latest year and up to the publication date of the 2023 annual report, the Company has not experienced any such circumstances.

VII. Important contract

Contract nature	Participants	Contract start and end time	Main contents	Restrictive clauses
Supply Contract	Shimoda	November, 2023 - (Valid for three years, with automatic renewal)	Supply of reflector materials to Taiwan and Chinese mainland	None
Long-Term Borrowings	11 joint credit banks including E.SUN Bank	May 2022 - May 2027	Repayment of financial institution liabilities and replenishment of mid-term working capital	Note
Technology licensing	Nanoco	August 2016 - December 31, 2023	Quantum dot patent licensing for production and sales	None

Note: The Company's financial position commitments comply with the financial ratios stipulated in Article 8, Paragraph 2 of the credit agreement

1. Current ratio [Current assets / Current liabilities] at or above 100%.
2. Debt ratio [Debt / Tangible net worth] at or below 200%.
3. Interest coverage ratio [(Profit before tax + Interest expense + Depreciation and amortization) / Interest expense] at or above 4 times.
4. Minimum tangible net worth [Net worth - Intangible assets] at or above NT\$3 billion. (Intangible assets refer to computer software and specialized technology).

Chapter VI. Financial Status

I. Condensed balance sheet and comprehensive income statements for the latest five years, name of CPA and their audit opinion

(I) Condensed Balance Sheet

1. Adopting International Accounting Standards - Consolidated

Unit: NT\$ thousand

Year Item		Financial information for the latest 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		5,999,507	6,593,881	7,248,936	6,120,722	5,423,668
Property, plant and equipment		1,847,216	1,767,757	1,635,917	1,520,620	1,474,132
Intangible assets		9,889	18,517	24,744	21,893	39,527
Other assets		421,662	406,590	613,474	871,651	997,658
Total assets		8,278,274	8,786,745	9,523,071	8,534,886	7,934,985
Current liabilities	Before distribution	3,437,365	3,904,886	4,357,317	3,515,916	2,871,822
	After distribution	3,564,678	4,032,199	4,603,618	3,663,697	2,990,046
Non-current liabilities		982,557	878,590	909,256	785,854	752,313
Total liabilities	Before distribution	4,419,922	4,783,476	5,266,573	4,301,770	3,624,135
	After distribution	4,547,235	4,910,789	5,512,874	4,449,551	3,742,359
Equity attributable to owners of the parent		3,723,783	3,848,372	4,146,811	4,118,852	4,198,175
Share capital		1,000,044	1,000,044	1,000,044	1,000,044	1,000,044
Capital surplus		2,062,749	2,062,749	2,048,734	2,048,734	2,048,734
Retained earnings	Before distribution	1,057,575	1,149,015	1,448,995	1,479,008	1,532,777
	After distribution	930,262	1,021,702	1,202,694	1,331,227	1,414,553
Other equity		(344,321)	(311,174)	(310,734)	(368,706)	(343,152)
Treasury stock		(52,264)	(52,262)	(40,228)	(40,228)	(40,228)
Non-controlling interests		134,569	154,897	109,687	114,264	112,675
Total equity	Before distribution	3,858,352	4,003,269	4,256,498	4,233,116	4,310,850
	After distribution	3,731,039	3,875,956	4,010,197	4,085,335	4,192,626

Note 1: The financial information for each year listed above has been audited and certified by CPAs.

Note 2: The 2023 distribution of earnings was based on the resolution of the board of directors on March 13, 2024.

2. Adopting International Accounting Standards - Parent Company Only

Unit: NT\$ thousand

Item \ Year		Financial information for the latest 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,130,871	2,259,655	2,682,623	2,114,596	2,017,720
Property, plant and equipment		761,469	690,747	636,649	573,521	543,300
Intangible assets		8,320	9,169	17,915	16,878	27,098
Other assets		3,633,394	3,786,777	4,099,266	4,514,182	4,083,718
Total assets		6,534,054	6,746,348	7,436,453	7,219,177	6,671,836
Current liabilities	Before distribution	1,862,893	2,036,553	2,457,676	2,376,139	1,819,688
	After distribution	1,990,206	2,163,866	2,703,977	2,523,920	1,937,912
Non-current liabilities		947,378	861,423	831,966	724,186	653,973
Total liabilities	Before distribution	2,810,271	2,897,976	3,289,642	3,100,325	2,473,661
	After distribution	2,937,584	3,025,289	3,535,943	3,248,106	2,591,885
Equity attributable to owners of the parent		3,723,783	3,848,372	4,146,811	4,118,852	4,198,175
Share capital		1,000,044	1,000,044	1,000,044	1,000,044	1,000,044
Capital surplus		2,062,749	2,062,749	2,048,734	2,048,734	2,048,734
Retained earnings	Before distribution	1,057,575	1,149,015	1,448,995	1,479,008	1,532,777
	After distribution	930,262	1,021,702	1,202,694	1,331,227	1,414,553
Other equity		(344,321)	(311,174)	(310,734)	(368,706)	(343,152)
Treasury stock		(52,264)	(52,262)	(40,228)	(40,228)	(40,228)
Non-controlling interests		None	None	None	None	None
Total equity	Before distribution	3,723,783	3,848,372	4,146,811	4,118,852	4,198,175
	After distribution	3,596,470	3,721,059	3,900,510	3,971,071	4,079,951

Note 1: The financial information for each year listed above has been audited and certified by CPAs.

Note 2: The 2023 distribution of earnings was based on the resolution of the board of directors on March 13, 2024.

(II) Condensed and statement of comprehensive income

1. Adopting International Accounting Standards - Consolidated

Unit: NT\$ thousand

Item \ Year	Financial information for the latest 5 years (Note)				
	2019	2020	2021	2022	2023
Operating revenues	9,813,315	10,312,430	10,969,166	9,183,092	7,518,472
Gross profit	1,123,859	1,097,551	1,245,417	1,177,199	1,051,418
Operating income (loss)	298,711	267,277	370,043	347,215	248,425
Non-operating income and expenses	8,308	67,080	344,454	75,777	42,616
Profit from continuing operations before tax	307,019	334,357	714,497	422,992	291,041
Profit from continuing operations	252,427	243,135	457,779	284,171	221,431
Gain(loss) from discontinued operations	None	None	None	None	None
Net profit (loss)	252,427	243,135	457,779	284,171	221,431
Other comprehensive income for the year (net of tax)	(109,741)	35,015	(6,157)	(42,378)	22,374
Total comprehensive income	142,686	278,150	451,622	241,793	243,805
Profit attributable to owners of the parent	208,498	216,418	430,371	262,473	202,381
Profit attributable to non-controlling interests	43,929	26,717	27,408	21,698	19,050
Total comprehensive income attributable to owners of the parent	103,455	251,900	427,733	218,342	227,104
Total comprehensive income attributable to non-controlling interests	39,231	26,250	23,889	23,451	16,701
Earnings per share (NT\$)	2.10	2.21	4.39	2.66	2.05

Note: The financial information for each year listed above has been audited and certified by CPAs.

2. Adopting International Accounting Standards - Parent Company Only

Unit: NT\$ thousand

Item \ Year	Financial information for the latest 5 years (Note)				
	2019	2020	2021	2022	2023
Operating revenues	4,260,576	3,928,966	4,564,036	4,080,783	3,661,241
Gross profit	272,384	278,286	443,727	493,539	515,459
Operating income (loss)	(159,084)	(156,739)	(26,342)	21,816	42,233
Non-operating income and expenses	328,289	363,733	511,645	291,881	186,017
Profit from continuing operations before tax	169,205	206,994	485,303	313,697	228,250
Profit from continuing operations	208,498	216,418	430,371	262,473	202,381
Gain(loss) from discontinued operations	None	None	None	None	None
Net profit (loss)	208,498	216,418	430,371	262,473	202,381
Other comprehensive income for the year (net of tax)	(105,043)	35,482	(2,638)	(44,131)	24,723
Total comprehensive income	103,455	251,900	427,733	218,342	227,104
Profit attributable to owners of the parent	None	None	None	None	None
Profit attributable to non-controlling interests	None	None	None	None	None
Total comprehensive income attributable to owners of the parent	None	None	None	None	None
Total comprehensive income attributable to non-controlling interests	None	None	None	None	None
Earnings per share (NT\$)	2.10	2.21	4.39	2.66	2.05

Note: The financial information for each year listed above has been audited and certified by CPAs.

(III) Names of CPA and their audit opinions for the last 5 years

Year	Name of CPA	CPA firm	Opinion	Remark
2019	Chen-Li, Chen; Chia-Ling, Chiang	Deloitte & Touche Taiwan	Unqualified opinion	
2020	Chen-Li, Chen; Chia-Ling, Chiang	Deloitte & Touche Taiwan	Unqualified opinion	
2021	Chen-Li, Chen; Jui-Hsuan, Hsu	Deloitte & Touche Taiwan	Unqualified opinion	

Year	Name of CPA	CPA firm	Opinion	Remark
2022	Chiu-Yen, Wu; Chen-Li, Chen	Deloitte & Touche Taiwan	Unqualified opinion	
2023	Chiu-Yen, Wu; Chen-Li, Chen	Deloitte & Touche Taiwan	Unqualified opinion	

II. Financial analysis for the latest 5 years

(I) Adopting International Accounting Standards - Consolidated

Analysis item		Year	Financial information for the latest 5 years				
			2019	2020	2021	2022	2023
Financial structure (%)	Debts ratio		53.39	54.44	55.3	50.4	45.67
	Ratio of long-term capital to property, plant and equipment		262.07	276.16	315.77	330.06	343.47
Solvency (%)	Current ratio		174.54	168.86	166.36	174.09	188.86
	Quick ratio		138.26	134.94	135.72	144.93	163.24
	Interest coverage ratio		642	1,075	2,771	1,000	522
Operating ability	A/R turnover (times)		3.01	2.89	2.86	2.77	2.69
	Average collection days for A/R		121.26	126.29	127.62	131.77	135.68
	Inventory turnover (times)		8.13	8.00	7.82	6.95	7.65
	Accounts payable turnover (times)		5.45	5.03	4.76	4.64	4.89
	Average days in sales.		44.89	45.62	46.67	52.51	47.71
	Property, plant and equipment turnover (times)		5.09	5.70	6.44	5.82	5.02
	Total assets turnover (times)		1.19	1.21	1.2	1.02	0.91
Profitability	Return on assets (%)		3.62	3.17	5.23	3.56	3.36
	Return on equity (%)		6.59	6.19	11.08	6.69	5.18
	Percentage of net profit before tax to the paid-in capital (%)		30.70	33.43	71.45	42.3	29.10
	Net profit rate (%)		2.57	2.36	4.17	3.09	2.95
	Earnings per share (NT\$)		2.1	2.21	4.39	2.66	2.05
Cash flow	Cash flow ratio (%)		12.91	5.20	15.05	34.94	15.53
	Cash flow adequacy ratio (%)		150.9	81.72	96.37	109.99	135.34
	Cash reinvestment ratio (%)		4.85	0.99	6.29	12.08	3.64
Leverage	Operating leverage		2.1	2.29	1.88	1.95	2.11
	Financial leverage		1.23	1.15	1.08	1.16	1.38

The main reasons for significant changes (20% or more) in the latest two years:

1. Solvency

A decrease in interest coverage ratio due to a reduction in pre-tax profits and an increase in interest expenses in 2023.

2. Profitability

A decrease in asset return rate, equity return rate, net profit before tax to paid-in capital ratio, net profit rate, and earnings per share due to a decrease in profits in 2023.

3. Cash flow

The decrease in cash flow ratio and cash reinvestment ratio is due to a decrease in consolidated operating cash inflows for the year 2023.

The increase in cash flow adequacy ratio is due to an increase in net operating cash inflows in the recent five years.

(II) Adopting International Accounting Standards - Parent Company Only

Analysis item		Year	Financial information for the latest 5 years				
			2019	2020	2021	2022	2023
Financial structure (%)	Debts ratio		43.01	42.96	44.24	42.95	37.08
	Ratio of long-term capital to property, plant and equipment		613.44	618.84	782.03	844.44	893.09
Solvency (%)	Current ratio		114.39	110.95	109.15	88.99	110.88
	Quick ratio		100	99.75	93.55	74.52	99.04
	Interest coverage ratio		454	819	2,262	848	451
Operating ability	A/R turnover (times)		2.29	2.35	2.59	2.63	2.66
	Average collection days for A/R		159.38	155.31	140.92	138.78	137.21
	Inventory turnover (times)		14.66	15.24	13.70	10.02	11.70
	Accounts payable turnover (times)		5.37	5.84	5.66	5.27	6.07
	Average days in sales.		24.89	23.95	26.64	36.42	31.19
	Property, plant and equipment turnover (times)		5.33	5.41	6.87	6.74	6.56
	Total assets turnover (times)		0.62	0.59	0.64	0.56	0.53
Profitability	Return on assets (%)		3.59	3.61	6.32	4.04	3.66
	Return on equity (%)		5.58	5.72	10.77	6.35	4.87
	Percentage of net profit before tax to the paid-in capital (%)		16.92	20.70	48.53	31.37	22.82
	Net profit rate (%)		4.89	5.51	9.43	6.43	5.53
	Earnings per share (NT\$)		2.1	2.21	4.39	2.66	2.05
Cash flow	Cash flow ratio (%)		9.39	-3.92	4.80	19.93	2.42
	Cash flow adequacy ratio (%)		131.22	39.49	48.97	44.07	61.55
	Cash reinvestment ratio (%)		1.54	-3.46	-0.61	3.57	-1.61
Leverage	Operating leverage		-0.02	0.02	-4.38	7.63	3.75
	Financial leverage		0.77	0.84	0.54	-1.08	-1.86

The main reasons for significant changes (20% or more) in the latest two years:

1. Solvency
A decrease in interest coverage ratio due to a reduction in profits and an increase in interest expenses in 2023.
2. Profitability
A decrease in asset return rate, equity return rate, net profit before tax to paid-in capital ratio, net profit rate, and earnings per share due to a decrease in profits in 2023.
3. Cash flow
The decrease in cash flow ratio and cash reinvestment ratio is due to a decrease in operating cash inflows for the year 2023.
The increase in cash flow adequacy ratio is due to an increase in net operating cash inflows in the recent five years.
4. Leverage
Operating leverage decreased, while financial leverage decreased: This is due to a decrease in operating profit for the year 2023.

The calculation formulas for each item in this table are as follows:

1. Financial structure
 - (1) The debts ratio = Total liabilities / Total assets
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + Non-current liabilities) / Property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expense) / Current liabilities.
 - (3) Interest coverage ratio = Net profit before interest and tax / Interest expenses for the current period.
3. Operating ability
 - (1) Turnover rate of the account receivable (including account receivable and notes receivable incurred as a result of business operation) = The balance of the net sales amount / Account receivable averaged in various term (including account receivable and notes receivable incurred as a result of business operation).
 - (2) Average collection days for A/R = 365 / A/R turnover.
 - (3) Inventory turnover = Sales cost / Averaged inventory amount.
 - (4) Turnover rate of the payables (including accounts payable and the notes payable incurred by business operation) = Sales cost / Balance of the payables averaged in various term (including accounts payable and the notes payable incurred by business operation).
 - (5) Average days in sales.= 365 / Inventory turnover.
 - (6) Property, plant and equipment turnover = Net amount of sales / Averaged net amount for the real estate, plants and equipment.
 - (7) Total assets turnover = Net amount of sales / Total of average assets.

4. Profitability

- (1) $\text{Return on assets} = (\text{After tax net profit} + \text{Interest expenses} \times (1 - \text{Tax rate})) / \text{Average asset balance}.$
- (2) $\text{Return on shareholders' equity} = \text{After tax net profit} / \text{Total average equity}.$
- (3) $\text{Profit ratio} = \text{Net income} / \text{Net sales}.$
- (4) $\text{Earnings per share} = (\text{Profits or loss attributable to owners of the parent} - \text{Preferred stock dividend}) / \text{Weighted average stock shares issued}.$

5. Cash flow

- (1) $\text{Cash flow ratio} = \text{Net cash flow from operating activities} / \text{Current liabilities}.$
- (2) $\text{Cash flow adequacy ratio} = \text{Net cash flow from operating activities within five years} / (\text{Capital expenditure} + \text{Inventory increase} + \text{Cash dividend}) \text{ within five years}.$
- (3) $\text{Cash re-investment ratio} = (\text{Net cash flow from operating activity} - \text{Cash dividend}) / (\text{Gross property, plant, and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital}).$

6. Leverage

- (1) $\text{Operating leverage} = (\text{Net amount of operating revenues} - \text{Variable operating costs and expenses}) / \text{Operating profit}.$
- (2) $\text{Financial leverage} = \text{Operating profit} / (\text{Operating profit} - \text{Interest expenses}).$

III. Audit Committee review report for the latest annual financial report: Please refer to page 165.

IV. Consolidated financial statements of the parent and subsidiary companies for the latest year audited by the CPA: Please refer to pages 166 to 252.

V. The CPA certified parent company only financial report for the latest year: Please refer to pages 253 to 331.

VI. If the Company and its affiliated enterprises, in the latest year and up to the publication date of the annual report, developed insolvency, the impact upon the Company's financial conditions shall be listed: None.

VII. Other disclosures: None.

Chapter VII. Review and Analysis of Financial Status and Operating Results, and Risk Considerations

I. Financial status

Unit: NT\$ thousand

Item \ Year	As of end of 2023	As of end of 2022	Difference	
			Amount	%
Current assets	5,423,668	6,120,722	(697,054)	-11.39%
Property, plant and equipment	1,474,132	1,520,620	(46,488)	-3.06%
Other assets	1,037,185	893,544	143,641	16.08%
Total assets	7,934,985	8,534,886	(599,901)	-7.03%
Current liabilities	2,871,822	3,515,916	(644,094)	-18.32%
Non-current liabilities	752,313	785,854	(33,541)	-4.27%
Total liabilities	3,624,135	4,301,770	(677,635)	-15.75%
Share capital	1,000,044	1,000,044	0	0.00%
Capital surplus	2,048,734	2,048,734	0	0.00%
Retained earnings	1,532,777	1,479,008	53,769	3.64%
Other equity	(343,152)	(368,706)	25,554	-6.93%
Treasury stock	(40,228)	(40,228)	0	0.00%
Non-controlling interests	112,675	114,264	(1,589)	-1.39%
Total Shareholders' Equity	4,310,850	4,233,116	77,734	1.84%
Changes of 50% or more between two periods, with a change amount of over NT\$ 10 million: None.				

II. Financial performance

(I) Comparative analysis of operating results for the latest two years

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Operating revenue - net	7,518,472	9,183,092	(1,664,620)	-18.13%
Operating costs	6,467,054	8,005,893	(1,538,839)	-19.22%
Gross profit	1,051,418	1,177,199	(125,781)	-10.68%
Operating expenses	802,993	829,984	(26,991)	-3.25%
Operating income	248,425	347,215	(98,790)	-28.45%
Non-operating income and expenses	42,616	75,777	(33,161)	-43.76%
Profit from continuing operations before tax	291,041	422,992	(131,951)	-31.19%
Income tax expenses	(69,610)	(138,821)	69,211	-49.86%
Net Profit	221,431	284,171	(62,740)	-22.08%
Changes of 20% or more in the latest two years, with a change amount of over NT\$ 10 million:				
1. Decrease in non-operating income and expenses: due to the recognition of large profit on exchange in the previous year, but none in the current period.				
2. Decrease in operating income, income before tax, and income tax expense: mainly due to the decrease in revenue, resulting in a decrease in profit.				

(II) For information on the expected sales volume and its basis, as well as the potential impact on the company's future financial operations, and the corresponding plans:

Please refer to the Business Performance and the Letter to Shareholders in this year's annual report.

III. Cash flow

(I) Analysis of changes in cash flow for the latest year

Unit: NT\$ thousand

Item \ Year	December 31, 2023	December 31, 2022	Increase (Decrease) ratio
Cash flow ratio (%)	15.53	34.94	-55.55%
Cash flow adequacy ratio (%)	135.34	109.99	23.05%
Cash reinvestment ratio (%)	3.64	12.08	-69.87%
Explanation of the change in increase (decrease) ratio:			
1. The decrease in cash flow ratio and cash reinvestment ratio is due to a decrease in consolidated operating cash inflows for the year 2023.			
2. Cash flow adequacy ratio: due to an increase in net operating cash inflows in the recent five years.			

(II) Improvement plan for insufficient liquidity: Not applicable.

(III) Analyses on the cash liquidity in one year ahead:

Unit: NT\$ thousand

Initial cash balance A	Expected net cash flow from operating activities for the whole year B	Expected cash outflow for the whole year C	Expected cash surplus (deficit) A + B - C	Countermeasure for cash deficits	
				Investment plans	Financial plan
1,182,925	450,000	630,000	1,002,925	—	—
<p>1. Explanation of the cash flow changes:</p> <p>(1) Net cash flows from operating activities: The company has not only reduced costs through process improvements, but also strengthened control over inventory and accounts receivable. It is expected that net cash inflow from operating activities will steadily increase.</p> <p>(2) Cash outflow for the whole year: Mainly cash outflow for capital expenditure and capacity expansion.</p> <p>2. Remedial measures for expected cash shortage: Not applicable.</p>					

IV. The impact of the significant capital expenditure in the latest year upon the financial performance: None

V. The outward investment policies in the latest year. The key reasons leading to the profit or loss, the corrective plans and the investment plan in one year ahead:

The Company's reinvestment policies are primarily focused on long-term investments that align with the Company's business development strategy and operational layout. In the future, the Company will continue to invest in accordance with its operational needs and focus on relevant strategies in its core business. The Company will carefully evaluate any related investment plans. The summary of the reinvestment projects in the latest year:

Unit: NT\$ thousand

Investee company	Main Businesses and Products	Investment gains/ losses recognized in 2023	Main reason for profit or loss	Improvement plan
PT. Wah Hong Indonesia	Production and trading business of BMC materials and molded products, as well as optical film for LCD	(24,460)	The revenue from the expanded production line did not reach break-even point	Actively explore the local market for optical film and car lights in Indonesia to increase revenue and utilization rate of production capacity.

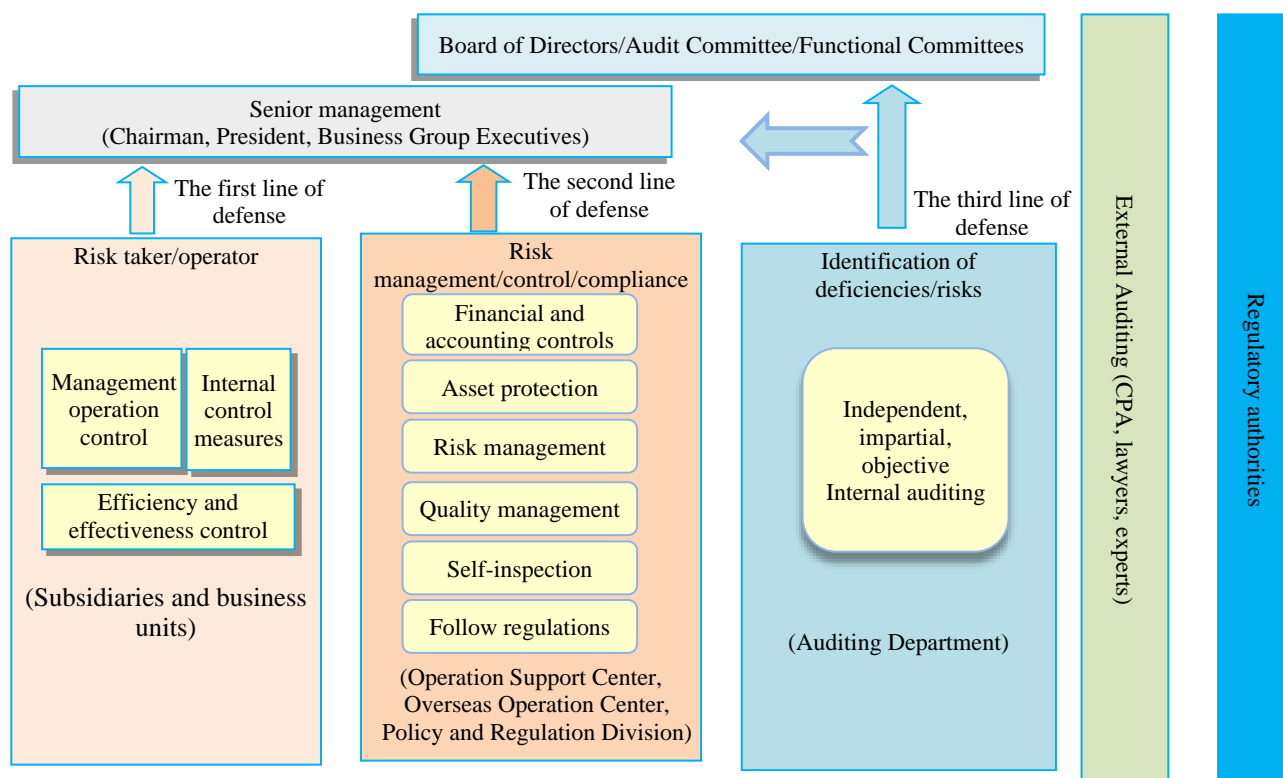
VI. Risk management analysis and assessment

(I) Organizational framework of risk management

Organization names:	Scope of responsibilities:
Board of Directors	<p>(1) Develop corporate vision, risk management policies and framework</p> <p>(2) Ensure the effectiveness of design and implementation of risk management mechanisms</p>

Senior decision makers (Chairman, President, Business Group Executives)	<ul style="list-style-type: none"> (1) Implement risk management decisions made by the Board of Directors and allocate resources accordingly (2) Coordinate interaction and communication regarding risk management between the parent company and its subsidiary companies within the group (3) Determine the approach to risk taking and allocate resources for risk management
Auditing Department	<ul style="list-style-type: none"> (1) Provide assurance and consulting services <u>independently, impartially, and objectively</u>
Operation Support Center, Overseas Operation Center, Policy and Regulation Division	<ul style="list-style-type: none"> (1) Aggregate and understand the results of risk management activities (2) Assist and supervise various departments within the company and group in conducting risk control activities, formulating and revising management policies and principles (3) Determine the types of risks and advise on the approach to risk taking based on changes in the business environment
Each business units (including subsidiary companies of the group)	<ul style="list-style-type: none"> (1) Perform daily risk control activities on the front line, formulate and revise control standards and measures (2) Prevent and monitor relevant risks within subordinate units under their jurisdiction (3) Control internal self-inspection, validation, and maintenance assessment for all operational activities (4) Conduct regular annual self-regulation inspections

(II) Risk management policy - the three lines of defense



Limited

Although enterprise risk management has produced significant benefits, there are still inherent limitations. Limitations may arise from human judgment errors in the decision-making process, cost-benefit consideration when responding to risks and making control decisions, breakdowns caused by human mistakes, collusion, fraud, and abuse of internal control systems by management. These limitations mean that it is not possible to completely eliminate all enterprise risks.

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

(I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit and/or loss and the future countermeasures

1. Interest Rate

The interest rate risks of the Company and its subsidiaries mainly arise from long-term borrowing required to support short-term operating turnover and investment activities, resulting in fluctuations in future cash flows for interest payments due to changes in market interest rates. The Company and its subsidiaries borrow funds from local financial institutions at both fixed and floating rates. A proper mixture of these rates is maintained to manage interest rate risk.

The consolidated net interest expense for the year 2023 was NT\$44,320 thousand. Based on the simulation of floating rate exposures of the Company and its subsidiaries in 2023, a 1% increase or decrease in the market annual interest rate will reduce or increase profit before tax by NT\$1,054 thousand respectively.

To mitigate the impact of interest rate changes, the Company continuously evaluates the trend of interest rates, flexibly uses bank credit lines, periodically assess bank borrowing rates, and strives to obtain borrowing rates better than the market average.

2. Exchange Rate

The exchange rate risks for the Company and its subsidiaries mainly arise from cash and cash equivalents, accounts receivable and payable, as well as borrowing transactions denominated in foreign currencies. To avoid the impact of exchange rate fluctuations, the Company follows the principle of natural hedging to lower foreign currency positions. Exposed foreign currency positions are hedged with forward exchange contracts to reduce the impact of exchange rate risks on the profitability of the Company and its subsidiaries.

The Company and its subsidiaries had a foreign exchange gain of NT\$5,008 thousand in the year 2023. Based on sensitivity analysis of our company and its subsidiaries' foreign currency positions, a 1%

depreciation of functional currency relative to the US dollar would increase profit before tax by NT\$7,929 thousand for that year.

3. Inflation

According to statistics released by the Directorate-General of Budget, Accounting and Statistics in Taiwan, the year-on-year increase rate of the consumer price index for 2023 was 2.50%. Inflation risks are still within a controllable range and have no significant impact on the Company's operations.

In an environment where interest rates are rising, inflation becomes an inevitable trend. To cope with this trend, we maintain good relationships with suppliers, keep raw material supplies stable, closely monitor the supply and demand as well as price changes of raw materials, timely adjust inventory levels, and continuously develop low-cost materials to reduce the impact of price fluctuations on our operations.

(II) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profits or loss and the future countermeasures.

1. The Company's main business is in research and development, manufacturing, and sales, and has not engaged in high-risk or high-leverage investments.
2. Lending of funds to others and endorsements: As of the publication date of the annual report, the Company and its subsidiaries have only provided funding and endorsement to their investee subsidiaries. Such activities were carried out in accordance with the "Operating Procedures for Lending of Funds to Others" and "Operating Procedures for Endorsement" established by the Company, and no losses have been incurred.
3. Derivatives: The Company engages in forward foreign exchange transactions to hedge against the impact of exchange rate fluctuations on its assets and liabilities. Such transactions are conducted in accordance with the "Procedure for Acquisition or Disposition of Assets."

(III) The future research & development plans and the expenses anticipated to be invested into research & development

Please refer to Chapter V, "Business Performance: Technology & know-how and research & development in summary" of this annual report.

(IV) The possible impacts by government policies and laws at home and abroad upon the Company's financial conditions and the Company's countermeasures

The Company has always paid close attention to and kept abreast of policies and laws that may affect its operations, and has amended relevant internal systems accordingly. In the latest year and up to the publication date of the

annual report, legal changes have been evaluated and deemed to have no significant impact on the operation of the Company. We will continue to monitor changes in government policies and laws at home and abroad in the future, and take appropriate measures to respond accordingly.

- (V) The impacts generated by change in science and technology (including cyber security risk) and change in industries upon the Company's financial conditions and the Company's countermeasures:

As LCD display technology has become mature, manufacturers have increasingly invested in developing diversified self-luminous display technologies such as OLED, Mini/Micro LED, and QD-LED over the years. Meanwhile, a variety of emerging application areas have emerged under the trend of global 5G mobile communications and AIoT development. In response to the opportunities brought about by technological change and industry transformation, the Company is actively strengthening its own technology and innovation, enhancing its coating process capabilities, continuously developing 5G-related materials and process protective films, optical materials related to Mini LED, Micro LED, and flexible panels, various functional films, high thermal conductivity heat dissipation gel materials, high functionality epoxy resin, and thin and high thermal conductivity heat dissipation composite materials, all of which should have a positive impact on our current and future financial operations.

The Company has obtained ISO27001 certification, which is valid until October 31, 2025. We allocate a fixed budget every year to establish and strengthen multi-level internal and external network firewalls and cyber security protection measures related to enterprise resource planning systems, in order to effectively prevent malicious attempts to illegally invade our internal systems, steal or destroy important company data, and ensure uninterrupted business operations. To strengthen information security and establish a joint prevention mechanism, our strategies and preventive measures include: collaborating with international security vendors annually to stay up-to-date on security issues and plan response plans; conducting annual security checks; enhancing awareness of information security crises among colleagues through internal announcements and education and training programs, as well as increasing information security personnel and strengthening their professional training programs to improve their ability to respond to incidents and achieve proactive prevention and timely detection, and protecting against evolving cybersecurity attacks.

- (VI) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures: None.
- (VII) The benefits anticipated from the merger/acquisition (M&A) efforts, the

potential risks and the Company's countermeasures: None.

- (VIII) The risks anticipated from the expansion of the plant buildings, and the Company's countermeasures

The Company has conducted careful evaluations for all expansion of the plant buildings, and significant capital expenditures must be reported to the board of directors for review, taking into account investment returns and potential risks.

- (IX) The risks anticipated from the centralized input or output undertakings and the Company's countermeasures

The Company's purchasing and sales are quite diversified. In the latest 2 years, no single customer has accounted for more than 10% of our revenue, and the proportion of suppliers whose purchases account for more than 10% of our total purchases is also relatively low. Therefore, the risk in this regard is relatively low.

- (X) The impacts and risks anticipated from the significant changes or transfers of shares by directors, supervisors, or major shareholders who hold more than 10% in shareholding and the Company's countermeasures: None.

- (XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures: None.

- (XII) For any significant litigation, non-litigation, or administrative disputes that have been finalized in judgments or are still pending involving the company, its directors, supervisors, general managers, substantial responsible person, major shareholders holding over 10% of the shares, and subsidiary companies, and whose outcome may significantly affect shareholder equity or securities prices, disclose the disputed facts, amounts involved, the start date of the litigation, major parties involved, and processing status up to the publication date of this annual report. None.

- (XIII) Other critical risks and response measures: None.

VIII. Other important disclosures:

For information on the Company's intellectual property management plan and performance, please refer to the Company's website (<https://www.wahhong.com/cov.html>).

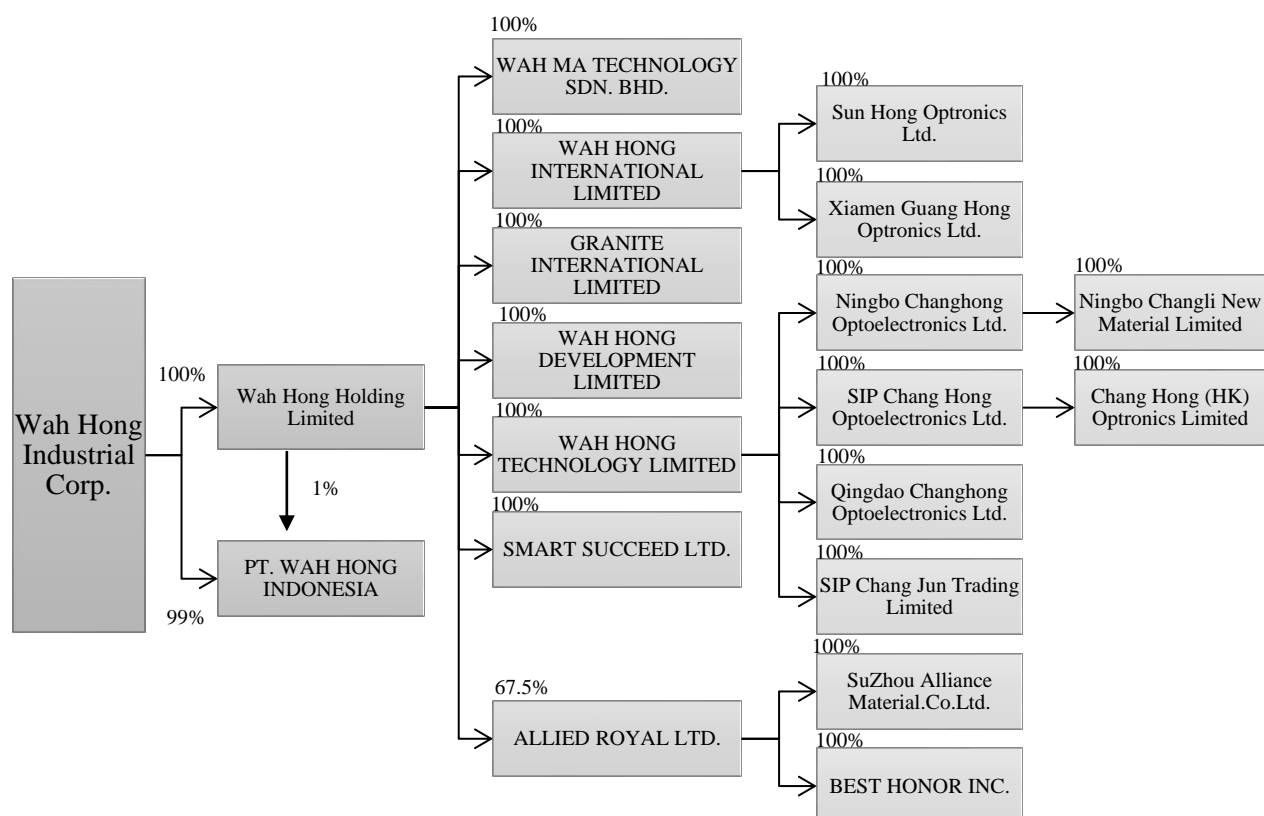
Chapter VIII. Special Disclosure

I. Relevant information of affiliated enterprises

(I) Consolidated Business Report of Affiliated Enterprises

1. Profile of affiliated enterprises

(1) Organization chart of affiliated enterprises



(2) Fundamental particulars of affiliated enterprises

Unit: thousand

Name of enterprise	Establishment date	Address	Paid-in shares capital	Main business or production
Wah Hong Holding Ltd.	2003.11.19	Level 3, Alexander House,35 Cybercity, Ebene, Mauritius	USD 30,625	International investment business
Wah Hong Technology Limited	2003.11.28	Level 3, Alexander House,35 Cybercity, Ebene, Mauritius	USD 13,968	International investment business
Wah Hong International Limited	2005.4.28	Level 3, Alexander House,35 Cybercity, Ebene, Mauritius	USD 20,648	International investment business
Wah Ma Technology Sdn. Bhd.	1992.2.26	Lot 2969, Mukim 16, Kawasan Perusahaan Acku,Seberang Perai Utara,13400 Butterworth, Penang, Malaysia	MYR 6,500	Production and trading business of BMC (bulk molding compound) material and molded product

Name of enterprise	Establishment date	Address	Paid-in shares capital	Main business or production
Granite International Ltd.	2003.12.3	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	USD 960	International trading business
Smart Succeed Ltd.	2011.6.16	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	—	International trading business
Wah Hong Development Ltd.	2007.3.7	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 500	International investment business
PT. Wah Hong Indonesia	2015.11.5	J1. Pinang Blok F16 12D Delta Silicon 3, Lippo Cikarang, Kabupaten Bekasi, Jawa Barat, Indonesia	USD 8,000	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product
SIP Chang Hong Optoelectronics Ltd.	2000.11.16	No.73, Tinghe Road, Weiting Town, Suzhou Industrial Park, Jiangsu Province, China.	USD 20,250	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product
SIP Chang Jun Trading Limited	2011.7.19	No.73, Tinghe Road, Weiting Town, Suzhou Industrial Park, Jiangsu Province, China.	RMB 1,000	Sales of LCD products such as BMC materials and molded products, diffusion films, and reflectors
Sun Hong Optronics Ltd.	2005.5.19	No.9, Shenghua Road, Zhongkai High-tech Zone, Huizhou City, Guangdong Province, China.	USD 13,700	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product
Ningbo Changhong Optoelectronics Ltd.	2007.9.27	Building 7, No. 17, Haikouhe Road, Chunxiao Subdistrict, Beilun District, Ningbo City	USD 6,020	Production and trading of panel display compound and LCD optical film etc.
Xiamen Guang Hong Optronics Ltd.	2007.5.15	No.160, Jihe Road, Tong'an Industry Concentration Area, Xiamen City, Fujian Province, China.	USD 8,500	Production and trading of panel display compound and LCD optical film etc.

Name of enterprise	Establishment date	Address	Paid-in shares capital	Main business or production
Qingdao Changhong Optoelectronics Ltd.	2010.12.20	Wuxiao Group Guanta Base, west side of Zhanqian Avenue, Jiulong Subdistrict Office, Jiaozhou City, Qingdao City, Shandong Province, China.	USD 2,000	Production and trading of panel display compound and LCD optical film etc.
Chang Hong (HK) Optronics Limited	2009.11.26	1004 Axa Centre 151. Gloucester Rood. Wanchai HK	USD 100	Trading business of LCD material and BMC material
SuZhou Alliance Material Co., Ltd.	2003.4.15	No. 69 ,Yexin Road, Wujiang Economic Development Zone, Wujiang District, Suzhou City, Jiangsu Province, China.	USD4,050	Production and trading of panel display compound and LCD optical film etc.
Ningbo Changli New Material Limited	2021.6.16	Room 3049, No. 12, Building 1, Meishan Salt Field, Beilun District, Ningbo City, Zhejiang Province, China	RMB1,500	Trading business of LCD material and BMC material
Allied Royal LLC.	2016.9.29	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla	USD 4,022	International investment business
Best Honor Inc.	2017.6.19	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla	—	International trading business

(3) According to Article 369-3 of the Company Act, the presumed controlling and subsidiary relationship based on identical shareholder information: None.

(4) Industries covered by the business operations of all affiliated enterprises:

A. Industries covered by the business operations of all affiliated enterprises

The manufacturing and trading business of LCD materials, BMC (Bulk Molding Compound) materials and molded products, high-performance engineering plastics, composite and thermal conduction materials, covering industries such as TFT-LCD, optoelectronics, electronic components, and automotive component industries, etc.

B. If the business operations between affiliated enterprises are interrelated, their respective division of labor should be explained.

In order to meet the demands of LCD panel manufacturers, backlight module manufacturers, and automotive lighting manufacturers investing in China, the Company and each affiliated enterprise operate independently, and their division of labor is supported through mutual assistance in technology, production capacity, and marketing to create maximum synergy.

(5) Information of directors, supervisors, and general managers of affiliated enterprises:

Unit: Shares; (NT\$); Percent (%)

Name of enterprise	Title	Name	Shareholding	
			Number of shares (equity)	Ratio of shareholding
Wah Hong Holding Limited	Chairman	Ray-Ching, Chang	30,624,940	100%
Wah Hong Technology Limited	Chairman	Ray-Ching, Chang	13,968,025	100%
Wah Hong International Limited	Chairman	Ray-Ching, Chang	20,648,000	100%
Wah Ma Technology Sdn. Bhd.	Director	Ching-Pin, Yeh	6,500,000	100%
	Director	Teng-Yuan, Cheng		
	Director	Yu-Jen, Chang		
	Director	Li-Yi, Lin		
	Director	Tsun-Yi, Chou		
Granite International Ltd.	Chairman	Yu-Jen, Chang	960,000	100%
Smart Succeed Ltd.	Chairman	Chou-Hsing, Wu	—	100%
Wah Hong Development Ltd.	Chairman	Ray-Ching, Chang	500,000	100%
PT. Wah Hong Indonesia	Chairman	Chia-Cheng, Chao	8,000,000	100%
	Director	Yu-Jen, Chang		
	Committee	Teng-Yuan, Cheng		
SIP Chang Hong Optoelectronics Ltd.	Chairman	Yu-Jen, Chang	USD20,250,000	100%
	Director	Fu-Liang, Hsu		
	Director	Ming-Chu, Tsai		
	Supervisor	Chih-Ming, Lin		
SIP Chang Jun Trading Limited	Chairman	Yu-Jen, Chang	RMB 1,000,000	100%
	Director	Fu-Liang, Hsu		
	Director	Ming-Chu, Tsai		
	Supervisor	Chih-Ming, Lin		
Sun Hong Optronics Ltd.	Chairman	Yu-Jen, Chang	USD13,700,000	100%
	Director	Hsiang-Wei, Cheng		
	Director	Chih-Ming, Lin		
	Supervisor	Chih-Cheng, Wu		
Ningbo Changhong Optoelectronics Ltd.	Chairman	Yu-Jen, Chang	USD6,020,000	100%
	Director	Chien-Pin, Li		
	Director	Ming-Chu, Tsai		
	Supervisor	Chih-Ming, Lin		
Xiamen Guang Hong Optronics Ltd.	Chairman	Yu-Jen, Chang	USD8,500,000	100%
	Director	Wei-Chih, Chen		
	Director	Chih-Ming, Lin		
	Supervisor	Ming-Chu, Tsai		
Qingdao Changhong Optoelectronics Ltd.	Chairman	Yu-Jen, Chang	USD 2,000,000	100%
	Director	Chih-Wei, Yu		
	Director	Ming-Chu, Tsai		
	Supervisor	Chih-Ming, Lin		
Chang Hong (HK) Optronics Limited	Chairman	Yu-Jen, Chang	USD100,000	100%
	Director	Fu-Liang, Hsu		
SuZhou Alliance Material Co., Ltd.	Chairman	Yu-Jen, Chang	USD2,733,750	67.5%
	Director	Ming-Chu, Tsai		
	Director	Chang-Ching, Lin		
	Supervisor	Chih-Ming, Lin		
Ningbo Changli New Material Limited	Director	Chien-Pin, Li	RMB 1,500,000	100%
	Supervisor	Chih-Ming, Lin		
Allied Royal LLC.	Chairman	Yu-Jen, Chang	USD2,715,000	67.5%
Best Honor Inc.	Chairman	Yu-Jen, Chang	—	67.5%

2. Business performance of each affiliate enterprise

Unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net Worth	Operating revenues	Operating profit	Net profit for the year (net of tax)	Earnings per share (NT\$) after tax
Wah Hong Holding Limited	969,225	3,277,395	0	3,277,395	0	0	173,655	None
Wah Hong Technology Limited	433,005	1,850,635	0	1,850,635	0	0	112,059	None
Wah Hong International Limited	658,444	1,018,982	0	1,018,982	0	0	17,815	None
Wah Ma Technology Sdn. Bhd.	62,225	160,288	16,806	143,482	112,165	2,024	4,758	None
Granite International Ltd.	30,018	57,297	56,179	1,118	184,748	(118)	(98)	None
Smart Succeed Ltd.	0	174,854	176,212	(1,358)	515,095	(247)	(253)	None
Wah Hong Development Limited	15,095	0	0	0	0	0	0	None
PT. Wah Hong Indonesia	245,540	121,484	56,194	65,290	100,674	(24,521)	(24,460)	None
SIP Chang Hong Optoelectronics Ltd.	621,776	1,781,021	694,432	1,086,589	1,796,189	5,321	21,205	None
SIP Chang Jun Trading Limited	4,335	69,349	25,295	44,054	75,437	23,571	17,456	None
Sun Hong Optronics Ltd.	420,659	1,301,118	496,765	804,353	1,180,249	16,174	19,483	None
Ningbo Changhong Optoelectronics Ltd.	184,844	466,498	91,276	375,222	239,869	14,051	25,907	None
Xiamen Guang Hong Optronics Ltd.	260,993	318,436	103,837	214,599	381,074	(756)	(1,669)	None
Qingdao Changhong Optoelectronics Ltd.	61,410	638,134	293,421	344,713	897,761	47,237	47,450	None
Chang Hong (HK) Optronics Limited	3,217	1,277	0	1,277	0	(151)	(130)	None
SuZhou Alliance Material Co., Ltd.	124,355	514,321	167,632	346,689	617,422	73,733	58,615	None
Allied Royal LLC.	118,820	346,693	0	346,693	0	0	58,615	None
Best Honor Inc.	0	0	0	0	0	0	0	None
Ningbo Changli New Material Limited	6,503	29,383	10,571	18,812	48,178	14,512	10,989	None

(II) The Affiliate's Consolidated Financial Statements: Please refer to pages 166 to 252.

(III) Consolidated reports teaming up with affiliated enterprises: None

II. Where the company has carried out a private placement of securities in the latest year and up to the publication date of the annual report: None.

III. Holding or disposal of the company's shares by its subsidiaries in the latest year and up to the publication date of the annual report: None.

IV. Other supplementary information: None.

Chapter IX. For the latest year and up to the publication date of the annual report, list if there were any significant events that fall under the subparagraph 2 of Paragraph 3 of Article 36 of this Law, which would have a significant impact on shareholder equity or security prices: None.

Auditing Committee's Audit Report

The Board of Directors submitted the Company's business report, financial statements, and profit distribution proposal for the year 2023. The financial statements have been audited by CPA Chiu-Yen, Wu and CPA Chen-Li, Chen of Deloitte & Touche and an audit report has been issued. The aforementioned business report, financial statements, and profit distribution proposal have been audited by our Audit Committee, and no discrepancies have been found. Therefore, in accordance with relevant regulations of the Securities and Exchange Act and the Company Act, this report is hereby submitted for your review.

Wah Hong Industrial Corporation

Auditing Committee Convener: Chen-Chi, Ma

March 13, 2024

REPRESENTATION LETTER

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

Very truly yours,

Wah Hong Industrial Corporation

Chairman: Tsuen-Hsien, Chang

March 13, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Wah Hong Industrial Corporation

Audit Opinion

We have audited the accompanying consolidated financial statements of Wah Hong Industrial Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is discussed as follows:

Occurrence of revenue from specific customers

The main revenue of the Group comes from the sales of LCD optical materials and other products. As the sales revenue from specific customers had a significant increase compared with the previous year, the auditor regards the authenticity of the sales revenue of these specific customers as a key audit item in accordance with the provisions of auditing standards on presupposing revenue as a significant risk.

For the revenue-recognition accounting policies, please refer to Note IV of the financial report.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

- I. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
- II. Obtain detailed information on sales revenue from specific customers and select appropriate samples, review the documents such as shipment declaration or receipt, and check the proof of receipt of payment and whether it is consistent with the target of the shipment to confirm that the revenue has actually occurred.

Other Matter

We have also audited the parent company - Wah Hong Industrial Corporation's financial report as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are

free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable confidence is high confidence, but there is no guarantee that the audit work performed in accordance with the auditing standards will be able to detect material misrepresentations in the consolidated financial report. Misstatements may be a result of fraud or error. Misrepresentation of individual amounts or aggregated amounts is considered material if it can reasonably be expected to affect economic decisions made by users of consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- I. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Implement an appropriate countermeasures based on the assessment of risk design; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or go beyond the internal control.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Regarding the appropriateness of the going concern that management adopted, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, we have to make a conclusion

according to the evidence audited. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions might cause the Group to cease the continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chiu-Yen, Wu and Chen-Li, Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 1,182,925	15	\$ 1,583,015	19
1110	Financial assets at fair value through profit or loss - current (Notes IV, VII and XXVIII)	432,536	5	697,872	8
1150	Notes receivable (Notes IV, IX and XXIII)	360,135	4	189,249	2
1170	Accounts receivable, net (Notes IV, IX, XXIII and XXIX)	2,526,933	32	2,517,030	30
1200	Other receivables, net (Notes IV, IX, and XXIX)	18,207	-	19,782	-
1220	Current tax assets (Notes IV and XXV)	3,660	-	1,322	-
130X	Inventories (Notes IV and X)	691,426	9	998,476	12
1476	Other financial assets (Notes XII and XXX)	151,694	2	78,445	1
1479	Other current assets	<u>56,152</u>	<u>1</u>	<u>35,531</u>	<u>-</u>
11XX	Total current assets	<u>5,423,668</u>	<u>68</u>	<u>6,120,722</u>	<u>72</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes IV, VIII, and XXVIII)	691,920	9	601,031	7
1550	Investments accounted for using equity method (Notes IV and XI)	5,298	-	10,447	-
1600	Property, plant and equipment (Notes IV, XIV, XXX and XXXI)	1,474,132	19	1,520,620	18
1755	Right-of-use assets (Notes IV and XV)	206,218	3	136,815	2
1780	Other intangible assets (Note IV)	39,527	-	21,893	-
1840	Deferred tax assets (Notes IV and XXV)	66,237	1	96,356	1
1920	Refundable deposits	25,623	-	25,784	-
1990	Other non-current assets	<u>2,362</u>	<u>-</u>	<u>1,218</u>	<u>-</u>
15XX	Total non-current assets	<u>2,511,317</u>	<u>32</u>	<u>2,414,164</u>	<u>28</u>
1XXX	TOTAL	<u>\$ 7,934,985</u>	<u>100</u>	<u>\$ 8,534,886</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Note XVI)	\$ 780,049	10	\$ 1,511,876	18
2110	Short-term bills payable (Note XVII)	170,000	2	-	-
2150	Notes payable (Note XVIII)	251,463	3	113,667	1
2170	Accounts payable (Notes XVIII and XXIX)	1,088,691	14	1,192,361	14
2200	Other payables (Note XIX)	508,377	6	541,708	6
2230	Current tax liabilities (Notes IV and XXV)	16,193	-	117,843	2
2280	Lease liabilities - current (Notes IV and XV)	41,559	1	21,998	-
2399	Other current liabilities (Note XXIII)	<u>15,490</u>	<u>-</u>	<u>16,463</u>	<u>-</u>
21XX	Total current liabilities	<u>2,871,822</u>	<u>36</u>	<u>3,515,916</u>	<u>41</u>
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes XX and XXX)	458,802	6	458,144	5
2570	Deferred tax liabilities (Notes IV and XXV)	157,253	2	219,404	3
2580	Lease liabilities - non-current (Notes IV and XV)	107,298	2	68,437	1
2640	Net defined benefit liabilities - non-current (Notes IV and XXI)	27,073	-	37,508	-
2645	Guarantee deposits received	<u>1,887</u>	<u>-</u>	<u>2,361</u>	<u>-</u>
25XX	Total non-current liabilities	<u>752,313</u>	<u>10</u>	<u>785,854</u>	<u>9</u>
2XXX	Total liabilities	<u>3,624,135</u>	<u>46</u>	<u>4,301,770</u>	<u>50</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note XXII)				
3100	Share capital	<u>1,000,044</u>	<u>13</u>	<u>1,000,044</u>	<u>12</u>
3200	Capital surplus	<u>2,048,734</u>	<u>26</u>	<u>2,048,734</u>	<u>24</u>
	Retained earnings				
3310	Legal reserve	497,824	6	470,193	5
3320	Special reserve	368,706	5	310,734	4
3350	Unappropriated earnings	<u>666,247</u>	<u>8</u>	<u>698,081</u>	<u>8</u>
3300	Total retained earnings	<u>1,532,777</u>	<u>19</u>	<u>1,479,008</u>	<u>17</u>
3400	Other equity	(<u>343,152</u>)	(<u>4</u>)	(<u>368,706</u>)	(<u>4</u>)
3500	Treasury stock (Note XXII)	(<u>40,228</u>)	(<u>1</u>)	(<u>40,228</u>)	(<u>1</u>)
31XX	Total equity attributable to owners of the Company	4,198,175	53	4,118,852	48
36XX	NON-CONTROLLING INTERESTS (Note XXII)	<u>112,675</u>	<u>1</u>	<u>114,264</u>	<u>2</u>
3XXX	Total equity	<u>4,310,850</u>	<u>54</u>	<u>4,233,116</u>	<u>50</u>
	TOTAL	<u>\$ 7,934,985</u>	<u>100</u>	<u>\$ 8,534,886</u>	<u>100</u>

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4100	OPERATING REVENUE (Notes IV, XXIII and XXIX)	\$ 7,518,472	100	\$ 9,183,092	100
5110	OPERATING COSTS (Notes X, XXIV and XXIX)	<u>6,467,054</u>	<u>86</u>	<u>8,005,893</u>	<u>87</u>
5900	GROSS PROFIT	<u>1,051,418</u>	<u>14</u>	<u>1,177,199</u>	<u>13</u>
	OPERATING EXPENSES (Notes IX and XXIV)				
6100	Selling and marketing expenses	223,262	3	258,581	3
6200	General and administrative expenses	356,390	5	363,952	4
6300	Research and development	229,285	3	214,336	2
6450	Benefits from reversal of expected credit impairment loss	(<u>5,944</u>)	<u>-</u>	(<u>6,885</u>)	<u>-</u>
6000	Total operating expenses	<u>802,993</u>	<u>11</u>	<u>829,984</u>	<u>9</u>
6900	OPERATING INCOME	<u>248,425</u>	<u>3</u>	<u>347,215</u>	<u>4</u>
	NON-OPERATING INCOME AND EXPENSES (Note XXIV)				
7100	Interest revenue	24,709	1	19,473	-
7010	Other revenue	69,850	1	81,965	1
7020	Other gains and losses	22,235	-	20,899	-
7050	Finance costs	(69,029)	(1)	(47,007)	-
7060	Share of profit and loss of affiliated enterprises recognized by equity method	(<u>5,149</u>)	<u>-</u>	<u>447</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>42,616</u>	<u>1</u>	<u>75,777</u>	<u>1</u>
7900	Profit before income tax	291,041	4	422,992	5
7950	INCOME TAX EXPENSE (Notes IV and XXV)	<u>69,610</u>	<u>1</u>	<u>138,821</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
8200	NET PROFIT FOR THE YEAR	<u>\$ 221,431</u>	<u>3</u>	<u>\$ 284,171</u>	<u>3</u>
	OTHER COMPREHENSIVE INCOME (Notes XXI, XXII and XXV)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(1,039)	-	17,301	-
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	69,937	1	(107,746)	(1)
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>208</u>	<u>-</u>	(<u>3,460</u>)	<u>-</u>
8310		<u>69,106</u>	<u>1</u>	(<u>93,905</u>)	(<u>1</u>)
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	(57,827)	(1)	63,969	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>11,095</u>	<u>-</u>	(<u>12,442</u>)	<u>-</u>
8360		(<u>46,732</u>)	(<u>1</u>)	<u>51,527</u>	<u>1</u>
8300	Other comprehensive gain (loss) for the year, net of income tax	<u>22,374</u>	<u>-</u>	(<u>42,378</u>)	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 243,805</u>	<u>3</u>	<u>\$ 241,793</u>	<u>3</u>

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Code		2023		2022	
		Amount	%	Amount	%
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Company	\$ 202,381	3	\$ 262,473	3
8620	Non-controlling interests	<u>19,050</u>	<u>-</u>	<u>21,698</u>	<u>-</u>
8600		<u>\$ 221,431</u>	<u>3</u>	<u>\$ 284,171</u>	<u>3</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$ 227,104	3	\$ 218,342	3
8720	Non-controlling interests	<u>16,701</u>	<u>-</u>	<u>23,451</u>	<u>-</u>
8700		<u>\$ 243,805</u>	<u>3</u>	<u>\$ 241,793</u>	<u>3</u>
	EARNINGS PER SHARE (Note XXVI)				
9710	Basic	<u>\$ 2.05</u>		<u>\$ 2.66</u>	
9810	Diluted	<u>\$ 2.02</u>		<u>\$ 2.60</u>	

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Company											
		Retained earnings					Other equity						
Code		Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of the financial statements of foreign operations	Unrealized loss on financial assets at fair value through other comprehensive income	Total	Treasury stock	Total	Non-controlling interests	Total equity
A1	BALANCE AT JANUARY 1, 2022	\$ 1,000,044	\$ 2,048,734	\$ 427,464	\$ 311,174	\$ 710,357	(\$ 289,782)	(\$ 20,952)	(\$ 310,734)	(\$ 40,228)	\$ 4,146,811	\$ 109,687	\$ 4,256,498
	Appropriation of 2021 earnings (Note XXII)												
B1	Legal reserve	-	-	42,729	-	(42,729)	-	-	-	-	-	-	-
B3	Reversal of special surplus reserve	-	-	-	(440)	440	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(246,301)	-	-	-	-	(246,301)	-	(246,301)
		-	-	42,729	(440)	(288,590)	-	-	-	-	(246,301)	-	(246,301)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	262,473	-	-	-	-	262,473	21,698	284,171
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	13,841	49,774	(107,746)	(57,972)	-	(44,131)	1,753	(42,378)
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	276,314	49,774	(107,746)	(57,972)	-	218,342	23,451	241,793
O1	Decrease in non-controlling interests (Note XXII)	-	-	-	-	-	-	-	-	-	-	(18,874)	(18,874)
Z1	BALANCE AT DECEMBER 31, 2022	1,000,044	2,048,734	470,193	310,734	698,081	(240,008)	(128,698)	(368,706)	(40,228)	4,118,852	114,264	4,233,116
	Appropriation of 2022 earnings (Note XXII)												
B1	Legal reserve	-	-	27,631	-	(27,631)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	57,972	(57,972)	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(147,781)	-	-	-	-	(147,781)	-	(147,781)
		-	-	27,631	57,972	(233,384)	-	-	-	-	(147,781)	-	(147,781)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	202,381	-	-	-	-	202,381	19,050	221,431
D3	Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(831)	(44,383)	69,937	25,554	-	24,723	(2,349)	22,374
D5	Total comprehensive income for the year ended December 31, 2023	-	-	-	-	201,550	(44,383)	69,937	25,554	-	227,104	16,701	243,805
O1	Decrease in non-controlling interests (Note XXII)	-	-	-	-	-	-	-	-	-	-	(18,290)	(18,290)
Z1	BALANCE AT DECEMBER 31, 2023	\$ 1,000,044	\$ 2,048,734	\$ 497,824	\$ 368,706	\$ 666,247	(\$ 284,391)	(\$ 58,761)	(\$ 343,152)	(\$ 40,228)	\$ 4,198,175	\$ 112,675	\$ 4,310,850

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 291,041	\$ 422,992
A20010	Adjustments for:		
A20100	Depreciation expense	245,856	294,864
A20200	Amortization expense	30,381	34,322
A20300	Benefits from reversal of expected credit impairment loss	(5,944)	(6,885)
A20400	Gain (Loss) on financial instruments at fair value through profit or loss	(22,041)	29,999
A20900	Finance costs	69,029	47,007
A21200	Interest revenue	(24,709)	(19,473)
A21300	Dividend income	(43,831)	(44,541)
A22300	Share of profit and loss of affiliated enterprises recognized by equity method	5,149	(447)
A22500	Loss on disposal of property, plant and equipment	3,577	1,365
A23700	Inventories losses	5,279	129,463
A24100	Unrealized net gain on foreign exchange	(12,528)	(10,951)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(171,405)	80,026
A31150	Accounts receivable	(8,508)	1,136,250
A31180	Other receivables	6,186	24,978
A31200	Inventories	302,777	174,701
A31240	Other current assets	(20,621)	23,971
A32130	Notes payable	137,796	(65,059)
A32150	Accounts payable	(103,670)	(769,991)
A32180	Other payables	(31,224)	(141,281)
A32230	Other current liabilities	(973)	(1,343)
A32240	Net defined benefit liabilities	(11,474)	(11,147)
A33000	Cash generated from operations	640,143	1,328,820
A33100	Interest received	24,381	17,196
A33200	Dividends received	44,743	42,400
A33300	Interest paid	(67,610)	(38,631)
A33500	Income tax paid	(195,604)	(121,352)
AAAA	Net cash generated from operating activities	<u>446,053</u>	<u>1,228,433</u>

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Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 20,952)	(\$ 444,401)
B00100	Purchase of financial assets at fair value through profit or loss	(773,296)	(1,228,722)
B00200	Disposal of financial assets at fair value through profit or loss	1,054,021	909,630
B01800	Investment obtained using the equity method	-	(10,000)
B02700	Payments for property, plant and equipment	(181,895)	(106,874)
B02800	Proceeds from disposal of property, plant and equipment	10,683	1,418
B03700	Decrease (increase) in guarantee deposits paid	(229)	8,504
B04200	Decrease in other receivables	-	266,926
B04500	Acquisitions of Intangible assets	(49,499)	(32,200)
B06500	Increase in other financial assets	(73,249)	(37,880)
BBBB	Net cash used in investing activities	(34,416)	(673,599)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase (decrease) in short-term borrowings	(726,076)	407,025
C00500	Increase (decrease) in short-term notes payable	170,000	(280,000)
C01600	Increase in long-term borrowings	-	501,116
C01700	Repayments of long-term borrowings	-	(557,547)
C03100	Decrease in guarantee deposits received	(455)	(304)
C04020	Repayment of the principal portion of lease liabilities	(62,725)	(48,920)
C04500	Cash dividends	(147,781)	(246,301)
C05800	Change in non-controlling interests	(18,290)	(18,874)
CCCC	Net cash used in financing activities	(785,327)	(243,805)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	(26,400)	51,015
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(400,090)	362,044
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,583,015</u>	<u>1,220,971</u>

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<u>Code</u>		<u>2023</u>	<u>2022</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$1,182,925</u>	<u>\$1,583,015</u>

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. ORGANIZATION

Wah Hong Industrial Corp. (the “Company”) was incorporated in August 1973, and is mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films etc.), materials of Bulk Molding Compounds (BMC) and Molding products etc..

The Company’s shares have been listed and traded on the Taipei Exchange since June 23, 2005.

The consolidated financial statements, which include the Company and its subsidiaries (collectively, the “Group”), are presented in the Company’s functional currency, the New Taiwan dollar.

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 13, 2024.

III. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The application of the revised IFRSs approved and issued by the Financial Supervisory Commission will not cause major changes in the accounting policies of the Company and entities controlled by the Company (hereinafter referred to as the “Group”).

(II) The IFRSs endorsed by the FSC for application starting from 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: Partial disclosure is exempted for the first application of this amendment.

As of the date when this consolidated financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the consolidated financial position and consolidated financial performance.

(III) IFRS Accounting Standards that have been issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025 (Note 2)

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

Note 2: The amendments will be applied for annual reporting periods beginning on or after January 1, 2025. The impact amount will be recognized as retained earnings as at the date of first application of the amendments. When the Group takes the non-functional currency as the presentation currency, the impact amount will be adjusted to the foreign operating organization-related exchange difference under the equity at the date of first application.

As of the date when this consolidated financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the consolidated financial position and consolidated financial performance.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Compliance statement

The consolidated financial statements have been prepared in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

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

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

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

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

Current assets include:

1. Assets held primarily for the purpose of trading;

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

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period;
and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

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

The detailed information of subsidiaries (including the percentage of ownership and main business) is referred to Note XIII, Tables 7 and 8.

(V) Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies)

are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

(VI) Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value is based on parent company only items except for inventories of the same category. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

(VII) Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, an investment in an associate is initially recognized at costs, and its carrying amount after acquisition date is adjusted based on the Group's share in the profits or losses and other comprehensive income of the associate as well as the distribution received. Besides, the changes in the equity of the associate are recognized based on shareholding ratio.

The Group ceases to be accounted by equity method on the date when the investment ceases to be an affiliated enterprise, and its retained interests in the original affiliated enterprise shall be measured at fair value. The difference between the fair value and the disposal price and the book value of the investment on the day when the equity method is stopped is included in the profit and loss of the current year. In addition, all amounts related to the affiliated enterprise recognized in other comprehensive profit or loss are accounted for on the same basis as would be required if the affiliated enterprise directly disposes of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(VIII) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. When these assets are tested for their normal operation before reaching the expected use state, the samples produced are measured by the lower of cost and net realized value, and the sales price and cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

(IX) Intangible assets

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

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

(X) Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

1. Financial assets

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

(1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL; such assets include debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement

recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

B. Financial assets at amortized cost

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial

asset is in default without taking into account any collateral held by the Group:

- A. Internal or external information shows that the debtor is unlikely to pay its creditors.
- B. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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

2. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Company's own equity instruments is recognized in and deducted from equity, and its carrying amount is calculated based on the type of stocks on a weighted average basis, and calculated separately based on the reasons for recovery. No gain or loss is recognized in profit

or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward contracts.

Derivatives are initially recognized at fair value when derivative contracts are signed, and subsequently re-measured at fair value on balance sheet date, and the profits or losses from the subsequent measurement are directly recognized as profits or losses. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

(XII) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Commodity sales revenue comes from the sales of optical materials (LCD), functional materials (BMC) and other self-made products. Since when the products arrive at the location designated by the customer or during shipment, the customer has the right to determine the price and use of the product and bear the main responsibility for reselling and the risk of obsolescence, the Group recognizes revenue and accounts receivable at this point in time. Receive in advance of sales of goods is recognized as a contract liability.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(XIII) Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

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

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

2. The Group as lessee

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

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability), and subsequently measured at cost less accumulated depreciation and impairment losses, and is adjusted in the remeasured amount of the lease liability. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. If it is easy to determine the interest rate implicit in a lease, the lease payments are discounted by using such interest rate. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the

lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XIV) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the costs of those assets, until substantially all the activities required for the assets to be ready for their intended use or sale are completed.

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

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

(XV) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

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

(XVI) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XVII) Income tax

The tax expense for the period comprises current and deferred tax.

1. Current tax

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

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

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

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. Current and deferred taxes for the year

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

recognized in other comprehensive income or directly in equity, respectively.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Group adopts the accounting policies described in Note IV, for those that are not easy to obtain relevant information from other sources, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. Actual results may differ from these estimates.

When developing material accounting estimates, the Group takes into account the possible impact of the economic environment in the relevant material estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis.

Estimate of deferred income tax

The amount of deferred income tax which affected by the deficit and deferred tax assets was NT\$53,799 thousand and NT\$56,646 thousand for the years ended December 31, 2023 and 2022, respectively. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Moreover, with regard to profit related to investments in foreign subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT\$319,414 thousand and NT\$302,049 thousand for the years ended December 31, 2023 and 2022, respectively. These temporary differences are not recognized as deferred tax liabilities since they will not be realized in the foreseeable future. If there is a significant adjustment in deferred tax assets or liabilities with the situation change in the future, these deferred tax assets or liabilities will recognize as loss in the current period.

VI. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 983	\$ 958
Checking accounts	51	51
Demand deposits	841,987	1,049,281
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>339,904</u>	<u>532,725</u>
	<u>\$1,182,925</u>	<u>\$1,583,015</u>

- (I) The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash equivalents		
Time deposits with original maturities of 3 months or less (%)	1.45~5.26	1.80~3.80

- (II) The Group has good credit quality with many financial institutions, and which can help to disperse credit risk. Also, to estimate credit loss that is unexpected.

VII. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 3,338	\$ 1,490
Non-derivative financial assets		
Domestic listed shares	79,398	88,870
Guaranteed floating income financial products	<u>349,800</u>	<u>607,512</u>
	<u>\$432,536</u>	<u>\$697,872</u>

The purpose of the Group's forward foreign exchange transactions is to avoid the risks created by foreign currency assets and liabilities due to exchange rate fluctuations.

- (I) At the end of the year, outstanding foreign exchange options contracts were as follows:

	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (In Thousands)</u>
<u>December 31, 2023</u>			
Sell forward exchange contracts	USD to NTD	2024.01~2024.03	USD4,000/TWD125,409
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD to NTD	2023.01~2023.03	USD4,000/TWD123,719

Details of profit and loss of financial instruments at FVTPL for the year 2023 and 2022 list on Note XXIV.

- (II) The Group signed RMB structured term deposit contract with the bank. The deposit includes an embedded derivative that is not closely related to the master contract. As the master contract included in the mixed contract is an asset within the scope of IFRS, it is classified as measured at fair value through profit or loss according to the overall mixed contract evaluation.

VIII. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Domestic listed shares	\$622,418	\$520,613
Domestic unlisted shares	54,930	78,070
Foreign unlisted shares	<u>14,572</u>	<u>2,348</u>
	<u>\$691,920</u>	<u>\$601,031</u>

IX. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHERS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable		
At amortized cost		
Gross carrying amount	\$ 361,259	\$ 189,854
Less: Allowance for impairment loss	<u>1,124</u>	<u>605</u>
	<u>\$ 360,135</u>	<u>\$ 189,249</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$2,535,646	\$2,527,139
Less: Allowance for impairment loss	<u>8,713</u>	<u>10,109</u>
	<u>\$2,526,933</u>	<u>\$2,517,030</u>
Other receivables		
At amortized cost		
Gross carrying amount	\$ 20,364	\$ 27,136
Less: Allowance for impairment loss	<u>2,157</u>	<u>7,354</u>
	<u>\$ 18,207</u>	<u>\$ 19,782</u>

The main credit period of sales of goods was 30-180 days. No interest was charged on receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable

amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

If there is evidence indicating that the debtor is in severe financial difficulty and the Group cannot reasonably expect the recoverable amount, the Group directly writes off relevant accounts receivable, but it still continues to engage in recovery activity, and the amount recovered is recognized as profits or losses.

The aging analysis of notes and accounts receivable were as follows:

December 31, 2023

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 360 Days	Total
Lifetime expected credit losses(%)	0.3	10	-	100	
Gross carrying amount	\$2,889,505	\$ 6,621	\$ -	\$ 779	\$2,896,905
Loss allowance (lifetime ECLs)	(8,393)	(665)	-	(779)	(9,837)
Amortized cost	<u>\$2,881,112</u>	<u>\$ 5,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,887,068</u>

December 31, 2022

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 360 Days	Total
Lifetime expected credit losses(%)	0.3	10	-	100	
Gross carrying amount	\$2,692,993	\$ 23,216	\$ -	\$ 784	\$2,716,993
Loss allowance (lifetime ECLs)	(7,778)	(2,152)	-	(784)	(10,714)
Amortized cost	<u>\$2,685,215</u>	<u>\$ 21,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,706,279</u>

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

	2023			2022		
	Notes receivable	Accounts receivable	Other receivables	Notes receivable	Accounts receivable	Other receivables
Balance at January 1	\$ 605	\$ 10,109	\$ 7,354	\$ 1,561	\$ 12,488	\$ 11,235
Impairment losses recognized (reversal)	539	(1,307)	(5,176)	(242)	(2,561)	(4,082)

Amounts written off	-	-	-	(747)	-	-
Exchange differences	(20)	(89)	(21)	33	182	201
Ending balance	<u>\$ 1,124</u>	<u>\$ 8,713</u>	<u>\$ 2,157</u>	<u>\$ 605</u>	<u>\$ 10,109</u>	<u>\$ 7,354</u>

X. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$357,944	\$576,227
Work in process	20,570	11,552
Finished goods	<u>312,912</u>	<u>410,697</u>
	<u>\$691,426</u>	<u>\$998,476</u>

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2023 and 2022 were NT\$6,467,054 thousand and NT\$8,005,893 thousand respectively, which included the following items:

	<u>2023</u>	<u>2022</u>
Inventories depreciation losses (recovered benefits)	(\$ 36,632)	\$ 38,243
Inventory losses	41,911	91,220
Unallocated manufacturing cost	106,941	122,837
Revenue from the sale of scraps	(5,722)	(5,250)
	<u>\$106,498</u>	<u>\$247,050</u>

The recovered benefits of inventory falling price loss are mainly caused by inventory closeout.

XI. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in associates	<u>\$ 5,298</u>	<u>\$ 10,447</u>

The brief description of investments using the equity method is detailed in Table 7.

Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individually insignificant affiliated enterprises		
Wah Sheng Industrial Corp.	<u>\$ 5,298</u>	<u>\$ 10,447</u>

In October 2022, the Company invested NT\$10,000 thousand in cash to jointly establish Wah Sheng Industrial Corp., with a shareholding ratio of 25%.

Aggregate information of individually insignificant affiliated companies

	<u>2023</u>	<u>2022</u>
The Company's share		
Net amount of current year	(\$ 5,149)	\$ 447
Other comprehensive income	<u>-</u>	<u>-</u>

Total comprehensive income	(\$ 5,149)	\$ 447
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XII. OTHER FINANCIAL ASSETS – CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted time deposits	\$ 43,352	\$ -
Time deposits with original maturities of more than 3 months	<u>108,342</u>	<u>78,445</u>
	<u>\$151,694</u>	<u>\$ 78,445</u>
Annual interest rate (%)	1.50~4.40	2.30~3.35

Refer to Note XXX for information of time deposits pledged as collateral.

XIII. SUBSIDIARIES

The detailed information of the subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Main Businesses and Products	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
The Company	Wah Hong Holding Ltd.	International investment business	100	100
	PT. Wah Hong Indonesia (“WH Indonesia”)	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	99	99
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	International investment business	100	100
	Wah Hong International Ltd.	International investment business	100	100
	Granite International Ltd.	International trading business	100	100
	Wah Hong Development Ltd.	International investment business	100	100
	Smart Succeed Ltd.	International trading business	100	100
	Allied Royal LLC.	International investment business	67.5	67.5
	Wah Ma Technology Sdn. Bhd.	Production and trading business of BMC (bulk molding compound) material and molded product	100	100
Wah Hong Technology Ltd.	PT. Wah Hong Indonesia (“WH Indonesia”)	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	1	1
	SIP Chang Hong Optoelectronics Ltd. (“SIP Chang Hong”)	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
	SIP Chang Jun Trading Limited (“SIP Chang Jun”)	Trading business of BMC materials and finished products, diffusion films, reflectors and other LCD products	100	100

	Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
	Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
Wah Hong International Ltd.	Sun Hong Optronics Ltd. (“Sun Hong”)	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
	Xiamen Guang Hong Optronics Ltd. (“Xiamen Guang Hong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
Allied Royal LLC.	SuZhou Alliance Material. Co., Ltd. (“Suzhou Alliance”)	Production and trading business of LCD material molded product	100	100
	Best Honor Inc.	International trading business	100	100
SIP Chang Hong	Chang Hong (HK) Optronics Limited (“Chang Hong (HK)”)	Trading business of LCD material and BMC material	100	100
Ningbo Changhong	Ningbo Changli New Material Limited (“Ningbo Changli”)	Trading business of LCD material and BMC material	100	100

XIV. PROPERTY, PLANT AND EQUIPMENT

(I) Changes of cost, accumulated depreciation and accumulated impairment were as follows:

2023

	Land	Buildings	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 203,742	\$ 1,776,392	\$ 2,400,726	\$ 495,573	\$ 35,596	\$ 4,912,029
Additions	-	71,447	57,776	60,645	(10,766)	179,102
Disposals	-	(14,833)	(72,580)	(15,106)	-	(102,519)
Exchange differences	(168)	(20,713)	(24,712)	(4,798)	231	(50,160)
Balance at December 31, 2023	<u>\$ 203,574</u>	<u>\$ 1,812,293</u>	<u>\$ 2,361,210</u>	<u>\$ 536,314</u>	<u>\$ 25,061</u>	<u>\$ 4,938,452</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 1,018,456	\$ 1,917,442	\$ 359,631	\$ -	\$ 3,295,529
Depreciation expense	-	86,192	74,743	34,507	-	195,442
Disposals	-	(13,421)	(59,446)	(13,979)	-	(86,846)
Exchange differences	-	(11,353)	(19,426)	(3,394)	-	(34,173)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,079,874</u>	<u>\$ 1,913,313</u>	<u>\$ 376,765</u>	<u>\$ -</u>	<u>\$ 3,369,952</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2023	\$ -	\$ -	\$ 77,094	\$ 18,786	\$ -	\$ 95,880
Disposals	-	-	(1,413)	-	-	(1,413)
Exchange differences	-	-	(56)	(43)	-	(99)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,625</u>	<u>\$ 18,743</u>	<u>\$ -</u>	<u>\$ 94,368</u>
Carrying amount at December 31, 2023	<u>\$ 203,574</u>	<u>\$ 732,419</u>	<u>\$ 372,272</u>	<u>\$ 140,806</u>	<u>\$ 25,061</u>	<u>\$ 1,474,132</u>

2022

	Land	Buildings	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
Cost						
Balance at January 1, 2022	\$ 203,541	\$ 1,658,323	\$ 2,343,570	\$ 467,659	\$ 108,471	\$ 4,781,564
Additions	-	107,361	44,544	33,621	(75,180)	110,346
Disposals	-	(4,960)	(10,739)	(9,696)	-	(25,395)
Exchange differences	201	15,668	23,351	3,989	2,305	45,514
Balance at December 31, 2022	<u>\$ 203,742</u>	<u>\$ 1,776,392</u>	<u>\$ 2,400,726</u>	<u>\$ 495,573</u>	<u>\$ 35,596</u>	<u>\$ 4,912,029</u>
Accumulated depreciation						
Balance at January 1, 2022	\$ -	\$ 926,430	\$ 1,788,073	\$ 335,292	\$ -	\$ 3,049,795
Depreciation expense	-	88,541	121,110	29,914	-	239,565
Disposals	-	(4,960)	(9,136)	(8,454)	-	(22,550)
Exchange differences	-	8,445	17,395	2,879	-	28,719
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,018,456</u>	<u>\$ 1,917,442</u>	<u>\$ 359,631</u>	<u>\$ -</u>	<u>\$ 3,295,529</u>
Accumulated impairment						
Balance at January 1, 2022	\$ -	\$ -	\$ 77,105	\$ 18,747	\$ -	\$ 95,852
Disposals	-	-	(62)	-	-	(62)
Exchange differences	-	-	51	39	-	90
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,094</u>	<u>\$ 18,786</u>	<u>\$ -</u>	<u>\$ 95,880</u>
Carrying amount at December 31, 2022	<u>\$ 203,742</u>	<u>\$ 757,936</u>	<u>\$ 406,190</u>	<u>\$ 117,156</u>	<u>\$ 35,596</u>	<u>\$ 1,520,620</u>

Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	2023	2022
Investing activities		
affected cash and cash equivalents		
Additions to property, plant and equipment	\$179,102	\$110,346
Decrease (increase) in payables for equipment (under other payables)	<u>2,793</u>	(<u>3,472</u>)
Cash paid for acquisition of property, plant and equipment	<u>\$181,895</u>	<u>\$106,874</u>

(II) Estimated useful life:

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings

Reinforced concrete buildings 30 - 60 years

Sheet metal buildings	10 - 20 years
Decoration and Design	2 - 10 years
Electrical and mechanical work	2 - 8 years
Machinery and equipment	2 - 10 years
Other equipment	2 - 15 years

- (III) Refer to Note XXX for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

XV. LEASING ARRANGEMENTS

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Land	\$ 45,198	\$ 47,584
Buildings	158,031	85,367
Other equipment	<u>2,989</u>	<u>3,864</u>
	<u>\$206,218</u>	<u>\$136,815</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$123,078</u>	<u>\$ 6,094</u>
Depreciation of right-of-use assets		
Land	\$ 1,618	\$ 1,621
Buildings	47,921	53,167
Other equipment	<u>875</u>	<u>511</u>
	<u>\$ 50,414</u>	<u>\$ 55,299</u>

(II) Leasing liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Current portion	<u>\$ 41,559</u>	<u>\$ 21,998</u>
Non-current portion	<u>\$107,298</u>	<u>\$ 68,437</u>

Range of discount rate (%) for leasing liabilities was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.83~2.26	1.80~2.03
Other equipment	2.25	2.25

(III) Material leasing activities and terms

The Group leases land use rights, buildings and computer hardware equipment for business use, and the lease period varies from 1 to 50 years, and ends until May 2056.

(IV) Other leasing information

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 28,201</u>	<u>\$ 20,995</u>
Expenses relating to low-value asset leases	<u>\$ 6,535</u>	<u>\$ 6,620</u>
Total cash outflow for leases	<u>\$100,208</u>	<u>\$ 78,782</u>

The Group's leases of certain subjects qualify as short-term or low-value asset leases, and the Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

XVI. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured borrowings		
Procurement loans	\$ 225,068	\$ 99,467
Revolving loans	<u>554,981</u>	<u>1,412,409</u>
	<u>\$ 780,049</u>	<u>\$1,511,876</u>
Annual interest rate (%)	1.75~6.86	1.42~6.04

XVII. SHORT-TERM BILLS PAYABLE

The commercial paper payables are guaranteed and issued by China Bills Finance Corporation and MEGA Bills Finance Co.. The annual interest rate for December 31, 2023 is 1.79% - 1.81%.

XVIII. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable are mainly related to operating activities.

The average credit period on purchases of goods from 30 - 150 days. The Group has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

XIX. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$166,233	\$177,045
Payable for employees' compensation and remuneration to directors	88,078	94,430
Payable for annual leave bonuses	29,845	29,193
Payable for packing fees	25,809	27,078
Payable for die-cut fees	18,900	19,733
Payable for freight fee	16,324	18,051
Payable for equipment	13,691	16,484

Others	<u>149,497</u>	<u>159,694</u>
	<u>\$508,377</u>	<u>\$541,708</u>

XX. LONG-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings (Note XXX)</u>		
Syndicated bank loans		
E.SUN BANK (USD		
syndicated bank loan) -		
credit limit A, annual		
interest rate for December		
31, 2023 and 2022 is		
7.0402% and 5.1586%,		
respectively	\$460,575	\$460,650
Less: Syndicated loan fee	<u>1,773</u>	<u>2,506</u>
	<u>\$458,802</u>	<u>\$458,144</u>

The Company signed a syndicated loan agreement which repaid the previous syndicated loan with banks led by E.SUN BANK in June 2018. The total amount of syndicated bank loans is US\$50 million, including credit limit A (US\$50 million), credit limit B (NT\$1 billion) and credit limit C (NT\$500 million).

In addition, the Company has signed a new syndicated loan agreement with E.SUN BANK in May 2022 in order to pay back the syndicated loan signed in 2018. The total amount of bank loan is US\$50 million including credit limit A (US\$50 million) and credit limit B (NT\$840 million).

The credit referred to in the preceding item is a medium-term revolving loan (the credit period starts from June 2022, the first use date and ends in 5 years, and after three years from the date of first use, the credit line will be decreased in five installments every six months, with the first installment decreasing by 5%, the second to fourth installments decreasing by 10% and the fifth installment decreasing by 65%), which can be used in installments and revolved within the loan line. Every time the credit line decreases, the part of the credit balance that exceeds the decreased credit line shall be paid off in one lump sum.

The syndicated loan contract stipulates that the Company's consolidated annual financial ratios should comply with specific financial ratio standard.

The financial ratios of the Company's 2023 and 2022 consolidated annual financial reports did not violate the provisions of the syndicated loan contract.

XXI. RETIREMENT BENEFIT PLANS

(I) Defined contribution plans

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

Subsidiaries which in mainland China are required by local regulations to make contributions to central provident fund and retirement insurance, which are also considered defined contribution plans.

Furthermore, Wah Ma Technology Sdn. Bhd. and PT. Wah Hong Indonesia also make monthly contributions at certain percentages of the basic salary of their employees.

(II) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the R.O.C.. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 118,002	\$ 115,766
Fair value of plan assets	(<u>90,929</u>)	(<u>78,258</u>)
Net defined benefit liabilities	<u>\$ 27,073</u>	<u>\$ 37,508</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 115,766</u>	<u>(\$ 78,258)</u>	<u>\$ 37,508</u>
Service cost			
Current service cost	142	-	142
Net interest expense (income)	<u>1,736</u>	<u>(1,265)</u>	<u>471</u>
Recognized in profit or loss	<u>1,878</u>	<u>(1,265)</u>	<u>613</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(435)	(435)
Actuarial loss - changes in financial assumptions	2,744	-	2,744
Actuarial gain - experience adjustments assumptions	<u>(1,270)</u>	<u>-</u>	<u>(1,270)</u>
Recognized in other comprehensive income	<u>1,474</u>	<u>(435)</u>	<u>1,039</u>
Contributions from the employer	<u>\$ -</u>	<u>(\$ 12,087)</u>	<u>(\$ 12,087)</u>
Benefits paid			
Paid by plan assets	<u>(1,116)</u>	<u>1,116</u>	<u>-</u>
December 31, 2023	<u>\$ 118,002</u>	<u>(\$ 90,929)</u>	<u>\$ 27,073</u>
January 1, 2022	<u>\$ 134,158</u>	<u>(\$ 68,202)</u>	<u>\$ 65,956</u>
Service cost			
Current service cost	583	-	583
Net interest expense (income)	<u>837</u>	<u>(464)</u>	<u>373</u>
Recognized in profit or loss	<u>1,420</u>	<u>(464)</u>	<u>956</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,864)	(4,864)
Actuarial gain - changes in financial assumptions	<u>(10,858)</u>	<u>-</u>	<u>(10,858)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Actuarial gain - experience adjustments assumptions	(<u>1,579</u>)	<u>-</u>	(<u>1,579</u>)
Recognized in other comprehensive income	(<u>12,437</u>)	(<u>4,864</u>)	(<u>17,301</u>)
Contributions from the employer	<u>-</u>	(<u>12,103</u>)	(<u>12,103</u>)
Benefits paid Paid by plan assets	(<u>7,375</u>)	<u>7,375</u>	<u>-</u>
December 31, 2022	<u>\$ 115,766</u>	(<u>\$ 78,258</u>)	<u>\$ 37,508</u>

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

1. Investment risk

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

2. Interest rate risk

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

3. Salary risk

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for

the purposes of the actuarial valuations on the measurement date are presented as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate (%)	1.25	1.5
Expected rate of salary increase (%)	3	3

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate(s)		
0.25% increase	(\$ 2,744)	(\$ 2,859)
0.25% decrease	<u>\$ 2,840</u>	<u>\$ 2,963</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,743</u>	<u>\$ 2,868</u>
0.25% decrease	(<u>\$ 2,665</u>)	(<u>\$ 2,782</u>)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected contributions to the plan for the next year	<u>\$ 12,100</u>	<u>\$ 12,132</u>
The average duration of the defined benefit obligation (year)	9.4	10.1

XXII. EQUITY

(I) Share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Amount of authorized shares	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Number of issued and fully paid shares (in thousands)	<u>100,004</u>	<u>100,004</u>
Amount of issued shares	<u>\$ 1,000,044</u>	<u>\$ 1,000,044</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Arising from issuance of share capital	\$ 1,898,886	\$ 1,898,886
Arising from conversion of bonds	511	511
Consolidation excess	142,560	142,560
Difference between consideration paid and the carrying amount	<u>6,777</u>	<u>6,777</u>
	<u>\$ 2,048,734</u>	<u>\$ 2,048,734</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the pre-amendment Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company call an ordinary meeting of shareholders deciding to modify the Corporation By-Laws on May 26, 2022. Also, Board of Directors must attend by over two-thirds of the directors and half of those attending directors must approve for the case if the Company cash distribution of dividends, bonus and capital surplus or surplus reserve, it should report to the Shareholders' Meeting. However, if the Company issues new stocks for distribution of dividends, bonus and capital surplus or surplus reserve, it should let the shareholders pass the resolution.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 10% of the total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 had been approved in the shareholders' meeting in May 2023 and May 2022, respectively; the amounts were as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 27,631	\$ 42,729		
Provision (Reversal) of special surplus reserve	57,972	(440)		
Cash dividends	<u>147,781</u>	<u>246,301</u>	<u>\$ 1.5</u>	<u>\$ 2.5</u>
	<u>\$233,384</u>	<u>\$288,590</u>		

The aforesaid cash dividends for 2022 were resolved to distribute by the Board of Directors in March 2023.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on March, 2024. The appropriations and dividends per share were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 20,155	
Special surplus reserve (reverse)	(25,555)	
Cash dividends to shareholders	118,224	\$ 1.2

In addition, in March 2024, the Board of Directors also proposed a cash distribution from capital reserves of NT\$29,556 thousand.

The above-mentioned cash dividends have been resolved for distribution by the Board of Directors, and the remaining dividends will be resolved at the regular Shareholders' Meeting expected to be held in May 2024.

(IV) Special reserve

When the company adopted IFRSs for the first time, the unrealized revaluation gains and accumulative translation adjustments transferred to retained earnings amounted to NT\$13,747 thousand and NT\$231,169 thousand respectively, but the increase in retained earnings due to the adoption of IFRSs for the first time was not enough to be recognized, so only the retained earnings increase of NT\$181,615 thousand due to the conversion to IFRSs was set aside as a special surplus reserve.

(V) Other equity

1. Exchange differences on translation of the financial statements of foreign operations

	2023	2022
Balance at January 1	(\$240,008)	(\$289,782)
Exchange differences on translating the financial statements of foreign operations	(55,478)	62,216
Tax arising on translation of foreign operations	11,095	(12,442)
Ending balance	(\$284,391)	(\$240,008)

2. Unrealized gain/(loss) on financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Balance at January 1	(\$128,698)	(\$ 20,952)
Recognized for the year		
Unrealized gain		
(loss) - equity		
instruments	<u>69,937</u>	(107,746)
Ending balance	<u>(\$ 58,761)</u>	<u>(\$128,698)</u>

(VI) Non-controlling interests

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$114,264	\$109,687
Other comprehensive		
income (loss) during		
the period		
Net profit	19,050	21,698
Exchange		
differences on		
translation of the		
financial		
statements of		
foreign operations	(2,349)	1,753
Cash dividends		
distributed from		
subsidiaries	(18,290)	(18,874)
Ending balance	<u>\$112,675</u>	<u>\$114,264</u>

(VII) Treasury stock

For the transfer of shares to employees, the Company repurchased 1,484 thousand shares of its common stock in 2019, at the repurchase cost of NT\$40,239 thousand (a refund of NT\$2,000 handling fee for 2020 has been deducted).

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

XXIII. REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from contracts with		
customers		
Revenue from sale of goods	\$7,515,588	\$9,176,778
Service revenue	<u>2,884</u>	<u>6,314</u>
	<u>\$7,518,472</u>	<u>\$9,183,092</u>

(I) Refer Note IV for the description of accounting policy for revenue from contracts with customers.

(II) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and accounts receivable (including related parties) (Note IX)	<u>\$ 2,887,068</u>	<u>\$ 2,706,279</u>	<u>\$ 3,919,967</u>
Contract liabilities (classified under other current liabilities)			
Sale of goods	<u>\$ 8,275</u>	<u>\$ 10,594</u>	<u>\$ 12,669</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the date the Group fulfills its performance obligation and the date the customer's payment is received.

Revenue in the reporting period recognized from the beginning contract liabilities is as follows:

	2023	2022
Sales of goods	<u>\$ 10,519</u>	<u>\$ 11,345</u>

(III) Disaggregation of revenue by products

2023

Types	Reportable Segments				Total
	Taiwan	South China	Eastern China	Others	
Revenue from sale of goods	\$2,156,426	\$1,508,019	\$3,648,755	\$ 202,388	\$7,515,588
Service revenue	<u>437</u>	<u>194</u>	<u>2,195</u>	<u>58</u>	<u>2,884</u>
	<u>\$2,156,863</u>	<u>\$1,508,213</u>	<u>\$3,650,950</u>	<u>\$ 202,446</u>	<u>\$7,518,472</u>

2022

Types	Reportable Segments				Total
	Taiwan	South China	Eastern China	Others	
Revenue from sale of goods	\$2,641,142	\$2,062,817	\$4,300,901	\$ 171,918	\$9,176,778
Service revenue	<u>772</u>	<u>2,863</u>	<u>2,500</u>	<u>179</u>	<u>6,314</u>
	<u>\$2,641,914</u>	<u>\$2,065,680</u>	<u>\$4,303,401</u>	<u>\$ 172,097</u>	<u>\$9,183,092</u>

XXIV. PROFIT BEFORE INCOME TAX

(I)	Interest revenue		
		2023	2022
	Bank deposits	<u>\$ 24,709</u>	<u>\$ 19,473</u>
(II)	Other revenue		
		2023	2022
	Dividend revenue	\$ 43,831	\$ 44,541
	Government grants	10,187	18,526
	Rental revenue	8,578	8,476
	Others (Note XXIX)	<u>7,254</u>	<u>10,422</u>
		<u>\$ 69,850</u>	<u>\$ 81,965</u>
(III)	Other gains and losses		
		2023	2022
	Gains (losses) of financial assets measured at fair value through profit or loss	\$ 22,041	(\$ 29,999)
	Net gain from foreign currency exchange	5,008	53,220
	Loss on disposal of property, plant and equipment	(3,577)	(1,365)
	Others	<u>(1,237)</u>	<u>(957)</u>
		<u>\$ 22,235</u>	<u>\$ 20,899</u>
(IV)	Finance costs		
		2023	2022
	Interest on bank loans	\$ 63,345	\$ 42,154
	Interest on lease liabilities	2,747	2,247
	Other interest expenses	<u>2,937</u>	<u>2,606</u>
		<u>\$ 69,029</u>	<u>\$ 47,007</u>
(V)	Depreciation and amortization		
		2023	2022
	Property, plant and equipment	\$ 195,442	\$ 239,565
	Right-of-use assets	50,414	55,299
	Intangible assets	<u>30,381</u>	<u>34,322</u>
		<u>\$ 276,237</u>	<u>\$ 329,186</u>
	An analysis of depreciation by function		

Operating costs	\$203,167	\$261,731
Operating expenses	<u>42,689</u>	<u>33,133</u>
	<u>\$245,856</u>	<u>\$294,864</u>

An analysis of
amortization by
function

Operating costs	\$ 7,017	\$ 5,342
Operating expenses	<u>23,364</u>	<u>28,980</u>
	<u>\$ 30,381</u>	<u>\$ 34,322</u>

(VI) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 983,380</u>	<u>\$1,046,498</u>
Retirement benefits		
Defined contribution plans	49,383	52,582
Defined benefit plans (Note XXI)	<u>613</u>	<u>956</u>
	<u>49,996</u>	<u>53,538</u>
	<u>\$1,033,376</u>	<u>\$1,100,036</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 609,229	\$ 659,189
Operating expenses	<u>424,147</u>	<u>440,847</u>
	<u>\$1,033,376</u>	<u>\$1,100,036</u>

(VII) Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March, 2024 and 2023, were as follows:

	<u>2023</u>	<u>2022</u>
Accrual rate		
Employees' compensation (%)	15	15

Remuneration of directors (%)	2.5	2.5
<u>Amount</u>		
Employees' compensation	<u>\$ 41,500</u>	<u>\$ 57,036</u>
Remuneration of directors	<u>\$ 6,917</u>	<u>\$ 9,506</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

XXV. INCOME TAX

(I) The major components of income tax expense

The main components of income tax expenses are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$100,552	\$110,153
Addition from unappropriated earnings	-	3,856
Adjustments for prior years	(<u>11,792</u>)	<u>16,592</u>
	<u>88,760</u>	<u>130,601</u>
Deferred tax		
In respect of the current year	(23,287)	16,043
Adjustments for prior years	<u>4,137</u>	(<u>7,823</u>)
	(<u>19,150</u>)	<u>8,220</u>
	<u>\$ 69,610</u>	<u>\$138,821</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	2023	2022
Profit before income tax	<u>\$291,041</u>	<u>\$422,992</u>
	2023	2022
Income tax expense calculated at the statutory rate	\$ 72,005	\$ 92,498
Tax effect of adjusting items:		
Deductible income in determining taxable income	(18,820)	(3,069)
Impact of the deferred income tax on the earnings of subsidiaries	17,365	25,089
Unrecognised loss carryforwards	6,704	12,535
Addition from unappropriated earnings	-	3,856
Adjustment of previous-year income tax expenses in the current year	(7,655)	8,769
Investment write-off	-	(828)
Others	11	(29)
	<u>\$ 69,610</u>	<u>\$138,821</u>

Taiwan's profit enterprise income tax rate is 20%; The tax rate applicable to China subsidiaries is 25%; The tax rate applicable to subsidiaries in Malaysia is 24%; The tax rate applicable to subsidiaries in Indonesia is 22%.

(II) Income tax benefit (expenses) recognized in other comprehensive

	2023	2022
Deferred tax		
In respect of the current year		
Exchange differences on translation of the financial statements of foreign operations	\$ 11,095	(\$ 12,442)

Actuarial gains and losses of defined benefit obligation	208	(3,460)
	<u>\$ 11,303</u>	<u>(\$ 15,902)</u>

(III) Current tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Income tax refundable	<u>\$ 3,660</u>	<u>\$ 1,322</u>
Current tax liabilities		
Income tax payable	<u>\$ 16,193</u>	<u>\$117,843</u>

(IV) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

2023

	<u>Balance at January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange differences</u>	<u>Ending balance</u>
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 8,791	(\$ 2,295)	\$ 208	\$ -	\$ 6,704
Unrealized loss on inventories	36,341	(7,788)	-	(199)	28,354
Unrealized profits and losses with subsidiary	6,798	(3,343)	-	-	3,455
Foreign operating organization-related exchange difference	2,135	-	11,095	-	13,230
Others	<u>9,180</u>	<u>3,585</u>	<u>-</u>	<u>1,729</u>	<u>14,494</u>
	63,245	(9,841)	11,303	1,530	66,237
Loss carryforwards	<u>33,111</u>	<u>(33,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 96,356</u>	<u>(\$ 42,952)</u>	<u>\$ 11,303</u>	<u>\$ 1,530</u>	<u>\$ 66,237</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income for using equity method	\$ 195,587	(\$ 60,262)	\$ -	\$ -	\$ 135,325
Reserve for land value increment tax	20,278	-	-	-	20,278
Others	<u>3,539</u>	<u>(1,840)</u>	<u>-</u>	<u>(49)</u>	<u>1,650</u>
	<u>\$ 219,404</u>	<u>(\$ 62,102)</u>	<u>\$ -</u>	<u>(\$ 49)</u>	<u>\$ 157,253</u>

2022

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 14,480	(\$ 2,229)	(\$ 3,460)	\$ -	\$ 8,791
Unrealized loss on inventories	27,961	9,540	-	(1,160)	36,341
Unrealized profits and losses with subsidiary	8,165	(1,367)	-	-	6,798
Foreign operating organization-related exchange difference	14,577	-	(12,442)	-	2,135
Others	<u>10,856</u>	<u>(1,546)</u>	<u>-</u>	<u>(130)</u>	<u>9,180</u>
	76,039	4,398	(15,902)	(1,290)	63,245
Loss carryforwards	<u>55,858</u>	<u>(22,747)</u>	<u>-</u>	<u>-</u>	<u>33,111</u>
	<u>\$ 131,897</u>	<u>(\$ 18,349)</u>	<u>(\$ 15,902)</u>	<u>(\$ 1,290)</u>	<u>\$ 96,356</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income for using equity method	\$ 209,512	(\$ 13,925)	\$ -	\$ -	\$ 195,587
Reserve for land value increment tax	20,278	-	-	-	20,278
Others	<u>1,385</u>	<u>2,084</u>	<u>-</u>	<u>70</u>	<u>3,539</u>
	<u>\$ 231,175</u>	<u>(\$ 11,841)</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 219,404</u>

- (V) Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards		
Expiry in 2023	\$ -	\$ 19,036
Expiry in 2025	46,816	46,816
Expiry in 2026	82,776	101,006
Expiry in 2027	52,375	52,375
Expiry in 2028	<u>31,072</u>	<u>-</u>
	<u>\$213,039</u>	<u>\$219,233</u>
Deductible temporary differences	<u>\$ 2,156</u>	<u>\$ 7,352</u>

- (VI) Information about unused loss carryforwards

As of December 31, 2023, the loss carryforwards comprise of:

<u>Undeducted balance</u>	<u>Expiry Year</u>
\$ 46,816	2025

82,776	2026
52,375	2027
<u>31,072</u>	2028
<u>\$ 213,039</u>	

- (VII) The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022 the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were NT\$1,597,071 thousand and NT\$1,510,244 thousand.

- (VIII) Income tax assessments

The income tax returns of the Company's profit-making businesses up to the end of 2021 have been verified by the tax authorities.

XXVI. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

- (I) Net profit for the year attributable to the owners of the company

	<u>2023</u>	<u>2022</u>
Earnings used in the computation to basic/diluted EPS	<u>\$202,381</u>	<u>\$262,473</u>

- (II) Number of shares (in thousands)

	<u>2023</u>	<u>2022</u>
Weighted average number of shares outstanding used in computation of basic EPS	98,520	98,520
Effect of potentially dilutive shares		
Employees' compensation	<u>1,593</u>	<u>2,556</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>100,113</u>	<u>101,076</u>

The Group offers to settle the employees' compensation in cash or shares; thus, the Group assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average

number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXVII. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

The key management personnel of the Group periodically review the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements, except those discussed in Note XX.

XXVIII. FINANCIAL INSTRUMENTS

(I) Fair values of financial instruments not measured at fair value

The carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ 3,338	\$ -	\$ 3,338
Domestic listed shares	79,398	-	-	79,398
Guaranteed floating income financial products	-	-	349,800	349,800
	<u>\$ 79,398</u>	<u>\$ 3,338</u>	<u>\$ 349,800</u>	<u>\$ 432,536</u>
Financial assets at FVTOCI				
Investments in equity instruments				

Domestic listed shares	\$ 622,418	\$ -	\$ -	\$ 622,418
Domestic unlisted shares	-	-	54,930	54,930
Foreign unlisted shares	-	-	14,572	14,572
	<u>\$ 622,418</u>	<u>\$ -</u>	<u>\$ 69,502</u>	<u>\$ 691,920</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 1,490	\$ -	\$ 1,490
Domestic listed shares	88,870	-	-	88,870
Guaranteed floating income financial products	-	-	607,512	607,512
	<u>\$ 88,870</u>	<u>\$ 1,490</u>	<u>\$ 607,512</u>	<u>\$ 697,872</u>
<u>Financial assets at FVTOCI</u>				
<u>Investments in equity instruments</u>				
Domestic listed shares	\$ 520,613	\$ -	\$ -	\$ 520,613
Domestic unlisted shares	-	-	78,070	78,070
Foreign unlisted shares	-	-	2,348	2,348
	<u>\$ 520,613</u>	<u>\$ -</u>	<u>\$ 80,418</u>	<u>\$ 601,031</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

2. Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Equity instruments			
	Financial assets at FVTPL		Financial assets at FVTOCI	
	2023	2022	2023	2022
<u>Financial assets</u>				
Balance at January 1	\$ 607,512	\$ 266,350	\$ 80,418	\$ 80,443
Increase in the year	773,296	1,228,722	12,224	-
Decrease in current year	(1,039,792)	(901,627)	-	-
Recognized in profit or loss	15,436	1,903	-	-
Recognized in other comprehensive income	-	-	(23,140)	(25)
Exchange differences	(6,652)	12,164	-	-
Ending balance	<u>\$ 349,800</u>	<u>\$ 607,512</u>	<u>\$ 69,502</u>	<u>\$ 80,418</u>

3. Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The estimates and assumptions used by the Group in the evaluation method are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

4. Valuation techniques and inputs applied for Level 3 fair value measurement

The financial assets held by the Group measured at fair value are estimated using the market method with reference to the stock price-to-book value ratio of similar companies in the same industry in the open market or the latest net asset value.

The estimated fair value of guaranteed with floating income financial products is based on the analysis of cash flow.

(III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$4,265,517	\$4,413,305
Measured at FVTPL		
Mandatorily classified as at FVTPL	432,536	697,872
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at FVTOCI		
Investments in equity instruments	\$ 691,920	\$ 601,031
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,259,269	3,820,117

Note 1: Including cash and cash equivalents, notes receivable and accounts receivable, other receivable, other financial assets and refundable deposits measured at amortized cost, which comprise.

Note 2: Including short-term borrowings, short-term bills payable, notes payable and accounts payable, other payables, long-term borrowings and guarantee deposits received measured at amortized cost, which comprise.

(IV) Financial risk management objectives and policies

The Group's major financial instruments included equity and investments, notes receivable and accounts receivable, other financial assets, short-term bills payable, accounts payable, lease liability and long-term and short-term loans, etc. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rates and interest rates), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The Group's activities exposed is primarily to the financial risks of changes in foreign currency exchange rates (detail refers below (1)) and interest rates (detail refers below (2)).

(1) Foreign currency risk

The Group had foreign currency trades, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currency of the Group on the balance sheet date (including monetary items denominated in

non-functional currency that have been reversed in the consolidated financial report), please refer to Note XXXIII.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group' s sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. A sensitivity rate of 1% is used internally when reporting to management from the Group on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The following table details the Group' s sensitivity analysis included only the outstanding foreign currency (USD) denominated monetary items at the balance sheet date. The sensitivity analysis included foreign currency deposit (USD), receivables and payables, and long-term and short-term borrowings. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Currency USD impact	
	2023	2022
Profit or loss	\$ 7,929	\$ 8,838

(2) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group' s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 491,598	\$ 611,170
Financial liabilities	610,291	554,949
Cash flow interest rate risk		
Financial assets	841,987	1,049,281
Financial liabilities	947,417	1,505,506

Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

The rate of change used internally in reporting interest rates to the management from the Group is the 1% basis points increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If interest rates had been 1% increases/decreases and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have been increases/decreases by NT\$1,054 thousand and NT\$4,562 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

(3) Other price risk

The Group were exposed to equity price risk through their investments in listed shares.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk on the balance sheet date.

If the equity price increases/decreases by 1%, the Group's net profit before tax in 2023 and 2022 will increase/decrease by NT\$794 thousand and NT\$889 thousand respectively due to the change in the fair value of financial assets measured at fair value through profit and loss.

If the equity price increases/decreases by 1%, the Group's pre-tax other comprehensive profit and loss in 2023 and 2022 will increase/decrease by NT\$6,919 thousand and NT\$6,010 thousand respectively due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive profit and loss.

2. Credit risk

Credit risk refers to the risk of financial loss of the Group caused by the counterparty's default of contractual obligations. As of the balance sheet date, the Group's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to fulfill the obligation and the financial guarantee provided by the Group is mainly from:

- (1) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- (2) The amount of contingent liabilities in relation to financial guarantees provided by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The credit risk of the Group is mainly concentrated on receivables of the following companies:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Company A	\$506,476	\$235,533
Company B	<u>337,105</u>	<u>183,174</u>
	<u>\$843,581</u>	<u>\$418,707</u>

As of December 31, 2023 and 2022, the ratio of receivables from the aforementioned companies was 29% and 15% respectively.

3. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

(1) Liquidity risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$1,743,088	\$ 106,310	\$ 1,020	\$ -
Leasing liabilities	27,551	17,135	63,401	48,379
Variable interest rate liabilities	509,506	16,483	65,661	474,835
Fixed interest rate liabilities	462,300	-	-	-

Financial guarantee contracts	<u>47,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,790,419</u>	<u>\$ 139,928</u>	<u>\$ 130,082</u>	<u>\$ 523,214</u>

Lease liabilities further analysis are as follows:

	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>5-10 Years</u>
Leasing liabilities	<u>\$ 44,686</u>	<u>\$ 63,401</u>	<u>\$ 29,835</u>	<u>\$ 18,544</u>

	<u>Less than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 1,734,642	\$ 113,975	\$ 1,480	\$ -
Leasing liabilities	16,207	7,352	25,568	47,533
Variable interest rate liabilities	1,066,284	12,079	72,279	469,893
Fixed interest rate liabilities	464,942	-	-	-
Financial guarantee contracts	<u>44,202</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,326,277</u>	<u>\$ 133,406</u>	<u>\$ 99,327</u>	<u>\$ 517,426</u>

Lease liabilities further analysis are as follows:

	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>5-10 Years</u>
Leasing liabilities	<u>\$ 23,559</u>	<u>\$ 25,568</u>	<u>\$ 19,375</u>	<u>\$ 28,158</u>

The amount of the above-mentioned financial guarantee contract refers to the amount that the Company may have to pay to fulfill the guarantee obligation if the holder of the financial guarantee contract claims the full guarantee amount from the guarantor. However, according to the expectation on the balance sheet date, the Company believes that it is unlikely to pay these contract payments.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

(2) Liquidity risk tables for derivative financial liabilities

On the liquidity analysis of derivative financial instruments, derivative instruments settled by gross amount is compiled based on the undiscounted total cash inflow and outflow. When the amount payable is not fixed, the disclosed amount is based on the spot exchange rate on the balance sheet date.

	On Demand or Less than 1 Month	1-3 Months
<u>December 31, 2023</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 47,955	\$ 77,454
Outflows	(<u>45,913</u>)	(<u>76,158</u>)
	<u>\$ 2,042</u>	<u>\$ 1,296</u>

	On Demand or Less than 1 Month	1-3 Months
<u>December 31, 2022</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 31,948	\$ 91,771
Outflows	(<u>30,680</u>)	(<u>91,549</u>)
	<u>\$ 1,268</u>	<u>\$ 222</u>

4. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in China to some of its suppliers in order to settle the accounts payable to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills' receivable, it derecognized the full carrying amount of the bills receivable and the associated accounts payable. However, if the derecognized bills receivable is not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these bills' receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of

December 31, 2023 and 2022, the face amount of these unsettled bills receivable was NT\$47,974 thousand and NT\$44,202 thousand, respectively. The unsettled bills receivable will be due in 6 months after the balance sheet date. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair value of its continuing involvement is not significant.

During the years ended December 31, 2023 and 2022, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

XXIX. RELATED PARTY TRANSACTIONS

Transactions between the Group and related parties were disclosed as follows:

(I) Name of related parties and relation

<u>Related Parties</u>	<u>Relation with the Group</u>
Wah Lee Industrial Corp.	Investor with significant influence
Shanghai Yikang Chemical Industry Material Limited Company	Subsidiary of Investor with significant influence
DongGuan HuaGang International Trading Co., Ltd.	Subsidiary of Investor with significant influence
Raycong Industrial (Hong Kong) Limited	Subsidiary of Investor with significant influence
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary of Investor with significant influence
Wah Tech Industrial Co., Ltd.	Subsidiary of Investor with significant influence
Tranceed Logistics Co. Ltd.	Subsidiary of Investor with significant influence
Wah Sheng Industrial Corp.	Associate
Nagase Wahlee Plastics Corp.	Substantive related party
Hightech Polymer Sdn. Bhd.	Substantive related party
Regent Tech-Solutions Co., Ltd.	Substantive related party (became unrelated party since August 2022)

(II) Operating transactions

1. Sales of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence and their subsidiaries	\$ 54,087	\$142,627
Substantive related party	<u>13</u>	<u>-</u>
	<u>\$ 54,100</u>	<u>\$ 142,627</u>

The selling prices and collection terms of sales to related parties were similar to third parties.

2. Purchase of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence and their subsidiaries	\$ 15,655	\$ 29,250
Substantive related party	<u>5,103</u>	<u>628</u>
	<u>\$ 20,758</u>	<u>\$ 29,878</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison. Payment terms are not significantly different from those of general manufacturers.

3. Other revenue

(1) Rental revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence	\$ 37	\$ 38
Substantive related party	<u>157</u>	<u>-</u>
	<u>\$ 194</u>	<u>\$ 38</u>

(2) Service revenue

The Company's service income collected from providing labor services to its affiliates was NT\$2,255 thousand in 2023.

4. Receivables from related parties

(1) Accounts receivable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence and their subsidiaries	<u>\$ 14,788</u>	<u>\$ 40,322</u>

(2) Other receivables

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence	\$ 3	\$ 19
Substantive related party	35	-
Associate	<u>2,359</u>	<u>-</u>
	<u>\$ 2,397</u>	<u>\$ 19</u>

The outstanding accounts receivable from related parties are unsecured and not recognized for impairment losses.

5. Payables to related parties

Accounts payable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence and their subsidiaries	\$ 4,339	\$ 7,181
Substantive related party	<u>739</u>	<u>-</u>
	<u>\$ 5,078</u>	<u>\$ 7,181</u>

The outstanding payables to related parties are unsecured.

(III) Payments for property, plant and equipment

2023

<u>Related party category</u>	<u>Items acquired</u>	<u>Acquisition price</u>
Subsidiary of Investor with significant influence	Other equipment	<u>\$416</u>

2022

<u>Related party category</u>	<u>Items acquired</u>	<u>Acquisition price</u>
Investor with significant influence	Machinery and equipment	<u>\$ 98</u>

(IV) Rent expense

	<u>2023</u>	<u>2022</u>
<u>Related party category</u>		
Investor with significant influence and their subsidiaries	\$ 1,446	\$ 1,446
Substantive related party	<u>-</u>	<u>720</u>
	<u>\$ 1,446</u>	<u>\$ 2,166</u>

The rent is determined by both parties through negotiation between them by referring to local rent, and the rent is collected as agreed in the contract.

(V) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 31,592	\$ 38,571
Retirement benefits	<u>520</u>	<u>338</u>
	<u>\$ 32,112</u>	<u>\$ 38,909</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

XXX. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets (show as net book value) as collaterals for part of borrowings, performance guarantee, endorsements/guarantees for others and customs.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets		
Deposit account	\$ <u>43,352</u>	\$ <u>-</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment		
Land	\$171,108	\$171,108
Buildings	<u>208,519</u>	<u>223,250</u>
	<u>379,627</u>	<u>394,358</u>
	<u>\$422,979</u>	<u>\$394,358</u>

XXXI. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of balance sheet date were as follows:

- (I) The Group' s unused letters of credit for purchase of merchandise balance as follows:

	Unit: Foreign Currencies / NTD (In Thousands)	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	<u>\$ 2,959</u>	<u>\$ 2,230</u>

(II) The Group's unrecognized contractual commitment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of equipment	<u>\$ 10,155</u>	<u>\$ 26,789</u>

(III) As of December 31, 2023 and 2022, the performance bonds issued by the bank to the Group importing goods are NT\$1,300 thousand and NT\$800 thousand respectively.

XXXII. MAJOR SUBSEQUENT EVENTS

In March 2024, the Board of Directors of the Company resolved the proposal to sell the premises and land of the old plant to increase the working capital as Ningbo Changhong Optoelectronics Ltd. had moved to a new plant, with an estimated sale price of RMB 47,447 thousand, and authorized the chairman to handle the subsequent signing at sole discretion.

XXXIII. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign Currencies/ NTD/ Forex rate (In Thousands)					
	Foreign currencies		Exchange rate		Carrying amount
<hr/>					
December 31, 2023					
<hr/>					
Foreign currency assets					
Monetary items					
USD	\$	44,671	30.705	(USD:NTD)	\$ 1,371,622
USD		55,754	7.0827	(USD:RMB)	1,711,939
Foreign currency liabilities					
Monetary items					
USD	\$	35,966	30.705	(USD:NTD)	\$ 1,104,327
USD		38,637	7.0827	(USD:RMB)	1,186,360
<hr/>					
December 31, 2022					
<hr/>					
Foreign currency assets					
Monetary items					
USD		43,347	30.71	(USD:NTD)	1,331,176
USD		51,632	6.9646	(USD:RMB)	1,585,604
Foreign currency liabilities					
Monetary items					
USD		31,385	30.71	(USD:NTD)	963,835
USD		34,813	6.9646	(USD:RMB)	1,069,107

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains and losses were gain of NT\$5,008 thousand and gain of NT\$53,220 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

XXXIV. ADDITIONAL DISCLOSURES

- (I) Information about significant transactions and (II) investees:
 - 1. Lending funds to others: Table 1
 - 2. Endorsements/guarantees provided: Table 2
 - 3. Marketable securities held: Table 3
 - 4. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
 - 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9. Trading in derivative instruments: Note VII
 - 10. Intercompany relationships and significant intercompany transactions: Table 6
 - 11. Information on investees: Table 7
- (III) Information on investments in mainland China
 - 1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 - 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period:

	Purchase of Goods		Accounts payable	
	Amount	%	Amount	%
Sun Hong	\$ 27,500	1	\$ 8,093	2
Qingdao				
Changhong	179	-	171	-
SIP Chang				
Hong	10	-	10	-
	<u>\$ 27,689</u>	<u>1</u>	<u>\$ 8,274</u>	<u>2</u>

- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

	Sales of goods		Accounts receivable	
	Amount	%	Amount	%
SIP Chang				
Hong	\$ 912,020	25	\$ 492,810	33
Suzhou				
Alliance	244,271	7	107,311	7
Ningbo				
Changhong	102,858	3	30,586	2
Xiamen Guang				
Hong	91,057	2	41,443	3
Sun Hong	63,378	2	27,172	2
Qingdao				
Changhong	5,342	-	3,362	-
SIP Chang Jun	2,189	-	1,228	-
Ningbo				
Changli	1,956	-	1,190	-
	<u>\$ 1,423,071</u>	<u>39</u>	<u>\$ 705,102</u>	<u>47</u>

- (3) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
- (4) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
- (5) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None

- (IV) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9

XXXV. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group's reportable segments were as follows:

- (I) Wah Hong Industrial Corporation (Taiwan)
- (II) Wah Hong International Ltd., Sun Hong and Xiamen Guang Hong (South China)
- (III) Wah Hong Technology Ltd., SIP Chang Hong, SIP Chang Jun, Ningbo Changhong, Qingdao Changhong, Chang Hong (HK), Ningbo Changli, Smart Succeed Ltd., Granite International Ltd., Allied Royal LLC., Suzhou Alliance and Best Honor Inc. (Eastern China)

The abovementioned reportable segments are mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films and optical films etc.), new model panel display, materials of Bulk Molding Compounds (BMC) and Molding products, products of carbon graphite, etc.

Other operating segments were as follows:

- Wah Hong Holding Ltd. and Wah Hong Development Ltd. - International investment business
- Wah Ma Technology Sdn. Bhd. - Manufacturing and trading of BMC materials (Bulk Molding Compounds) and Molding products
- PT. Wah Hong Indonesia - Manufacturing and trading of LCD materials, BMC materials (Bulk Molding Compounds) and Molding products

- (I) Segment revenue, operating results and assets and liabilities

The following is an analysis of the Group's revenue and results from operations and assets and liabilities by reportable segment:

	Taiwan	South China	Eastern China	Others	Adjustment and elimination	Total
2023						
Revenue from external customers	\$ 2,156,863	\$ 1,508,213	\$ 3,650,950	\$ 202,446	\$	\$ 7,518,472
Inter-segment revenue	1,504,378	53,011	723,474	10,392	(2,291,255)	-
Segment revenue	\$ 3,661,241	\$ 1,561,224	\$ 4,374,424	\$ 212,838	(\$ 2,291,255)	\$ 7,518,472
Segment income (loss)	\$ 42,234	\$ 15,417	\$ 177,959	(\$ 22,497)	\$ 35,312	\$ 248,425
Interest revenue						24,709

Other revenue							69,850
Other gains and losses							22,235
Finance costs						(69,029)
Share of profit and loss of affiliated enterprises recognized by equity method						(5,149)
Profit before income tax							291,041
Income tax expenses						(69,610)
Net profit							\$ 221,431
<hr/>							
December 31, 2023							
Identifiable assets	\$ 2,663,657	\$ 1,619,583	\$ 3,705,409	\$ 293,897	(\$ 1,044,779)		\$ 7,237,767
Financial assets at FVTOCI							691,920
Investments accounted for using equity method							5,298
Total assets							\$ 7,934,985
<hr/>							
2022							
Revenue from external customers	\$ 2,641,914	\$ 2,065,680	\$ 4,303,401	\$ 172,097	\$		\$ 9,183,092
Inter-segment revenue	1,438,869	71,275	1,170,223	691	(2,681,058)		-
Segment revenue	\$ 4,080,783	\$ 2,136,955	\$ 5,473,624	\$ 172,788	(\$ 2,681,058)		\$ 9,183,092
<hr/>							
Segment income (loss)	\$ 21,816	\$ 82,578	\$ 239,316	(\$ 21,702)	\$ 25,207		\$ 347,215
Interest revenue							19,473
Other revenue							81,965
Other gains and losses							20,899
Finance costs						(47,007)
Share of profit and loss of affiliated enterprises recognized by equity method							447
Profit before income tax							422,992
Income tax expenses						(138,821)
Net profit							\$ 284,171
<hr/>							
December 31, 2022							
Identifiable assets	\$ 2,801,654	\$ 1,743,937	\$ 4,008,106	\$ 237,976	(\$ 868,265)		\$ 7,923,408
Financial assets at FVTOCI							601,031
Investments accounted for using equity method							10,447
Total assets							\$ 8,534,886

Departmental interests refer to the profits earned by each department, excluding the share of profits and losses of affiliated companies using the equity method, other income, other gains and losses, financial costs, and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segment other than interests in associates accounted for using the equity method and at fair value through other comprehensive income.

(II) Information of other operating segments

	Depreciation and amortization	
	2023	2022
Taiwan	\$120,140	\$150,694
Eastern China	83,995	104,441

South China	53,035	58,623
Others	<u>19,067</u>	<u>15,428</u>
	<u>\$276,237</u>	<u>\$329,186</u>

(III) Revenue from major products

The following is an analysis of the Group's revenue from continuing customers from its major products.

	<u>2023</u>	<u>2022</u>
Materials of LCD	\$6,304,819	\$7,731,575
Materials of BMC and Molding products	828,954	1,013,126
Others	<u>384,699</u>	<u>438,391</u>
	<u>\$7,518,472</u>	<u>\$9,183,092</u>

(IV) Geographical information

The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
			December 31,	December 31,
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Taiwan	\$ 1,495,356	\$ 1,537,840	\$ 592,424	\$ 605,576
China	5,661,754	7,307,896	1,064,074	1,025,496
Others	<u>361,362</u>	<u>337,356</u>	<u>65,741</u>	<u>49,474</u>
	<u>\$ 7,518,472</u>	<u>\$ 9,183,092</u>	<u>\$ 1,722,239</u>	<u>\$ 1,680,546</u>

Non-current assets exclude financial instruments, investments using the equity method and deferred tax assets.

(V) Information about major customers

No single customer contributed 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
LENDING FUNDS TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Remark
													Item	Value			
1	SIP Chang Hong Optoelectronics Ltd.	SIP Chang Jun Trading Limited	Other receivables - related parties	Yes	\$ 9,035	\$ -	\$ -	3.50	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 325,977	\$ 869,271	Note 4
2	SIP Chang Hong Optoelectronics Ltd.	Ningbo Changhong Optoelectronics Ltd.	Other receivables - related parties	Yes	17,626	-	-	3.50	Short-term financing	-	Operating capital	-	-	-	325,977	869,271	Note 4
3	Ningbo Changhong Optoelectronics Ltd.	Ningbo Changli New Material Limited	Other receivables - related parties	Yes	17,979	6,503	6,503	3.50	Short-term financing	-	Operating capital	-	-	-	112,567	300,178	Note 4

Note 1: Loan and limit of funds for individual objects: For SIP Chang Hong and Ningbo Changhong, if the single guarantee object is a subsidiary that the Company directly or indirectly holds 100% of the voting shares, the limit shall not exceed 30% of the Company's net value.

Note 2: Loan and total limit: For SIP Chang Hong and Ningbo Changhong, it shall not exceed 80% of the company's net value.

Note 3: USD is converted by spot exchange US\$1 = NT\$30.705, RMB is converted by USD spot exchange with US\$1 = RMB7.0827.

Note 4: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
ENDORSEMENTS/ GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Period	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in mainland China	Remark
		Name	Relationship											
0	The Company	Sun Hong Optronics Ltd.	Subsidiary of the Company	\$ 1,259,452	\$ 551,225	\$ 521,985	\$ 248,530	\$ -	12.44	\$ 2,938,722	Y	N	Y	
0	The Company	Wah Ma Technology Sdn.Bhd. (Wah Ma)	Subsidiary of the Company	1,259,452	9,426	5,770	1,783	-	0.14	2,938,722	Y	N	N	
0	The Company	Xiamen Guang Hong Optronics Ltd.	Subsidiary of the Company	1,259,452	162,125	153,525	-	-	3.66	2,938,722	Y	N	Y	
0	The Company	Wah Hong Holding Limited	Subsidiary of the Company	1,259,452	97,275	92,115	-	-	2.20	2,938,722	Y	N	N	
0	The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiary of the Company	839,635	35,826	30,705	-	-	0.73	2,938,722	Y	N	Y	
0	The Company	SIP Chang Jun Trading Limited	Subsidiary of the Company	1,259,452	119,257	114,449	114,449	-	2.73	2,938,722	Y	N	Y	
0	The Company	PT. Wah Hong Indonesia ("WH Indonesia")	Subsidiary of the Company	1,259,452	35,668	33,776	-	-	0.81	2,938,722	Y	N	N	

Note 1: The limit on endorsement/ guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company.

Note 2: The maximum total amount of endorsement/guarantee shall not exceed 70% of the equity of the Company.

Note 3: USD is converted at spot exchange US\$1= NT\$30.705; RMB is converted at USD spot exchange US\$1 = RMB7.0827; MYR is converted at spot exchange MYR\$1 = NTD\$6.4110; IDR is converted at the spot exchange rate IDR\$1=NTD\$0.00198.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

Table 3

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remark
				Number of Note Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Imat Corporation	-	Financial assets at FVTOCI - non-current	1,900,000	\$ -	8.26	\$ -	
	Forming Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,000,000	-	11.68	-	
	Wah Lee Japan Corporation	Subsidiary of Investor with significant influence	Financial assets at FVTOCI - non-current	300	832	16.67	832	
	Jun Hong Optronics Corporation	-	Financial assets at FVTOCI - non-current	19,800,000	54,930	14.48	54,930	
	Wah Lee Industrial Corp.	Investor with significant influence	Financial assets at FVTOCI - non-current	6,312,559	622,418	2.67	622,418	
					<u>\$678,180</u>		<u>\$678,180</u>	
	Chang Wah Electromaterials Inc.	Associate of investor with significant influence	Financial assets at FVTPL - current	2,275,000	<u>\$ 79,398</u>	0.33	<u>\$ 79,398</u>	
Wah Hong Holding Ltd.	Stock							
	SiLican Inc	-	Financial assets at FVTOCI - non-current	250,000	<u>\$ 13,740</u>	7.20	<u>\$ 13,740</u>	

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4

(In Thousands of New Taiwan Dollars)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Remark
			Purchase/ Sale	Amount	% of Total	Payment Terms			Ending Balance	% of Total	
							Unit Price	Payment Terms			
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(\$ 912,020)	(25)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	\$ 492,810	33	Note
The Company	Ningbo Changhong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(102,858)	(3)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	30,586	2	Note
The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiaries	Sales of goods	(244,271)	(7)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	107,311	7	Note
Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	The same parent company	Sales of goods	(167,516)	(70)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	52,295	69	Note
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	Sales of goods	(514,296)	(57)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	174,768	61	Note

Note: It was eliminated on consolidation.

Table 5

Company Name	Counterparty	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiaries	\$492,810	2.14	\$ -	-	\$155,690	\$ -
	SuZhou Alliance Material.Co., Ltd.	Subsidiaries	107,311	2.41	-	-	50,470	-
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	174,768	2.82	-	-	96,890	-

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WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 6

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets%
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Sales	\$ 912,020	No comparable transactions with third party	12.13
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	492,810	150 days after monthly closing	6.21
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Sales	63,378	No comparable transactions with third party	0.84
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Accounts receivable	27,172	150 days after monthly closing	0.34
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	102,858	No comparable transactions with third party	1.37
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	30,586	150 days after monthly closing	0.39
0	The Company	Xiamen Guang Hong Optronics Ltd.	Parent company to subsidiary	Sales	91,057	No comparable transactions with third party	1.21
0	The Company	Xiamen Guang Hong Optronics Ltd.	Parent company to subsidiary	Accounts receivable	41,443	150 days after monthly closing	0.52
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	5,342	No comparable transactions with third party	0.07
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	3,362	150 days after monthly closing	0.04
0	The Company	SuZhou Alliance Material.Co., Ltd.	Parent company to subsidiary	Sales	244,271	No comparable transactions with third party	3.25
0	The Company	SuZhou Alliance Material.Co., Ltd.	Parent company to subsidiary	Accounts receivable	107,311	150 days after monthly closing	1.35
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Sales	1,956	No comparable transactions with third party	0.03
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Accounts receivable	1,190	150 days after monthly closing	0.01
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Other receivables	1,575	Subject to the contract	0.02
0	The Company	Wah Ma Technology Sdn. Bhd.	Parent company to subsidiary	Sales	2,127	No comparable transactions with third party	0.03
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Sales	2,189	No comparable transactions with third party	0.03
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Accounts receivable	1,228	150 days after monthly closing	0.02
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Other receivables	2,901	Subject to the contract	0.04
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Sales	79,181	No comparable transactions with third party	1.05
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Accounts receivable	43,478	150 days after monthly closing	0.55
1	SIP Chang Hong Optoelectronics Ltd.	The Company	Subsidiary to parent company	Other receivables	3,319	Subject to the contract	0.04
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	10,789	No comparable transactions with third party	0.14
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivable	5,814	150 days after monthly closing	0.07
1	SIP Chang Hong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	1,192	No comparable transactions with third party	0.02
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Sales	27,500	No comparable transactions with third party	0.37

(Continued)

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No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets%
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Accounts receivable	\$ 8,093	150 days after monthly closing	0.10
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Sales	25,483	No comparable transactions with third party	0.34
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Accounts receivable	13,638	150 days after monthly closing	0.17
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	10,042	No comparable transactions with third party	0.13
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivable	3,608	150 days after monthly closing	0.05
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	514,296	No comparable transactions with third party	6.84
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Accounts receivable	174,768	150 days after monthly closing	2.20
4	Xiamen Guang Hong Optronics Ltd.	The Company	Subsidiary to parent company	Other receivables	3,185	Subject to the contract	0.04
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Sales	167,516	No comparable transactions with third party	2.23
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Accounts receivable	52,295	150 days after monthly closing	0.66
5	Ningbo Changhong Optoelectronics Ltd.	Ningbo Changli New Material Limited	Between subsidiaries	Other receivables	6,503	Subject to the contract	0.08
7	Wah Ma Technology Sdn. Bhd.	The Company	Between subsidiaries	Sales	10,392	No comparable transactions with third party	0.14
7	Wah Ma Technology Sdn. Bhd.	The Company	Between subsidiaries	Accounts receivable	6,875	150 days after monthly closing	0.09
10	Ningbo Changli New Material Limited	Granite International Ltd.	Between subsidiaries	Sales	3,875	No comparable transactions with third party	0.05
10	Ningbo Changli New Material Limited	Granite International Ltd.	Between subsidiaries	Accounts receivable	2,898	150 days after monthly closing	0.04
12	Granite International Ltd.	The Company	Subsidiary to parent company	Sales	12,278	No comparable transactions with third party	0.16
12	Granite International Ltd.	Ningbo Changhong Optoelectronics Ltd.	Subsidiary to parent company	Sales	1,352	No comparable transactions with third party	0.02

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 7

(In Thousands of New Taiwan Dollars)

Investor	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Remark
				December 31, 2023	January 1, 2023	Shares	%	Carrying Amount			
The Company	Wah Hong Holding Ltd.	Mauritius	International investment business	\$ 969,225	\$ 1,212,961	30,624,940	100.00	\$ 3,261,367	\$ 173,655	\$ 173,655	Notes 4 and 6
The Company	Toprising Precision Tech. Co., Ltd.	New Taipei City	Production and trading business of components	7,200	7,200	720,000	27.48	-	(2,155)	-	Note 1
The Company	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	243,085	197,619	7,920,000	99.00	63,336	(24,460)	(24,215)	Note 4
The Company	Wah Sheng Industrial Corp.	Taoyuan City	Production and trading business of components	10,000	10,000	1,000,000	25.00	5,298	(20,596)	(5,149)	Note 1
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	Mauritius	International investment business	433,005	674,638	13,968,025	100.00	1,850,635	112,059	112,059	Notes 4 and 5
Wah Hong Holding Ltd.	Wah Hong International Ltd.	Mauritius	International investment business	658,444	634,100	20,648,000	100.00	1,018,982	17,815	17,815	Note 4
Wah Hong Holding Ltd.	Wah Hong Development Ltd.	Mauritius	International investment business	15,095	15,355	500,000	100.00	-	-	-	Note 4
Wah Hong Holding Ltd.	Wah Ma Technology Sdn. Bhd.	Malaysia	Production and trading business of BMC (bulk molding compound) material and molded product	96,869	97,602	6,500,000	100.00	143,482	4,758	4,758	Note 4
Wah Hong Holding Ltd.	Granite International Ltd.	Samoa	International trading business	30,018	29,482	960,000	100.00	1,119	(98)	(98)	Note 4
Wah Hong Holding Ltd.	Smart Succeed Ltd.	Samoa	International trading business	-	-	-	100.00	(1,358)	(253)	(253)	Note 4
Wah Hong Holding Ltd.	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	2,455	1,996	80,000	1.00	653	(24,460)	(245)	Note 4
Wah Hong Holding Ltd.	Allied Royal LLC.	Anguilla	International investment business	49,200	49,200	2,715,000	67.50	234,018	58,615	39,565	Note 4
Allied Royal LLC.	Best Honor Inc.	Anguilla	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	-	-	-	100.00	-	-	-	Note 4
SIP Chang Hong Optoelectronics Ltd.	Chang Hong (HK) Optronics Limited	Hong Kong	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD materials	3,217	3,071	-	100.00	1,277	(129)	(129)	Note 4

Note 1: Associate accounted for using the equity method.

Note 2: The share of profit (loss) recognized for the year ended December 31, 2023 included adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 3: Please refer to Table 8 for information on investments in mainland China.

Note 4: It was eliminated on consolidation.

Note 5: Wah Hong Technology Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to Wah Hong Holding Ltd., its investor, in September 2023.

Note 6: Wah Hong Holding Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to the Company in September 2023.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 8

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Remark
					Outward	Inward							
SIP Chang Hong Optoelectronics Ltd. (“SIP Chang Hong”)	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	\$ 621,776	Reinvestment in mainland China through companies registered in a third region.	\$ 257,482	\$ -	\$ -	\$ 257,482	\$ 21,204	100.00	\$ 21,204	\$ 1,086,589	\$ 644,286	
Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Production and trading of panel display compound and LCD optical film etc.	184,844	Reinvestment in mainland China through companies registered in a third region.	95,820	-	-	95,820	25,907	100.00	25,907	375,222	288,636	
Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Production and trading of panel display compound and LCD optical film etc.	61,410	Reinvestment in mainland China through companies registered in a third region.	300,950	-	255,960	44,990	47,450	100.00	47,450	344,713	-	Note 3
SIP Chang Jun Trading Limited (“SIP Chang Jun”)	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD products	4,335	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	17,455	100.00	17,455	44,053	-	Note 1
SuZhou Alliance Material Co., Ltd. (“Suzhou Alliance”)	Production and trading business of LCD materials	124,355	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	58,614	67.50	39,564	234,014	117,421	Note 2
Sun Hong Optronics Ltd. (“Sun Hong”)	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	420,659	Reinvestment in mainland China through companies registered in a third region.	238,092	-	-	238,092	19,484	100.00	19,484	804,354	488,880	
Xiamen Guang Hong Optronics Ltd. (“Xiamen Guang Hong”)	Production and processing of optical film products for LCD displays, assembly and design for LCD modules	260,993	Reinvestment in mainland China through companies registered in a third region.	227,204	-	-	227,204	(1,669)	100.00	(1,669)	214,599	-	
Guangzhou Youguang Optoelectronics Co., Ltd. (“Guangzhou Youguang”)	Production of light box, LED Opto-electronic compound and lighting products	122,851	Reinvestment in mainland China through companies registered in a third region.	15,095	-	-	15,095	-	12.82	-	-	-	
Ningbo Changli New Material Limited (“Ningbo Changli”)	Trading business of LCD material and BMC material	6,503	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	10,989	100.00	10,989	18,812	-	

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Investor	Accumulated Outward Remittance for Investment in mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on the amount of investment in the mainland China area (Note 5)
Wah Hong Industrial Corp.	\$ 878,683	\$ 1,937,956	\$ 2,518,905

Note 1: Investments through Wah Hong Holding Ltd. and then invest through Wah Hong Technology Ltd.

Note 2: Investments through Wah Hong Holding Ltd. and then through Allied Royal LLC.

Note 3: Qingdao Changhong refunded the share capital of US\$8,000 thousand by capital reduction in May 2023 as resolved by the Shareholders' Meeting, and repatriated it to Wah Hong Technology Ltd., its investor, in September 2023.

Note 4: The difference between the investment amount of NT\$1,937,956 thousand approved by the Investment Committee of the Ministry of Economic Affairs and the accumulated investment amount of NT\$878,683 thousand repatriated from Taiwan is NT\$1,059,273 thousand, which is due to the capital increase of NT\$553,139 thousand from the sub-subsidiary surplus in mainland China. The reinvestment of NT\$250,174 thousand from Wah Hong Holding Ltd. and the refunded share capital from Qingdao Changhong by capital reduction of NT\$255,960 thousand have yet to be declared to the Investment Committee of the Ministry of Economic Affairs for review.

Note 5: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's net worth.

Independent Auditor 's Report

The Board of Directors and Shareholders

Wah Hong Industrial Corporation

Audit Opinion

We have audited the accompanying individual financial statements of Wah Hong Industrial Corporation (the “Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the said individual financial statements were prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and present fairly and sufficiently the position of the Company as of December 31, 2023 and 2022, and its performance and its cash flows for the years then ended.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter of the Company's individual financial statements for the year ended December 31, 2023 is discussed as follows:

Occurrence of revenue from specific customers

The main revenue of the Company comes from the sales of LCD optical materials and other products. As the sales revenue from specific customers had a significant increase compared with the previous year, the auditor regards the authenticity of the sales revenue of these specific customers as a key audit item in accordance with the provisions of auditing standards on presupposing revenue as a significant risk.

For the revenue-recognition accounting policies, please refer to Note IV of the financial report.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

- I. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
- II. Obtain detailed information on sales revenue from specific customers and select appropriate samples, review the documents such as shipment declaration or receipt, and check the proof of receipt of payment and whether it is consistent with the target of the shipment to confirm that the revenue has actually occurred.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the parent only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect any material misstatement in the individual statements. Misstatements may be a result of fraud or error. Misrepresentation of individual amounts or aggregated amounts is considered material if it can reasonably be expected to affect economic decisions made by users of financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- V. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual 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 individual financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chiu-Yen, Wu and Chen-Li, Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

WAH HONG INDUSTRIAL CORP.
INDIVIDUAL BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 229,950	4	\$ 387,558	6
1110	Financial assets at fair value through profit or loss – current (Notes IV, VII and XXVI)	82,736	1	90,360	1
1150	Notes receivable (Notes IV, IX and XXI)	24,981	-	20,249	-
1170	Accounts receivable, net (Notes IV, IX and XXI)	687,815	10	666,666	9
1180	Accounts receivable – related parties (Notes IV, IX, XXI and XXVII)	760,740	12	590,073	8
1200	Other receivables (Note XXVII)	15,073	-	14,791	-
130X	Inventories (Notes IV and X)	199,550	3	337,972	5
1479	Other current assets	16,875	-	6,927	-
11XX	Total current assets	<u>2,017,720</u>	<u>30</u>	<u>2,114,596</u>	<u>29</u>
	NON-CURRENT ASSETS				
1510	Financial assets at fair value through other comprehensive income (Notes IV, VIII and XXVI)	678,180	10	599,515	9
1550	Investments accounted for using equity method (Notes IV and XI)	3,330,001	50	3,818,008	53
1600	Property, plant and equipment (Notes IV, XII, XXVII, XXVIII and XXIX)	543,300	8	573,521	8
1755	Right-of-use assets (Notes IV and XIII)	19,665	-	13,959	-
1780	Other intangible assets	27,098	1	16,878	-
1840	Deferred income tax assets (Notes IV and XXIII)	50,261	1	78,310	1
1920	Refundable deposits	3,250	-	3,172	-
1990	Other non-current assets	2,361	-	1,218	-
15XX	Total non-current assets	<u>4,654,116</u>	<u>70</u>	<u>5,104,581</u>	<u>71</u>
1XXX	TOTAL	<u>\$ 6,671,836</u>	<u>100</u>	<u>\$ 7,219,177</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans (Note XIV)	\$ 775,068	12	\$ 1,484,467	21
2110	Short-term bills payable (Note XV)	170,000	3	-	-
2170	Accounts payable (Note XVI)	500,205	7	491,904	7
2180	Accounts Payables to related parties (Notes XVI and XXVII)	16,991	-	28,102	-
2219	Other payables (Note XVII)	327,436	5	335,747	5
2280	Lease liabilities – current (Notes IV and XIII)	9,118	-	5,161	-
2230	Current tax liabilities (Note IV)	11,112	-	19,325	-
2399	Other current liabilities (Notes IV and XXI)	9,758	-	11,433	-
21XX	Total current liabilities	<u>1,819,688</u>	<u>27</u>	<u>2,376,139</u>	<u>33</u>
	NON-CURRENT LIABILITIES				
2540	Long-term loans (Notes XVIII and XXVIII)	458,802	7	458,144	6
2570	Deferred income tax liabilities (Notes IV and XXIII)	156,272	2	218,125	3
2580	Lease liabilities – non-current (Notes IV and XIII)	10,949	-	9,092	-
2640	Net defined benefit liability (Notes IV and XIX)	27,073	1	37,508	1
2645	Guarantee deposits received	877	-	1,317	-
25XX	Total non-current liabilities	<u>653,973</u>	<u>10</u>	<u>724,186</u>	<u>10</u>
2XXX	Total liabilities	<u>2,473,661</u>	<u>37</u>	<u>3,100,325</u>	<u>43</u>
	EQUITY (Note XX)				
3100	Share capital	1,000,044	15	1,000,044	14
3200	Capital surplus	2,048,734	31	2,048,734	28
	Retained earnings				
3310	Legal reserve	497,824	7	470,193	7
3320	Special reserve	368,706	6	310,734	4
3350	Unappropriated earnings	666,247	10	698,081	10
3300	Total retained earnings	<u>1,532,777</u>	<u>23</u>	<u>1,479,008</u>	<u>21</u>
3400	Other equity	(343,152)	(5)	(368,706)	(5)
3500	Treasury stock (Note XX)	(40,228)	(1)	(40,228)	(1)
3XXX	Total equity	<u>4,198,175</u>	<u>63</u>	<u>4,118,852</u>	<u>57</u>
	TOTAL	<u>\$ 6,671,836</u>	<u>100</u>	<u>\$ 7,219,177</u>	<u>100</u>

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

WAH HONG INDUSTRIAL CORP.
INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4100	OPERATING REVENUE (Notes IV, XXI and XXVII)	\$3,661,241	100	\$4,080,783	100
5110	OPERATING COSTS (Notes X, XXII and XXVII)	<u>3,145,782</u>	<u>86</u>	<u>3,587,244</u>	<u>88</u>
5900	GROSS PROFIT	515,459	14	493,539	12
5910	Unrealized gross profit of associate company	(11,660)	-	(13,938)	-
5920	Realized gross profit of associate company	<u>15,837</u>	<u>-</u>	<u>20,009</u>	<u>-</u>
5950	Realized gross profit	<u>519,636</u>	<u>14</u>	<u>499,610</u>	<u>12</u>
	OPERATING EXPENSES (Notes IX and XXII)				
6100	Selling and marketing expenses	106,960	3	118,751	3
6200	General and administrative expenses	216,089	6	217,311	5
6300	Research and development	154,267	4	141,852	4
6450	Expected credit impairment loss (reversal of benefits)	<u>87</u>	<u>-</u>	(<u>120</u>)	<u>-</u>
6000	Total operating expenses	<u>477,403</u>	<u>13</u>	<u>477,794</u>	<u>12</u>
6900	OPERATING INCOME	<u>42,233</u>	<u>1</u>	<u>21,816</u>	<u>-</u>
	NON-OPERATING INCOME AND EXPENSES (Notes XXII and XXVII)				
7100	Interest revenue	3,104	-	575	-
7010	Other revenue	100,863	3	103,104	2
7020	Other gains and losses	2,744	-	(1,267)	-
7050	Finance costs	(64,985)	(2)	(41,928)	(1)
7070	Share of profits of subsidiaries and associates	<u>144,291</u>	<u>4</u>	<u>231,397</u>	<u>6</u>
7000	Total non-operating income and expenses	<u>186,017</u>	<u>5</u>	<u>291,881</u>	<u>7</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Profit before income tax	\$ 228,250	6	\$ 313,697	7
7950	INCOME TAX EXPENSE (Notes IV and XXIII)	(25,869)	(1)	(51,224)	(1)
8200	NET PROFIT FOR THE YEAR	202,381	5	262,473	6
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes XIX, XX and XXIII)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(1,039)	-	17,301	1
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	69,937	2	(107,746)	(3)
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	208	-	(3,460)	-
		69,106	2	(93,905)	(2)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	(21)	-	305	-
8380	Share of other comprehensive gain (loss) of subsidiaries accounted for using the equity method	(55,457)	(1)	61,911	1
8399	Income tax relating to items that may be reclassified	11,095	-	(12,442)	-
		(44,383)	(1)	49,774	1
8300	Other comprehensive gain (loss) for the year, net of income tax	24,723	1	(44,131)	(1)

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Code		2023		2022	
		Amount	%	Amount	%
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 227,104</u>	<u>6</u>	<u>\$ 218,342</u>	<u>5</u>
	EARNINGS PER SHARE (Note XXIV)				
9710	Basic	<u>\$ 2.05</u>		<u>\$ 2.66</u>	
9810	Diluted	<u>\$ 2.02</u>		<u>\$ 2.60</u>	

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

WAH HONG INDUSTRIAL CORP.
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

						Other equity					
Retained earnings						Exchange differences on translation of the financial statements of foreign operations	Unrealized gain/(loss) on financial assets at fair value through other comprehensive income	Total	Treasury stock	Total equity	
Code		Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings					
A1	BALANCE AT JANUARY 1, 2022	\$ 1,000,044	\$ 2,048,734	\$ 427,464	\$ 311,174	\$ 710,357	(\$ 289,782)	(\$ 20,952)	(\$ 310,734)	(\$ 40,228)	\$ 4,146,811
	Appropriation of 2021 earnings (Note XX)										
B1	Legal reserve	-	-	42,729	-	(42,729)	-	-	-	-	-
B3	Reversal of special surplus reserve	-	-	-	(440)	440	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(246,301)	-	-	-	-	(246,301)
		-	-	42,729	(440)	(288,590)	-	-	-	-	(246,301)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	262,473	-	-	-	-	262,473
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	13,841	49,774	(107,746)	(57,972)	-	(44,131)
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	276,314	49,774	(107,746)	(57,972)	-	218,342
Z1	BALANCE AT DECEMBER 31, 2022	1,000,044	2,048,734	470,193	310,734	698,081	(240,008)	(128,698)	(368,706)	(40,228)	4,118,852
	Appropriation of 2022 earnings (Note XX)										
B1	Legal reserve	-	-	27,631	-	(27,631)	-	-	-	-	-
B3	Special reserve	-	-	-	57,972	(57,972)	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(147,781)	-	-	-	-	(147,781)
		-	-	27,631	57,972	(233,384)	-	-	-	-	(147,781)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	202,381	-	-	-	-	202,381
D3	Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(831)	(44,383)	69,937	25,554	-	24,723
D5	Total comprehensive income for the year ended December 31, 2023	-	-	-	-	201,550	(44,383)	69,937	25,554	-	227,104
Z1	BALANCE AT DECEMBER 31, 2023	\$ 1,000,044	\$ 2,048,734	\$ 497,824	\$ 368,706	\$ 666,247	(\$ 284,391)	(\$ 58,761)	(\$ 343,152)	(\$ 40,228)	\$ 4,198,175

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

WAH HONG INDUSTRIAL CORP.
INDIVIDUAL STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$228,250	\$313,697
A20010	Adjustments for:		
A20100	Depreciation expense	82,683	119,528
A20200	Amortization expense	37,457	31,166
A20300	Expected credit impairment loss (reversal of benefits)	87	(120)
A20400	Gain (Loss) on financial instruments at fair value through profit or loss	(6,605)	42,735
A20900	Finance costs	64,985	41,928
A21200	Interest income	(3,104)	(575)
A21300	Dividend income	(43,831)	(44,541)
A22400	Share of profit of associates accounted for using the equity method	(144,291)	(231,397)
A22500	Loss (Gain) on disposal of property, plant and equipment, net	91	(806)
A23700	Inventory loss (benefit recovery)	(10,374)	33,880
A23900	Unrealized gross profit of associate company	11,660	13,938
A24000	Realized gross profit of associate company	(15,837)	(20,009)
A24100	Unrealized net gain on foreign exchange	(12,759)	(11,938)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(4,732)	8,219
A31150	Accounts receivable	(191,903)	543,210
A31180	Other receivables	(1,193)	4,676
A31200	Inventories	148,796	5,604
A31230	Other current assets	(9,948)	858
A32150	Accounts payable	(2,810)	(322,160)
A32180	Other payables	(4,006)	(26,454)
A32230	Other current liabilities	(1,675)	(4,209)
A32240	Net defined benefit liabilities	(11,474)	(11,147)
A33000	Cash generated from operations	109,467	486,083
A33100	Interest received	3,104	575
A33200	Dividends received	44,743	42,400
A33300	Interest paid	(56,771)	(33,889)
A33500	Income tax paid	(56,583)	(21,546)
AAAA	Net cash generated from operating activities	<u>43,960</u>	<u>473,623</u>

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Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 8,728)	(\$444,401)
B00200	Disposal of financial assets at fair value through profit or loss	14,230	8,003
B01800	Investment obtained using the equity method	-	(10,000)
B02700	Payments for property, plant and equipment	(52,123)	(39,745)
B02800	Proceeds from disposal of property, plant and equipment	2,701	38
B03800	Increase in guarantee deposits paid	(78)	(1,772)
B04500	Acquisitions of Intangible assets	(48,821)	(31,096)
B07600	Cash Dividend on acquisition of subsidiaries	<u>383,686</u>	<u>195,068</u>
BBBB	Net cash inflows (outflows) from investing activities	<u>290,867</u>	(<u>323,905</u>)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase (decrease) in short-term borrowings	(703,391)	518,326
C00500	Increase (decrease) in short-term notes payable	170,000	(280,000)
C01600	Increase in long-term borrowings	-	501,116
C01700	Repayments of long-term borrowings	-	(557,547)
C03100	Decrease in guarantee deposits received	(440)	(438)
C04020	Repayment of the principal portion of lease liabilities	(8,898)	(7,977)
C04500	Cash dividends	(147,781)	(246,301)
C05400	Payment of ownership interests in subsidiaries	(57,885)	-
C09900	Refund of stock capital from capital reduction of subsidiaries	<u>255,960</u>	-
CCCC	Net cash used in financing activities	(<u>492,435</u>)	(<u>72,821</u>)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,608)	76,897
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>387,558</u>	<u>310,661</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$229,950</u>	<u>\$387,558</u>

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

WAH HONG INDUSTRIAL CORP.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. ORGANIZATION

Wah Hong Industrial Corp. (the “Company”) was incorporated in August 1973, and is mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films etc.), materials of Bulk Molding Compounds (BMC) and Molding products etc..

The Company’s shares have been listed and traded on the Taipei Exchange since June 23, 2005.

The Company’s functional currency and presented currency are in the New Taiwan dollar.

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

The individual financial statements were approved and authorized for issue by the Board of Directors on March 13, 2024.

III. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies.

(II) The IFRSs endorsed by the FSC for application starting from 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: Partial disclosure is exempted for the first application of this amendment.

As of the date when this individual financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the individual financial position and individual financial performance.

(III) IFRS Accounting Standards that have been issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025 (Note 2)

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

Note 2: The amendments will be applied for annual reporting periods beginning on or after January 1, 2025. The impact amount will be recognized as retained earnings as at the date of first application of the amendments. When the Company takes the non-functional currency as the presentation currency, the impact amount will be adjusted to the foreign operating organization-related exchange difference under the equity at the date of first application.

As of the date when this individual financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the individual financial position and individual financial performance.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Compliance statement

The individual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

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

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

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

When preparing the individual financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable

to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the individual basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the individual financial statements.

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

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period;
and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

(IV) Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for

exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income, expenses and losses are translated at the average exchange rate of current year, and the resulting currency translation differences are recognized in other comprehensive income.

(V) Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value is based on individual items except for inventories of the same category. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

(VI) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment

and the fair value of the paid or collected consideration is recognized directly as equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. If there is any subsequent increase in the recoverable amount of the assets, reversal of an impairment loss will be recognized as profit, but the carrying amount of the assets after reversal of impairment losses shall not exceed the carrying amount of the assets after deducting the amortization that should be withdrawn under the condition that impairment loss is not recognized. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

The unrealized profits or losses from the downstream transactions between the Company and its subsidiaries are eliminated in the individual financial statements. The unrealized profits or losses from the upstream transactions between the Company and its subsidiaries and from the transactions between its subsidiaries are recognized in the individual financial statements only to the extent unrelated to the Company's interests in its subsidiaries.

(VII) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, an investment in an associate is initially recognized at costs, and its carrying amount after acquisition date is adjusted based on the Company's share in the profits or losses and other comprehensive income of the associate as well as the distribution received. Besides, the changes in the equity of the associate are recognized based on shareholding ratio.

Any excess of the acquisition costs over the Company's share, on the acquisition date, in the net fair value of the identifiable assets and liabilities of an associate is recognized as goodwill, and such goodwill is included in the carrying amount of the investment and cannot be amortized; Any excess of the Company's share, on the acquisition date, in the net fair value of the identifiable assets and liabilities of an associate over the acquisition costs is recognized as current profits or losses.

The Company ceases to be accounted by equity method on the date when the investment ceases to be an affiliated enterprise, and its retained interests in the original affiliated enterprise shall be measured at fair value. The difference between the fair value and the disposal price and the book value of the investment on the day when the equity method is stopped is included in the profit and loss of the current year. In addition, all amounts related to the affiliated enterprise recognized in other comprehensive profit or loss are accounted for on the same basis as would be required if the affiliated enterprise directly disposes of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's individual financial statements only to the extent of interests in the associate that are not related to the Company.

(VIII) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. When these assets are tested for their normal operation before reaching the expected use state, the samples produced are measured by the lower of cost and net realized value, and the sales price and cost are recognized in profit or loss. Such assets are depreciated

and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

(IX) Intangible assets

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

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

(X) Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated

to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Company becomes a party to the contractual provisions of the instruments.

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

1. Financial assets

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

(1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL; such assets include debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

B. Financial assets at amortized cost

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

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

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

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

C. Investments in equity instruments at FVTOCI

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

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

income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

(2) Impairment of financial assets

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

The Company always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Company:

- A. Internal or external information shows that the debtor is unlikely to pay its creditors.
- B. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Company's own equity instruments is recognized in and deducted from equity, and its carrying amount is calculated based on the type of stocks on a weighted average basis, and calculated separately based on the reasons for recovery. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward contracts.

Derivatives are initially recognized at fair value when derivative contracts are signed, and subsequently re-measured at fair value on balance sheet date, and the profits or losses from the subsequent measurement are directly recognized as profits or losses. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

(XII) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Commodity sales revenue comes from the sales of optical materials (LCD), functional materials (BMC) and other self-made products. Since when the products arrive at the location designated by the customer or during shipment, the customer has the right to determine the price and use of the product and bear the main responsibility for reselling and the risk of obsolescence, the Company recognizes revenue and accounts receivable at this point in time. Revenue in advance of sales of goods is recognized as a contract liability.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(XIII) Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1. The Company as lessor

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

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

2. The Company as lessee

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

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability), and subsequently measured at cost less accumulated depreciation and impairment losses, and is adjusted in the remeasured amount of the lease liability. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. If it is easy to determine the interest rate implicit in a lease, the lease payments are discounted by using such interest rate. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of use

assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(XIV) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the costs of those assets, until substantially all the activities required for the assets to be ready for their intended use or sale are completed.

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

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

(XV) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

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

(XVI) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XVII) Income tax

The tax expense for the period comprises current and deferred tax.

1. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

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

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

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. Current and deferred taxes for the year

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Company adopts the accounting policies described in Note IV, for those that are not easy to obtain relevant information from other sources, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. Actual results may differ from these estimates.

When developing material accounting estimates, the Company takes into account the possible impact of the economic environment in the relevant material estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis.

Estimate of deferred income tax

With regard to profits related to investments in foreign subsidiaries that were not recognized as deferred income tax liabilities, the effects on the income tax were NT\$319,414 thousand and NT\$302,049 thousand for the years ended December 31, 2023 and 2022, respectively. These temporary differences are not recognized as deferred tax liabilities since they will not be realized in the foreseeable future. If there is a significant adjustment in deferred tax liabilities with the situation change in the future, these deferred tax liabilities will recognize as loss in the current period.

VI. CASH

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 385	\$ 386
Checking accounts	51	51
Demand deposits	192,668	387,121
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>36,846</u>	<u>-</u>
	<u>\$229,950</u>	<u>\$387,558</u>

- (I) The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	<u>December 31, 2023</u>
Cash equivalents	
Time deposits with original maturities of 3 months or less (%)	5.26

- (II) The Company has good credit quality with many financial institutions, and which can help to disperse credit risk. Also, to estimate credit loss that is unexpected.

VII. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 3,338	\$ 1,490
Non-derivative financial assets		
Domestic listed shares	<u>79,398</u>	<u>88,870</u>
	<u>\$ 82,736</u>	<u>\$ 90,360</u>

For the years ended 2023 and 2022, the Company engaged in forward foreign exchange transactions for the main purpose of avoiding exposures to exchange rate fluctuations of foreign-currency-denominated assets and liabilities.

At the end of the year, outstanding foreign exchange options contracts were as follows:

	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (In Thousands)</u>
<u>December 31, 2023</u>			
Sell forward exchange contracts	USD to NTD	2024.01 ~ 2024.03	USD4,000/TWD125,409
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD to NTD	2023.01 ~ 2023.03	USD4,000/TWD123,719

Details of profit and loss of financial instruments at FVTPL for the year 2023 and 2022 list on Note XXII.

VIII. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Domestic listed shares	\$622,418	\$520,613
Domestic unlisted shares	54,930	78,070
Foreign unlisted shares	<u>832</u>	<u>832</u>
	<u>\$678,180</u>	<u>\$599,515</u>

IX. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable		
At amortized cost gross carrying amount	\$ 25,118	\$ 20,386
Less: Allowance for impairment loss	<u>137</u>	<u>137</u>
	<u>\$ 24,981</u>	<u>\$ 20,249</u>
Accounts receivable - unrelated parties		
At amortized cost gross carrying amount	\$689,946	\$668,710
Less: Allowance for impairment loss	<u>2,131</u>	<u>2,044</u>
	<u>\$687,815</u>	<u>\$666,666</u>
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	<u>\$760,740</u>	<u>\$590,073</u>

The main credit period of sales of goods was 30-180 days. No interest was charged on receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished according to the Company's different customer base, instead, expected credit loss rate is determined based on the account receivable age of notes receivable and accounts receivable.

If there is evidence indicating that the debtor is in severe financial difficulty and the Company cannot reasonably expect the recoverable amount, the Company directly writes off relevant accounts receivable, but it still continues to engage in recovery activity, and the amount recovered is recognized as profits or losses.

The aging analysis of notes and accounts receivable were as follows:

December 31, 2023

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 360 Days	Total
Lifetime expected credit losses(%)	0~0.3	0~10	-	-	
Gross carrying amount	\$ 1,473,455	\$ 2,349	\$ -	\$ -	\$ 1,475,804
Loss allowance (lifetime ECLs)	(2,268)	-	-	-	(2,268)
Amortized cost	<u>\$ 1,471,187</u>	<u>\$ 2,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,473,536</u>

December 31, 2022

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 360 Days	Total
Lifetime expected credit losses(%)	0~0.3	0~10	-	-	
Gross carrying amount	\$ 1,245,620	\$ 33,549	\$ -	\$ -	\$ 1,279,169
Loss allowance (lifetime ECLs)	(2,172)	(9)	-	-	(2,181)
Amortized cost	<u>\$ 1,243,448</u>	<u>\$ 33,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,988</u>

Changes in the loss allowance are as follows:

	2023			2022		
	Notes receivable	Accounts receivable	Total	Notes receivable	Accounts receivable	Total
Balance at January 1	\$ 137	\$ 2,044	\$ 2,181	\$ 137	\$ 2,164	\$ 2,301
Impairment losses recognized (reversal)	-	87	87	-	(120)	(120)
Ending balance	<u>\$ 137</u>	<u>\$ 2,131</u>	<u>\$ 2,268</u>	<u>\$ 137</u>	<u>\$ 2,044</u>	<u>\$ 2,181</u>

X. INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	\$ 85,488	\$ 133,891
Work in process	12,268	10,276
Finished goods	<u>101,794</u>	<u>193,805</u>
	<u>\$ 199,550</u>	<u>\$ 337,972</u>

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2023 and 2022 were NT\$3,145,782 thousand and NT\$3,587,244 thousand respectively, which included the following items:

	<u>2023</u>	<u>2022</u>
Inventories depreciation losses (recovered benefits)	(\$ 17,672)	\$ 24,823
Inventory losses	7,298	9,057
Unallocated manufacturing cost	<u>99,890</u>	<u>109,579</u>
	<u>\$ 89,516</u>	<u>\$143,459</u>

The recovered benefits of inventory falling price loss are mainly caused by inventory closeout.

XI. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment in subsidiaries	\$ 3,324,703	\$ 3,807,561
Investments in associates	<u>5,298</u>	<u>10,447</u>
	<u>\$ 3,330,001</u>	<u>\$ 3,818,008</u>

The brief description of investments using the equity method is detailed in Table 6.

(I) Investment in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unlisted Company		
Wah Hong Holding Ltd. (Wah Hong Holding)	\$ 3,261,367	\$ 3,764,349
PT. Wah Hong Indonesia (“WH Indonesia”)	<u>63,336</u>	<u>43,212</u>
	<u>\$ 3,324,703</u>	<u>\$ 3,807,561</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

<u>Investee</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wah Hong Holding	100%	100%
PT. Wah Hong Indonesia	99%	99%

1. The Company's investment in Wah Hong Holding at the end of December 2022 was NT\$1,212,961 thousand (US\$38,225 thousand), which was increased by NT\$12,224 thousand (US\$400 thousand) in 2023. Wah Hong Holding refunded the share capital of NT\$255,960 thousand (US\$8,000 thousand) by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to the Company in the same

month. As of the end of December 2023, the Company's investment in Wah Hong Holding was NT\$969,225 thousand (US\$30,625 thousand).

2. In December 2015, the Company and Wah Hong Holding Ltd. made investment jointly for establishing PT. Wah Hong Indonesia which mainly engaged in the manufacturing and selling BMC materials and finished goods. The Company increased its investment by NT\$45,661 thousand in 2023. As of the end of December 2023, the investments made by the Company and Wah Hong Holding Ltd. in PT. Wah Hong Indonesia were NT\$243,085 thousand (US\$7,920 thousand) and NT\$2,455 thousand (US\$80 thousand), with a shareholding of 99% and 1%, respectively.

(II) Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individually insignificant affiliated enterprises		
Wah Sheng Industrial Corp.	<u>\$ 5,298</u>	<u>\$ 10,447</u>

In October 2022, the Company invested NT\$10,000 thousand in cash to jointly establish Wah Sheng Industrial Corp., with a shareholding ratio of 25%.

Aggregate information of individually insignificant affiliated companies

	<u>2023</u>	<u>2022</u>
The Company's share		
Net amount of current year	(\$ 5,149)	\$ 447
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(\$ 5,149)</u>	<u>\$ 447</u>

XII. PROPERTY, PLANT AND EQUIPMENT

- (I) Changes of cost, accumulated depreciation and accumulated impairment were as follows:

2023

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Equipment under installation and construction in progress</u>	<u>Total</u>
Cost						
Balance at January 1, 2023	\$ 197,272	\$ 639,301	\$ 1,115,485	\$ 243,322	\$ 11,082	\$ 2,206,462
Additions	-	11,453	17,391	17,245	919	47,008
Disposals	-	-	(22,234)	(5,122)	-	(27,356)
Balance at December 31, 2023	<u>\$ 197,272</u>	<u>\$ 650,754</u>	<u>\$ 1,110,642</u>	<u>\$ 255,445</u>	<u>\$ 12,001</u>	<u>\$ 2,226,114</u>

<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 412,939	\$ 958,771	\$ 171,192	\$ -	\$ 1,542,902
Depreciation expense	-	26,472	28,792	18,412	-	73,676
Disposals	-	-	(17,469)	(4,921)	-	(22,390)
Balance at December 31, 2023	\$ -	\$ 439,411	\$ 970,094	\$ 184,683	\$ -	\$ 1,594,188
<u>Accumulated impairment</u>						
Balance at January 1, 2023	\$ -	\$ -	\$ 73,784	\$ 16,255	\$ -	\$ 90,039
Disposals	-	-	(1,413)	-	-	(1,413)
Balance at December 31, 2023	\$ -	\$ -	\$ 72,371	\$ 16,255	\$ -	\$ 88,626
Carrying amount at December 31, 2023	\$ 197,272	\$ 211,343	\$ 68,177	\$ 54,507	\$ 12,001	\$ 543,300

2022

	Land	Buildings	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 197,272	\$ 633,479	\$ 1,095,760	\$ 219,947	\$ 13,801	\$ 2,160,259
Additions	-	5,822	21,885	23,375	(2,719)	48,363
Disposals	-	-	(2,160)	-	-	(2,160)
Balance at December 31, 2022	\$ 197,272	\$ 639,301	\$ 1,115,485	\$ 243,322	\$ 11,082	\$ 2,206,462
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 384,198	\$ 892,205	\$ 157,105	\$ -	\$ 1,433,508
Depreciation expense	-	28,741	68,663	14,087	-	111,491
Disposals	-	-	(2,097)	-	-	(2,097)
Balance at December 31, 2022	\$ -	\$ 412,939	\$ 958,771	\$ 171,192	\$ -	\$ 1,542,902
<u>Accumulated impairment</u>						
Balance at January 1, 2022	\$ -	\$ -	\$ 73,847	\$ 16,255	\$ -	\$ 90,102
Disposals	-	-	(63)	-	-	(63)
Balance at December 31, 2022	\$ -	\$ -	\$ 73,784	\$ 16,255	\$ -	\$ 90,039
Carrying amount at December 31, 2022	\$ 197,272	\$ 226,362	\$ 82,930	\$ 55,875	\$ 11,082	\$ 573,521

Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	2023	2022
Investing activities		
affected cash and cash equivalents		
Additions to property, plant and equipment	\$ 47,008	\$ 48,363
Decrease (increase) in payables for equipment (under other payables)	5,115	(8,618)

Cash paid for acquisition of the property, plant and equipment	<u>\$ 52,123</u>	<u>\$ 39,745</u>
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(II) Estimated useful life:

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings

Reinforced concrete buildings	30 - 60 years
Sheet metal buildings	10 - 15 years
Decoration and design	2 - 10 years
Electrical and mechanical work	2 - 8 years
Machinery and equipment	2 - 10 years
Other equipment	2 - 15 years

(III) Refer to Note XXVIII for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

XIII. LEASING ARRANGEMENTS

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Buildings	\$ 16,676	\$ 10,095
Other equipment	<u>2,989</u>	<u>3,864</u>
	<u>\$ 19,665</u>	<u>\$ 13,959</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 14,713</u>	<u>\$ 6,094</u>
Depreciation of right-of-use assets		
Buildings	\$ 8,132	\$ 7,526
Other equipment	<u>875</u>	<u>511</u>
	<u>\$ 9,007</u>	<u>\$ 8,037</u>

(II) Leasing liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Current portion	<u>\$ 9,118</u>	<u>\$ 5,161</u>
Non-current portion	<u>\$ 10,949</u>	<u>\$ 9,092</u>

Range of discount rate (%) for leasing liabilities was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.83~2.23	1.83~1.89
Other equipment	2.25	2.25

(III) Material leasing activities and terms

The Company leases buildings and computer hardware equipment for business use, and the lease period varies from 3 to 5 years, and ends until May 2027.

(IV) Other leasing information

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 4,819</u>	<u>\$ 4,905</u>
Expenses relating to low-value asset leases	<u>\$ 4,659</u>	<u>\$ 4,844</u>
Total cash outflow for leases	<u>\$ 18,803</u>	<u>\$ 18,024</u>

The Company's leases of certain subjects qualify as short-term or low-value asset leases, and the Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

XIV. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured borrowings		
Procurement loans	\$ 225,068	\$ 99,467
Revolving loans	<u>550,000</u>	<u>1,385,000</u>
	<u>\$ 775,068</u>	<u>\$ 1,484,467</u>
Annual interest rate (%)	1.75~6.86	1.42~6.04

XV. SHORT-TERM BILLS PAYABLE

The commercial paper payables are guaranteed and issued by China Bills Finance Corporation and MEGA Bills Finance Co.. The annual interest rate for December 31, 2023 is 1.79% - 1.81%.

XVI. ACCOUNTS PAYABLE

The Company's accounts payable occur due to operating activities.

The average credit period on purchases of goods from 30 - 150 days. The Company has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

XVII. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$ 99,552	\$107,321
Payable for employees' compensation and remuneration to directors	88,078	94,430
Payable for annual leave bonuses	28,168	27,488
Payable for packing fees	12,663	12,507
Payable for equipment	10,132	15,247
Payable for labor and health insurance	9,654	10,024
Others	79,189	68,730
	<u>\$327,436</u>	<u>\$335,747</u>

XVIII. LONG-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings (Note XXVIII)</u>		
Syndicated bank loans		
E.SUN BANK (USD syndicated bank loan) - credit limit A, annual interest rate for December 31, 2023 and 2022 is 7.0402% and 5.1586%, respectively	\$460,575	\$460,650
Less: Syndicated loan fee	<u>1,773</u>	<u>2,506</u>
	<u>\$458,802</u>	<u>\$458,144</u>

The Company signed a syndicated loan agreement which repaid the previous syndicated loan with banks led by E.SUN BANK in June 2018. The total amount of syndicated bank loans is US\$50 million, including credit limit A (US\$50 million), credit limit B (NT\$1 billion) and credit limit C (NT\$500 million).

In addition, the Company has signed a new syndicated loan agreement with E.SUN BANK in May 2022 in order to pay back the syndicated loan signed in 2018. The total amount of bank loan is US\$50 million including credit limit A (US\$50 million) and credit limit B (NT\$840 million).

The credit referred to in the preceding item is a medium-term revolving loan (the credit period starts from June 2022, the first use date and ends in 5 years, and after three years from the date of first use, the credit line will be decreased in five installments every six months, with the first installment decreasing by 5%, the second to fourth installments decreasing by 10% and the fifth installment decreasing by 65%), which can be used in installments and revolved within the loan line. Every time the credit line decreases, the

part of the credit balance that exceeds the decreased credit line shall be paid off in one lump sum.

The syndicated loan contract stipulates that the Company's consolidated annual financial ratios should comply with specific financial ratio standard. The financial ratios of the Company's 2023 and 2022 consolidated annual financial reports did not violate the provisions of the syndicated loan contract.

XIX. RETIREMENT BENEFIT PLANS

(I) Defined contribution plans

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

(II) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the R.O.C.. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the individual balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$118,002	\$115,766
Fair value of plan assets	(<u>90,929</u>)	(<u>78,258</u>)
Net defined benefit liabilities	<u>\$ 27,073</u>	<u>\$ 37,508</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 115,766</u>	<u>(\$ 78,258)</u>	<u>\$ 37,508</u>
Service cost			
Current service cost	142	-	142
Net interest expense (income)	<u>1,736</u>	<u>(1,265)</u>	<u>471</u>
Recognized in profit or loss	<u>1,878</u>	<u>(1,265)</u>	<u>613</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(435)	(435)
Actuarial loss - changes in financial assumptions	2,744	-	2,744
Actuarial gain - experience adjustments assumptions	<u>(1,270)</u>	<u>-</u>	<u>(1,270)</u>
Recognized in other comprehensive income	<u>1,474</u>	<u>(435)</u>	<u>1,039</u>
Contributions from the employer	<u>-</u>	<u>(12,087)</u>	<u>(12,087)</u>
Benefits paid			
Paid by plan assets	<u>(1,116)</u>	<u>1,116</u>	<u>-</u>
December 31, 2023	<u>\$ 118,002</u>	<u>(\$ 90,929)</u>	<u>\$ 27,073</u>
January 1, 2022	<u>\$ 134,158</u>	<u>(\$ 68,202)</u>	<u>\$ 65,956</u>
Service cost			
Current service cost	\$ 583	\$ -	\$ 583
Net interest expense (income)	<u>837</u>	<u>(464)</u>	<u>373</u>
Recognized in profit or loss	<u>1,420</u>	<u>(464)</u>	<u>956</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,864)	(4,864)
Actuarial gain - changes in financial assumptions	(10,858)	-	(10,858)
Actuarial gain - experience adjustments assumptions	<u>(1,579)</u>	<u>-</u>	<u>(1,579)</u>
Recognized in other comprehensive income	<u>(12,437)</u>	<u>(4,864)</u>	<u>(17,301)</u>
Contributions from the employer	<u>-</u>	<u>(12,103)</u>	<u>(12,103)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Benefits paid			
Paid by plan assets	(<u>7,375</u>)	<u>7,375</u>	<u>-</u>
December 31, 2022	<u>\$ 115,766</u>	(<u>\$ 78,258</u>)	<u>\$ 37,508</u>

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

1. Investment risk

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

2. Interest rate risk

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

3. Salary risk

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations on the measurement date are presented as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate (%)	1.25	1.5
Expected rate of salary increase (%)	3	3

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate(s)		
0.25% increase	(\$ 2,744)	(\$ 2,859)
0.25% decrease	<u>\$ 2,840</u>	<u>\$ 2,963</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,743</u>	<u>\$ 2,868</u>
0.25% decrease	(\$ 2,665)	(\$ 2,782)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected contributions to the plan for the next year	<u>\$ 12,100</u>	<u>\$ 12,132</u>
The average duration of the defined benefit obligation (year)	9.4	10.1

XX. EQUITY

(I) Share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Amount of authorized shares	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of issued and fully paid shares (in thousands)	<u>100,004</u>	<u>100,004</u>
Amount of issued shares	<u>\$ 1,000,044</u>	<u>\$ 1,000,044</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Arising from issuance of share capital	\$ 1,898,886	\$ 1,898,886
Arising from conversion of bonds	511	511
Consolidation excess	142,560	142,560
Difference between consideration paid and the carrying amount	<u>6,777</u>	<u>6,777</u>
	<u>\$2,048,734</u>	<u>\$2,048,734</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the pre-amendment Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company call an ordinary meeting of shareholders deciding to modify the Corporation By-Laws on May 26, 2022. Also, Board of Directors must attend by over two-thirds of the directors and half of those attending directors must approve for the case if the Company cash distribution of dividends, bonus and capital surplus or surplus reserve, it should report to the Shareholders' Meeting. However, if the Company issues new stocks for distribution of dividends,

bonus and capital surplus or surplus reserve, it should let the shareholders pass the resolution.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 10% of the total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 had been approved in the shareholders' meeting on May 2023 and May 2022, respectively; the amounts were as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 27,631	\$ 42,729		
Provision (Reversal) of special surplus reserve	57,972	(440)		
Cash dividends	<u>147,781</u>	<u>246,301</u>	<u>\$ 1.5</u>	<u>\$ 2.5</u>
	<u>\$233,384</u>	<u>\$288,590</u>		

The aforesaid cash dividends for 2022 were resolved to distribute by the Board of Directors in March 2023.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on March, 2024. The appropriations and dividends per share were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 20,155	
Special surplus reserve (reverse)	(25,555)	
Cash dividends to shareholders	118,224	\$ 1.2

In addition, in March 2024, the Board of Directors also proposed a cash distribution from capital reserves of NT\$29,556 thousand.

The above-mentioned cash dividends have been resolved for distribution by the Board of Directors, and the remaining dividends will be resolved at the regular Shareholders' Meeting expected to be held in May 2024.

(IV) Special reserve

When the company adopted IFRSs for the first time, the unrealized revaluation gains and accumulative translation adjustments transferred to retained earnings amounted to NT\$13,747 thousand and NT\$231,169 thousand respectively, but the increase in retained earnings due to the adoption of IFRSs for the first time was not enough to be recognized, so only the retained earnings increase of NT\$181,615 thousand due to the conversion to IFRSs was set aside as a special surplus reserve.

(V) Other equity

1. Exchange differences on translation of the financial statements of foreign operations

	2023	2022
Balance at January 1	(\$240,008)	(\$289,782)
Exchange differences on translating the financial statements of foreign operations	(21)	305
Share from associates accounted for using the equity method	(55,457)	61,911
Income tax accounted for using the equity method	<u>11,095</u>	(<u>12,442</u>)
Ending balance	(<u>\$284,391</u>)	(<u>\$240,008</u>)

2. Unrealized gain/(loss) on financial assets at fair value through other comprehensive income

	2023	2022
Balance at January 1	(\$128,698)	(\$ 20,952)
Recognized for the year		
Unrealized gain (loss)		
- equity instruments	<u>69,937</u>	(<u>107,746</u>)
Ending balance	(<u>\$ 58,761</u>)	(<u>\$128,698</u>)

(VI) Treasury stock

For the transfer of shares to employees, the Company repurchased 1,484 thousand shares of its common stock in 2019, at the repurchase cost of NT\$40,239 thousand (a refund of NT\$2,000 handling fee for 2020 has been deducted).

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

XXI. REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 3,660,804	\$ 4,080,062
Service revenue	<u>437</u>	<u>721</u>
	<u>\$ 3,661,241</u>	<u>\$ 4,080,783</u>

(I) Refer Note IV for the description of accounting policy for revenue from contracts with customers.

(II) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable and accounts receivable (including related parties) (Note IX)	<u>\$ 1,473,536</u>	<u>\$ 1,276,988</u>	<u>\$ 1,828,297</u>
Contract liabilities (classified under other current liabilities)			
Sale of goods	<u>\$ 4,560</u>	<u>\$ 6,233</u>	<u>\$ 10,918</u>

Revenue in the reporting period recognized from the beginning contract liabilities is as follows:

	<u>2023</u>	<u>2022</u>
Sales of goods	<u>\$ 4,376</u>	<u>\$ 9,899</u>

(III) Disaggregation of revenue from contracts with customers

Please refer Table 13.

XXII. PROFIT BEFORE INCOME TAX

(I) Interest income

	2023	2022
Bank deposits	<u>\$ 3,104</u>	<u>\$ 575</u>

(II) Other revenue

	2023	2022
Dividend income	\$ 43,831	\$ 44,541
Government grants	10,187	18,526
Service revenue (Note XXVII)	29,203	15,246
Commission revenue (Note XXVII)	6,332	9,506
Rental revenue (Note XXVII)	8,420	8,320
Others (Note XXVII)	<u>2,890</u>	<u>6,965</u>
	<u>\$100,863</u>	<u>\$103,104</u>

(III) Other gains and losses

	2023	2022
Gains (losses) of financial assets measured at fair value through profit or loss	\$ 6,605	(\$ 42,735)
Gains (losses) on disposal of property, plant and equipment	(\$ 91)	\$ 806
Net gain (loss) from foreign currency exchange	<u>(3,770)</u>	<u>40,662</u>
	<u>\$ 2,744</u>	<u>(\$ 1,267)</u>

(IV) Finance costs

	2023	2022
Interest on bank loans	\$ 62,803	\$ 40,037
Interest on lease liabilities	427	298
Other interest expenses	<u>1,755</u>	<u>1,593</u>
	<u>\$ 64,985</u>	<u>\$ 41,928</u>

(V) Depreciation and amortization

	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 73,676	\$111,491
Right-of-use assets	9,007	8,037
Intangible assets	<u>37,457</u>	<u>31,166</u>
	<u>\$120,140</u>	<u>\$150,694</u>
An analysis of depreciation by function		
Operating costs	\$ 59,218	\$101,365
Operating expenses	<u>23,465</u>	<u>18,163</u>
	<u>\$ 82,683</u>	<u>\$119,528</u>
An analysis of amortization by function		
Operating costs	\$ 4,808	\$ 3,188
Operating expenses	<u>32,649</u>	<u>27,978</u>
	<u>\$ 37,457</u>	<u>\$ 31,166</u>

(VI) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$570,824</u>	<u>\$603,187</u>
Retirement benefits		
Defined contribution plans	19,843	19,347
Defined benefit plans (Note XIX)	<u>\$ 613</u>	<u>\$ 956</u>
	<u>20,456</u>	<u>20,303</u>
	<u>\$591,280</u>	<u>\$623,490</u>
An analysis of employee benefits expense by function		
Operating costs	\$306,930	\$325,482
Operating expenses	<u>284,350</u>	<u>298,008</u>
	<u>\$591,280</u>	<u>\$623,490</u>

(VII) Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March, 2024 and 2023, were as follows:

	<u>2023</u>	<u>2022</u>
<u>Accrual rate</u>		
Employees' compensation (%)	15	15
Remuneration of directors (%)	2.5	2.5
<u>Cash</u>		
Employees' compensation	<u>\$ 41,500</u>	<u>\$ 57,036</u>
Remuneration of directors	<u>\$ 6,917</u>	<u>\$ 9,506</u>

If there is a change in the proposed amounts after the annual individual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the individual financial statements for the year ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

XXIII. INCOME TAX

(I) The major components of income tax expense

The main components of income tax expenses (benefits) are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 49,624	\$ 19,536
Addition from unappropriated earnings	-	3,856

Adjustments for prior years	(<u>1,254</u>)	<u>17,479</u>
	<u>48,370</u>	<u>40,871</u>
Deferred tax		
In respect of the current year	(26,638)	18,176
Adjustments for prior years	<u>4,137</u>	(<u>7,823</u>)
	(<u>22,501</u>)	<u>10,353</u>
	<u>\$ 25,869</u>	<u>\$ 51,224</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	<u>\$228,250</u>	<u>\$313,697</u>
Income tax expense calculated at the statutory rate	\$ 45,650	\$ 62,739
Tax effect of adjusting items:		
Deductible income in determining taxable income	(10,152)	(3,069)
Impact of the deferred income tax on the earnings of subsidiaries	(12,522)	(21,101)
Addition from unappropriated earnings	-	3,856
Investment write-off	-	(828)
Income tax adjustments on prior years	2,883	9,656
Others	<u>10</u>	(<u>29</u>)
	<u>\$ 25,869</u>	<u>\$ 51,224</u>

(II) Income tax benefit (expenses) recognized in other comprehensive

	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Pro rata of subsidiary translation difference for using equity method	\$ 11,095	(\$ 12,442)
Actuarial gains and losses of defined benefit obligation	<u>208</u>	(<u>3,460</u>)
	<u>\$ 11,303</u>	(<u>\$ 15,902</u>)

(III) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

2023

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 8,791	(\$ 2,295)	\$ 208	\$ 6,704
Unrealized loss on inventories	20,427	(3,533)	-	16,894
Unrealized profits and losses with subsidiary	4,443	(988)	-	3,455
Foreign operating organization-related exchange difference	2,135	-	11,095	13,230
Others	<u>9,403</u>	<u>575</u>	<u>-</u>	<u>9,978</u>
	45,199	(6,241)	11,303	50,261
Loss carryforwards	<u>33,111</u>	(<u>33,111</u>)	<u>-</u>	<u>-</u>
	<u>\$ 78,310</u>	(<u>\$ 39,352</u>)	<u>\$ 11,303</u>	<u>\$ 50,261</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income for using equity method	\$ 195,587	(\$ 60,262)	\$ -	\$ 135,325
Reserve for land value increment tax	20,278	-	-	20,278
Others	<u>2,260</u>	(<u>1,591</u>)	<u>-</u>	<u>669</u>
	<u>\$ 218,125</u>	(<u>\$ 61,853</u>)	<u>\$ -</u>	<u>\$ 156,272</u>

2022

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 14,480	(\$ 2,229)	(\$ 3,460)	\$ 8,791
Unrealized loss on inventories	15,463	4,964	-	20,427
Unrealized profits and losses with subsidiary	5,810	(1,367)	-	4,443
Foreign operating organization- related exchange difference	14,577	-	(12,442)	2,135
Others	<u>10,042</u>	<u>(639)</u>	<u>-</u>	<u>9,403</u>
	60,372	729	(15,902)	45,199
Loss carryforwards	<u>55,858</u>	<u>(22,747)</u>	<u>-</u>	<u>33,111</u>
	<u>\$116,230</u>	<u>(\$ 22,018)</u>	<u>(\$ 15,902)</u>	<u>\$ 78,310</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income for using equity method	\$209,512	(\$ 13,925)	\$ -	\$195,587
Reserve for land value increment tax	20,278	-	-	20,278
Others	<u>-</u>	<u>2,260</u>	<u>-</u>	<u>2,260</u>
	<u>\$229,790</u>	<u>(\$ 11,665)</u>	<u>\$ -</u>	<u>\$218,125</u>

(IV) Information about unused loss carry-forwards

The balance of the loss carry-forwards as of December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards		
Expiry in 2028	<u>\$ -</u>	<u>\$165,553</u>

(V) The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022 the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities

have been recognized were NT\$1,597,071 thousand and NT\$1,510,244 thousand.

(VI) Income tax assessments

The income tax returns of the Company's profit-making businesses up to the end of 2021 have been verified by the tax authorities.

XXIV. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

(I) Net profit for the year

	<u>2023</u>	<u>2022</u>
Earnings used in the computation to basic/diluted EPS	<u>\$202,381</u>	<u>\$262,473</u>

(II) Number of shares (in thousands)

	<u>2023</u>	<u>2022</u>
Weighted average number of shares outstanding used in computation of basic EPS	98,520	98,520
Effect of potentially dilutive shares		
Employees' compensation	<u>1,593</u>	<u>2,556</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>100,113</u>	<u>101,076</u>

The Company offers to settle the employees' compensation in cash or shares; thus, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXV. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The key management personnel of the Company periodically review the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Company is not subject to any externally imposed capital requirements, except those discussed in Note XVIII.

XXVI. FINANCIAL INSTRUMENTS

(I) Fair values of financial instruments not measured at fair value

The carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ 3,338	\$ -	\$ 3,338
Domestic listed shares	<u>79,398</u>	<u>-</u>	<u>-</u>	<u>79,398</u>
	<u>\$ 79,398</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 82,736</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 622,418	\$ -	\$ -	\$ 622,418
Domestic unlisted shares	-	-	54,930	54,930
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>832</u>	<u>832</u>
	<u>\$ 622,418</u>	<u>\$ -</u>	<u>\$ 55,762</u>	<u>\$ 678,180</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivatives	\$ -	\$ 1,490	\$ -	\$ 1,490
Domestic listed shares	<u>88,870</u>	<u>-</u>	<u>-</u>	<u>88,870</u>
	<u>\$ 88,870</u>	<u>\$ 1,490</u>	<u>\$ -</u>	<u>\$ 90,360</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 520,613	\$ -	\$ -	\$ 520,613
Domestic unlisted shares	-	-	78,070	78,070
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>832</u>	<u>832</u>
	<u>\$ 520,613</u>	<u>\$ -</u>	<u>\$ 78,902</u>	<u>\$ 599,515</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

2. Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	<u>Financial assets at FVTOCI</u>	
<u>Financial assets</u>	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 78,902	\$ 78,927
Recognized in other comprehensive income	(<u>23,140</u>)	(<u>25</u>)
Ending balance	<u>\$ 55,762</u>	<u>\$ 78,902</u>

3. Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The estimates and assumptions used by the Company in the evaluation method are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

4. Valuation techniques and inputs applied for Level 3 fair value measurement

The financial assets held by the Company measured at fair value are estimated using the market method with reference to the stock price-to-book value ratio of similar companies in the same industry in the open market or the latest net asset value.

(III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$ 1,721,809	\$ 1,682,509
Measured at FVTPL		
Mandatorily classified as at FVTPL	82,736	90,360
Financial assets at FVTOCI		
Investments in equity instruments	678,180	599,515
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,249,379	2,799,681

Note 1: Include cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables and refundable deposits measured at amortized cost, which comprise.

Note 2: Including short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, long-term borrowings and guarantee deposits received measured at amortized cost, which comprise.

(IV) Financial risk management objectives and policies

The Company's major financial instruments include equity investments, notes receivable and accounts receivable, short-term bills payable, accounts payable, lease liabilities and long-term and short-term loans, etc. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These

risks include market risk (including foreign exchange rates and interest rates), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The Company's activities exposed is primarily to the financial risks of changes in foreign currency exchange rates (detail refers below (1)) and interest rates (detail refers below (2)).

(1) Foreign currency risk

The Company had foreign currency trades, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currency of the Company on the balance sheet date, please refer to Note XXXI.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. A sensitivity rate of 1% is used internally when reporting to management from the Company on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The following table details the Company's sensitivity analysis included only the outstanding foreign currency (USD) denominated monetary items at the balance sheet date. The sensitivity analysis included foreign currency deposit (USD), receivables and payables, and long-term and short-term borrowings. A positive number below

indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Currency USD impact	
	2023	2022
Profit or loss	\$ 2,659	\$ 3,672

(2) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	\$ 36,846	\$ -
Financial liabilities	476,520	451,358
Cash flow interest rate risk		
Financial assets	192,668	387,121
Financial liabilities	947,417	1,505,506

Sensitivity analysis

The sensitivity analysis below shows the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

The rate of change used internally in reporting interest rates to the management from the Company is the 1% basis points increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If there is a 1% of increase/decrease in the annual interest rate and all other variables remain unchanged, there would be NT\$7,547 thousand and NT\$11,184 thousand of increase or decrease in the Company's net profits before tax for the years ended December 31, 2023 and 2022 respectively, which was mainly attributable to the Company's variable-rate borrowings and deposits.

(3) Other price risk

The Company was exposed to equity price risk due to its investments in equity shares.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk on the balance sheet date.

If the equity price increases/decreases by 1%, the Company's net profit before tax in 2023 and 2022 will increase/decrease by NT\$794 thousand and NT\$889 thousand respectively due to the change in the fair value of financial assets measured at fair value through profit and loss.

If the equity price increases/decreases by 1%, the Company's pre-tax other comprehensive profit and loss in 2023 and 2022 will increase/decrease by NT\$6,782 thousand and NT\$5,995 thousand respectively due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive profit and loss.

2. Credit risk

Credit risk refers to the risk of financial loss of the Company caused by the counterparty's default of contractual obligations. As of the balance sheet date, the Company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to fulfill the

obligation and the financial guarantee provided by the Company is mainly from:

- (1) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- (2) The amount of contingent liabilities in relation to financial guarantees provided by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The Company only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Company relies on bank borrowings as a significant source of liquidity.

(1) Liquidity risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 756,554	\$ 88,078	\$ 877	\$ -
Leasing liabilities	4,729	4,729	10,737	385
Variable interest rate liabilities	509,506	16,483	65,661	474,835
Fixed interest rate liabilities	457,318	-	-	-
Financial guarantee contracts	364,762	-	-	-
	<u>\$2,092,869</u>	<u>\$ 109,290</u>	<u>\$ 77,275</u>	<u>\$ 475,220</u>

Lease liabilities further analysis are as follows:

	Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years
Leasing liabilities	<u>\$ 9,458</u>	<u>\$ 8,707</u>	<u>\$ 2,030</u>	<u>\$ 385</u>

	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 761,323	\$ 94,430	\$ 1,317	\$ -
Leasing liabilities	3,233	2,156	8,011	1,309
Variable interest rate liabilities	1,066,284	12,079	72,279	469,893
Fixed interest rate liabilities	437,400	-	-	-
Financial guarantee contracts	257,997	-	-	-
	<u>\$2,526,237</u>	<u>\$ 108,665</u>	<u>\$ 81,607</u>	<u>\$ 471,202</u>

Lease liabilities further analysis are as follows:

	Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years
Leasing liabilities	<u>\$ 5,389</u>	<u>\$ 4,455</u>	<u>\$ 3,556</u>	<u>\$ 1,309</u>

The amount of the above-mentioned financial guarantee contract refers to the amount that the Company may have to pay to fulfill the

guarantee obligation if the holder of the financial guarantee contract claims the full guarantee amount from the guarantor. However, according to the expectation on the balance sheet date, the Company believes that it is unlikely to pay these contract payments. The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

(2) Liquidity risk tables for derivative financial liabilities

On the liquidity analysis of derivative financial instruments, derivative instruments settled by gross amount is compiled based on the undiscounted total cash inflow and outflow. When the amount payable is not fixed, the disclosed amount is based on the spot exchange rate on the balance sheet date.

	On Demand or Less than 1 Month	1-3 Months
<u>December 31, 2023</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 47,955	\$ 77,454
Outflows	(<u>45,913</u>)	(<u>76,158</u>)
	<u>\$ 2,042</u>	<u>\$ 1,296</u>
<u>December 31, 2022</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 31,948	\$ 91,771
Outflows	(<u>30,680</u>)	(<u>91,549</u>)
	<u>\$ 1,268</u>	<u>\$ 222</u>

XXVII. RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(I) Name of related parties and relation

<u>Related Parties</u>	<u>Relation with the Company</u>
PT. Wah Hong Indonesia (“WH Indonesia”)	Subsidiary
Wah Ma Technology Sdn. Bhd.	Subsidiary
SIP Chang Hong Optoelectronics Ltd. (“SIP Chang Hong”)	Subsidiary
SuZhou Alliance Material. Co., Ltd. (“Suzhou Alliance”)	Subsidiary
Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Subsidiary
Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Subsidiary
Sun Hong Optronics Ltd. (“Sun Hong”)	Subsidiary
Xiamen Guang Hong Optronics Ltd. (“Xiamen Guang Hong”)	Subsidiary
SIP Chang Jun Trading Limited	Subsidiary
Ningbo Changli New Material Limited	Subsidiary
GRANITE INTERNATIONAL LTD. (average profits)	Subsidiary
Wah Lee Industrial Corp.	Investor with significant influence
Shanghai Yikang Chemical Industry Material Limited Company	Subsidiary of Investor with significant influence
Raycong Industrial (Hong Kong) Limited	Subsidiary of Investor with significant influence
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary of Investor with significant influence
Tranceed Logistics Co. Ltd.	Subsidiary of Investor with significant influence
Regent Tech-Solutions Co., Ltd.	Substantive related party (became unrelated party since August 2022)
Wah Sheng Industrial Corp.	Associate

(II) Operating transactions

1. Sales of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Subsidiaries		
SIP Chang Hong	\$ 912,020	\$ 866,082
Others	<u>592,359</u>	<u>572,789</u>
	1,504,379	1,438,871

Investor with significant
influence and their
subsidiaries

31,137
\$ 1,535,516

93,598
\$ 1,532,469

The selling prices were no similar transactions with third parties for comparison. The payment terms granted to the related parties are 90-180 days, third parties are 30-150 days.

2. Purchase of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Subsidiary	\$ 50,746	\$467,618
Investor with significant influence and their subsidiaries	4,583	20,771
Substantive related party	<u>-</u>	<u>7</u>
	<u>\$ 55,329</u>	<u>\$488,396</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison. As for payment terms, there is no significant difference between related parties and general manufacturers, except that some subsidiaries adopt prepayment method.

3. Other revenue

(1) Commission revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Subsidiaries		
SIP Chang Jun	\$ 2,964	\$ 6,719
Suzhou Alliance	1,763	2,787
Ningbo Changli	<u>1,605</u>	<u>-</u>
	<u>\$ 6,332</u>	<u>\$ 9,506</u>

(2) Service revenue

The Company signed Software Support and Service Contracts with its subsidiaries, and its service income collected from its subsidiaries were NT\$29,203 thousand and NT\$15,246 thousand in 2023 and 2022, respectively.

The Company's service income collected from providing labor services to its affiliates was NT\$2,255 thousand in 2023.

(3) Rental revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence	<u>\$ 37</u>	<u>\$ 38</u>

4. Receivables from related parties

(1) Accounts receivable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
SIP Chang Hong	\$492,810	\$360,495
Others	<u>256,739</u>	<u>195,873</u>
	749,549	556,368
Investor with significant influence and their subsidiaries	<u>11,191</u>	<u>33,705</u>
	<u>\$760,740</u>	<u>\$590,073</u>

(2) Other receivables

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary	\$ 4,476	\$ 6,673
Investor with significant influence	3	19
Associate	<u>2,359</u>	<u>-</u>
	<u>\$ 6,838</u>	<u>\$ 6,692</u>

The outstanding accounts receivable from related parties are unsecured and not recognized for impairment losses.

5. Payables to related parties

Accounts payable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary	\$ 15,327	\$ 24,099
Investor with significant influence	<u>1,664</u>	<u>4,003</u>
	<u>\$ 16,991</u>	<u>\$ 28,102</u>

(III) Payments for property, plant and equipment 2022 only

<u>Related party category</u>	<u>Items acquired</u>	<u>Acquisition price</u>
Subsidiary	Machinery and equipment	\$ 210

Investor with significant influence	Machinery and equipment	<u>98</u> <u>\$ 308</u>
(IV)	Endorsement	
	<u>Endorsements/ guarantees provided</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Related party category</u>		
Subsidiaries		
Amount endorsed	<u>\$ 952,325</u>	<u>\$1,174,170</u>
Amount actually drawn	<u>\$ 364,762</u>	<u>\$ 257,997</u>
(V)	Rent expense	
	<u>2023</u>	<u>2022</u>
<u>Related party category</u>		
Investor with significant influence and their subsidiaries	\$ 1,446	\$ 1,446
Substantive related party	<u>-</u>	<u>720</u>
	<u>\$ 1,446</u>	<u>\$ 2,166</u>

The rent is determined by both parties through negotiation between them by referring to local rent, and the rent is collected as agreed in the contract.

(VI)	Compensation of key management personnel	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 31,592	\$ 38,571
Retirement benefits	<u>520</u>	<u>338</u>
	<u>\$ 32,112</u>	<u>\$ 38,909</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

XXVIII. ASSETS PLEDGED AS COLLATERAL

The Company provided the following assets (show as net book value) as collaterals for part of borrowings and performance guarantee.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment		
Land	\$171,108	\$171,108
Buildings	<u>199,626</u>	<u>213,466</u>
	<u>\$370,734</u>	<u>\$384,574</u>

XXIX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of balance sheet date were as follows:

- (I) The Company's unused letters of credit for purchase of merchandise balance as follows:

	Unit: Foreign Currencies / NTD (In Thousands)	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	<u>\$ 2,959</u>	<u>\$ 2,230</u>

- (II) The Company's unrecognized contractual commitment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of equipment	<u>\$ 5,084</u>	<u>\$ 4,598</u>

- (III) The details of endorsements and guarantees with related parties refer to Note XXVII and Table 2.

- (IV) As of December 31, 2023 and 2022, the performance bonds issued by the bank to the Company for importing goods are NT\$1,300 thousand and NT\$800 thousand respectively.

XXX. MAJOR SUBSEQUENT EVENTS

In March 2024, the Board of Directors of the Company resolved the proposal to sell the premises and land of the old plant to increase the working capital as Ningbo Changhong Optoelectronics Ltd. had moved to a new plant, with an estimated sale price of RMB 47,447 thousand, and authorized the chairman to handle the subsequent signing at sole discretion.

XXXI. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign Currencies/ NTD/ Forex rate (In Thousands)

	Foreign currencies	Exchange rate	Carrying amount
<u>December 31, 2023</u>			
Foreign currency assets			
Monetary items			
USD	\$ 44,626	30.705 (USD:NTD)	\$ 1,370,248
Foreign currency liabilities			
Monetary items			
USD	35,966	30.705 (USD:NTD)	1,104,327
<u>December 31, 2022</u>			
Foreign currency assets			
Monetary items			
USD	43,341	30.71 (USD:NTD)	1,331,009
Foreign currency liabilities			
Monetary items			
USD	\$ 31,385	30.71 (USD:NTD)	\$ 963,835

The Company's realized and unrealized exchange gains and losses are mainly from USD-dominated transactions, and its net exchange gain and loss generated in 2023 and 2022 was a loss of NT\$3,770 thousand and a gain of NT\$40,662 thousand, respectively.

XXXII. ADDITIONAL DISCLOSURES

- (I) Information about significant transactions and (II) investees:
1. Lending funds to others: Table 1
 2. Endorsements/guarantees provided: Table 2
 3. Marketable securities held: Table 3
 4. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5

9. Trading in derivative instruments: Note VII

10. Information on investees: Table 6

(III) Information on investments in mainland China

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period:

	Purchase of goods		Accounts payable	
	Amount	%	Amount	%
Sun Hong	\$ 27,500	1	\$ 8,093	2
Qingdao				
Changhong	179	-	171	-
SIP Chang				
Hong	10	-	10	-
	<u>\$ 27,689</u>	<u>1</u>	<u>\$ 8,274</u>	<u>2</u>

- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

	Sales of goods		Accounts receivable	
	Amount	%	Amount	%
SIP Chang				
Hong	\$ 912,020	25	\$ 492,810	33
Suzhou				
Alliance	244,271	7	107,311	7
Ningbo				
Changhong	102,858	3	30,586	2
Xiamen Guang				
Hong	91,057	2	41,443	3
Sun Hong	63,378	2	27,172	2
Qingdao				
Changhong	5,342	-	3,362	-
SIP Chang Jun	2,189	-	1,228	-
Ningbo				
Changli	1,956	-	1,190	-
	<u>\$ 1,423,071</u>	<u>39</u>	<u>\$ 705,102</u>	<u>47</u>

- (3) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
 - (4) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - (5) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None
- (IV) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
LENDING FUNDS TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Remark
													Item	Value			
1	SIP Chang Hong Optoelectronics Ltd.	SIP Chang Jun Trading Limited	Other receivables - related parties	Yes	\$ 9,035	\$ -	\$ -	3.50	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 325,977	\$ 869,271	
2	SIP Chang Hong Optoelectronics Ltd.	Ningbo Changhong Optoelectronics Ltd.	Other receivables - related parties	Yes	17,626	-	-	3.50	Short-term financing	-	Operating capital	-	-	-	325,977	869,271	
3	Ningbo Changhong Optoelectronics Ltd.	Ningbo Changli New Material Limited	Other receivables - related parties	Yes	17,979	6,503	6,503	3.50	Short-term financing	-	Operating capital	-	-	-	112,567	300,178	

Note 1: Loan and limit of funds for individual objects: For SIP Chang Hong and Ningbo Changhong, if the single guarantee object is a subsidiary that the Company directly or indirectly holds 100% of the voting shares, the limit shall not exceed 30% of the Company's net value.

Note 2: Loan and total limit: For SIP Chang Hong and Ningbo Changhong, it shall not exceed 80% of the company's net value.

Note 3: USD is converted by spot exchange US\$1 = NT\$30.705, RMB is converted by USD spot exchange with US\$1 = RMB7.0827.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
ENDORSEMENTS/ GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Period	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in mainland China	Remark
		Name	Relationship											
0	The Company	Sun Hong Optronics Ltd.	Subsidiary of the Company	\$ 1,259,452	\$ 551,225	\$ 521,985	\$ 248,530	\$ -	12.44	\$ 2,938,722	Y	N	Y	
0	The Company	Wah Ma Technology Sdn.Bhd. (Wah Ma)	Subsidiary of the Company	1,259,452	9,426	5,770	1,783	-	0.14	2,938,722	Y	N	N	
0	The Company	Xiamen Guang Hong Optronics Ltd.	Subsidiary of the Company	1,259,452	162,125	153,525	-	-	3.66	2,938,722	Y	N	Y	
0	The Company	Wah Hong Holding Limited	Subsidiary of the Company	1,259,452	97,275	92,115	-	-	2.20	2,938,722	Y	N	N	
0	The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiary of the Company	839,635	35,826	30,705	-	-	0.73	2,938,722	Y	N	Y	
0	The Company	SIP Chang Jun Trading Limited	Subsidiary of the Company	1,259,452	119,257	114,449	114,449	-	2.73	2,938,722	Y	N	Y	
0	The Company	PT. Wah Hong Indonesia ("WH Indonesia")	Subsidiary of the Company	1,259,452	35,668	33,776	-	-	0.81	2,938,722	Y	N	N	

Note 1: The limit on endorsement/ guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company.

Note 2: The maximum total amount of endorsement/guarantee shall not exceed 70% of the equity of the Company.

Note 3: USD is converted at spot exchange US\$1= NT\$30.705; RMB is converted at USD spot exchange US\$1 = RMB7.0827; MYR is converted at spot exchange MYR\$1 = NTD\$6.4110; IDR is converted at the spot exchange rate IDR\$1=NTD\$0.00198.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

Table 3

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remark
				Number of Note Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Imat Corporation	-	Financial assets at FVTOCI - non-current	1,900,000	\$ -	8.26	\$ -	
	Forming Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,000,000	-	11.68	-	
	Wah Lee Japan Corporation	Subsidiary of Investor with significant influence	Financial assets at FVTOCI - non-current	300	832	16.67	832	
	Jun Hong Optronics Corporation	-	Financial assets at FVTOCI - non-current	19,800,000	54,930	14.48	54,930	
	Wah Lee Industrial Corp.	Investor with significant influence	Financial assets at FVTOCI - non-current	6,312,559	622,418	2.67	622,418	
					<u>\$678,180</u>		<u>\$678,180</u>	
	Chang Wah Electromaterials Inc.	Associate of investor with significant influence	Financial assets at FVTPL - current	2,275,000	<u>\$ 79,398</u>	0.33	<u>\$ 79,398</u>	
Wah Hong Holding Ltd.	Stock							
	SiLican Inc	-	Financial assets at FVTOCI - non-current	250,000	<u>\$ 13,740</u>	7.20	<u>\$ 13,740</u>	

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4 (In Thousands of New Taiwan Dollars)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Remark
			Purchase/ Sale	Amount	% of Total	Payment Terms			Ending Balance	% of Total	
							Unit Price	Payment Terms			
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(\$ 912,020)	(25)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	\$ 492,810	33	
The Company	Ningbo Changhong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(102,858)	(3)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	30,586	2	
The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiaries	Sales of goods	(244,271)	(7)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	107,311	7	
Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	The same parent company	Sales of goods	(167,516)	(70)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	52,295	69	
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	Sales of goods	(514,296)	(57)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	174,768	61	

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

Table 5

(In Thousands of New Taiwan Dollars)

[illegible]

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 6

(In Thousands of New Taiwan Dollars)

Investor	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Remark
				Ending Amount of Current Period	Ending Amount of Previous Period	Shares	%	Carrying Amount			
The Company	Wah Hong Holding Ltd.	Mauritius	International investment business	\$ 969,225	\$ 1,212,961	30,624,940	100.00	\$ 3,261,367	\$ 173,655	\$ 173,655	Note 5 Note 1
The Company	Toprising Precision Tech. Co., Ltd.	New Taipei City	Production and trading business of components	7,200	7,200	720,000	27.48	-	(2,155)	-	
The Company	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	243,085	197,619	7,920,000	99.00	63,336	(24,460)	(24,215)	
The Company	Wah Sheng Industrial Corp.	Taoyuan City	Production and trading business of components	10,000	10,000	1,000,000	25.00	5,298	(20,596)	(5,149)	Note 1
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	Mauritius	International investment business	433,005	674,638	13,968,025	100.00	1,850,635	112,059	112,059	Note 4
Wah Hong Holding Ltd.	Wah Hong International Ltd.	Mauritius	International investment business	658,444	634,100	20,648,000	100.00	1,018,982	17,815	17,815	
Wah Hong Holding Ltd.	Wah Hong Development Ltd.	Mauritius	International investment business	15,095	15,355	500,000	100.00	-	-	-	
Wah Hong Holding Ltd.	Wah Ma Technology Sdn. Bhd.	Malaysia	Production and trading business of BMC (bulk molding compound) material and molded product	96,869	97,602	6,500,000	100.00	143,482	4,758	4,758	
Wah Hong Holding Ltd.	Granite International Ltd.	Samoa	International trading business	30,018	29,482	960,000	100.00	1,119	(98)	(98)	
Wah Hong Holding Ltd.	Smart Succeed Ltd.	Samoa	International trading business	-	-	-	100.00	(1,358)	(253)	(253)	
Wah Hong Holding Ltd.	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	2,455	1,996	80,000	1.00	653	(24,460)	(245)	
Wah Hong Holding Ltd.	Allied Royal LLC.	Anguilla	International investment business	49,200	49,200	2,715,000	67.50	234,018	58,615	39,565	
Allied Royal LLC.	Best Honor Inc.	Anguilla	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	-	-	-	100.00	-	-	-	
SIP Chang Hong Optoelectronics Ltd.	Chang Hong (HK) Optronics Limited	Hong Kong	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD materials	3,217	3,071	-	100.00	1,277	(129)	(129)	

Note 1: Associate accounted for using the equity method.

Note 2: The share of profit (loss) recognized for the year ended December 31, 2023 included adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 3: Please refer to Table 7 for information on investments in mainland China.

Note 4: Wah Hong Technology Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to Wah Hong Holding Ltd., its investor, in September 2023.

Note 5: Wah Hong Holding Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to the Company in September 2023.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 7

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Remark
					Outward	Inward							
SIP Chang Hong Optoelectronics Ltd. (“SIP Chang Hong”)	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	\$ 621,776	Reinvestment in mainland China through companies registered in a third region.	\$ 257,482	\$ -	\$ -	\$ 257,482	\$ 21,204	100.00	\$ 21,204	\$ 1,086,589	\$ 644,286	
Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Production and trading of panel display compound and LCD optical film etc.	184,844	Reinvestment in mainland China through companies registered in a third region.	95,820	-	-	95,820	25,907	100.00	25,907	375,222	288,636	
Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Production and trading of panel display compound and LCD optical film etc.	61,410	Reinvestment in mainland China through companies registered in a third region.	300,950	-	255,960	44,990	47,450	100.00	47,450	344,713	-	Note 3
SIP Chang Jun Trading Limited (“SIP Chang Jun”)	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD products	4,335	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	17,455	100.00	17,455	44,053	-	Note 1
SuZhou Alliance Material. Co., Ltd. (“Suzhou Alliance”)	Production and trading business of LCD materials	124,355	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	58,614	67.50	39,564	234,014	117,421	Note 2
Sun Hong Optronics Ltd. (“Sun Hong”)	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	420,659	Reinvestment in mainland China through companies registered in a third region.	238,092	-	-	238,092	19,484	100.00	19,484	804,354	488,880	
Xiamen Guang Hong Optronics Ltd. (“Xiamen Guang Hong”)	Production and processing of optical film products for LCD displays, assembly and design for LCD modules	260,993	Reinvestment in mainland China through companies registered in a third region.	227,204	-	-	227,204	(1,669)	100.00	(1,669)	214,599	-	
Guangzhou Youguang Optoelectronics Co., Ltd. (“Guangzhou Youguang”)	Production of light box, LED Opto-electronic compound and lighting products	122,851	Reinvestment in mainland China through companies registered in a third region.	15,095	-	-	15,095	-	12.82	-	-	-	
Ningbo Changli New Material Limited (“Ningbo Changli”)	Trading business of LCD material and BMC material	6,503	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	10,989	100.00	10,989	18,812	-	

Investor	Accumulated Outward Remittance for Investment in mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on the amount of investment in the mainland China area (Note 5)
Wah Hong Industrial Corp.	\$ 878,683	\$ 1,937,956	\$ 2,518,905

Note 1: Investments through Wah Hong Holding Ltd. and then invest through Wah Hong Technology Ltd.

Note 2: Investments through Wah Hong Holding Ltd. and then through Allied Royal LLC.

Note 3: Qingdao Changhong refunded the share capital of US\$8,000 thousand by capital reduction in May 2023 as resolved by the Shareholders' Meeting, and repatriated it to Wah Hong Technology Ltd., its investor, in September 2023.

Note 4: The difference between the investment amount of NT\$1,937,956 thousand approved by the Investment Committee of the Ministry of Economic Affairs and the accumulated investment amount of NT\$878,683 thousand repatriated from Taiwan is NT\$1,059,273 thousand, which is due to the capital increase of NT\$553,139 thousand from the sub-subsidiary surplus in mainland China. The reinvestment of NT\$250,174 thousand from Wah Hong Holding Ltd. and the refunded share capital from Qingdao Changhong by capital reduction of NT\$255,960 thousand have yet to be declared to the Investment Committee of the Ministry of Economic Affairs for review.

Note 5: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's net worth.