

Stock code : 8059



CastleNet Technology Inc.

2023 Annual Report

Annual Report Inquiry Website:

Market Observation Post System: <http://mops.twse.com.tw>

Company website: <http://www.castlenet.com.tw>

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

1. Spokesperson:

Spokesperson: Wu, Li-Mei
Title: Assistant vice president
Tel: (02)2267-3858 Ext: 28808
Email: CTI_shareholder@castlenet.com.tw

2. Company contact information:

Headquarters: No. 14, Ln. 141, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City
222004, Taiwan (R.O.C.)
Tel: (02)2267-3858

3. Common Share Transfer Agent and Registrar:

Company: The Transfer Agency Department of MasterLink Securities Corporation
Address: B1, No. 35, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City 105,
Taiwan (R.O.C.)
Website: <http://www.masterlink.com.tw>
Tel: (02)2768-6668

4. Auditors for the recent financial report:

Name: WU, JEN-CHIEH, CHANG, SHU-CHIUNG
Company: PWC Taiwan
Address: 27F., No. 333, Dadao Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)
Website: <http://www.pwc.tw>
Tel: (02)2729-6666

5. Stock Exchange where depositary receipts or common shares are listed and related information: None.

6. Website: <http://www.castlenet.com.tw>

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I. Letter to Shareholders

Dear shareholders,

Thanks for the support of the company over the years. Looking back to 2023, Affected by the expansion of geopolitical conflicts and interest rate hikes, the global economy has fallen into a downturn, market confidence is fragile, and various uncertain factors have become increasingly apparent. This has led to a rapid decline in demand, an increase in end customer inventory, and forced postponement of product shipment plans, resulting in difficulty in destocking inventory and causing inventory pressure, resulting in overall operational performance falling short of expectations. To address these challenges, CastleNet will continue to develop customer services in different regions around the world to expand business opportunities. At the same time, we regularly review the cost of purchasing components and the sales price of products, striving to find the most favorable balance point, ensuring that product prices are competitive, and achieving a win-win situation between suppliers, companies, and customers. We hereby report to all shareholders on the operational status of CastleNet in 2023 and its outlook for 2024.

Description of operations in 2023

CastleNet Technology's consolidated revenue in 2023 was NT \$556 million. The net profit after tax was 67.2 million, with an earnings per share of NT \$0.04. The debt ratio for the year 2023 was 32.42%, the current ratio was 310.75%, and the quick ratio was 219.5%. The financial structure and solvency remained stable. In 2023, facing an economic recession and increased uncertainty in the global economic, due to inflation and global economic downturn, the market has rapidly turned into an oversupply situation. In addition, major Central and South American customers have experienced a significant decrease in demand due to currency depreciation and inflation, resulting in an increase in customer inventory and a halt in purchases and delayed orders. As a result, the annual revenue of CastleNet has been greatly affected.

Despite the under-performance revenue in 2023, CastleNet still made progress in new product development and business expansion. CastleNet have obtained multiple operator broadband product certifications in Central and South America. In addition to Wi Fi Mesh Router and Cable modem, our products added fiber optic network broadband gateways and had begun client testing. In the Mesh WiFi 6 product, several models have passed Plume OpenSync certification and customer testing. In addition, CastleNet also collaborates with Broadcom and operators to use the BAS analysis system to assist operators in safely monitoring the usage of

end users, providing customers with more value-added services, helping them with after-sales service, and creating a favorable business cycle.

2024 Operation Plan

Looking ahead to 2024, in the face of economic recession and increasing uncertainty in the global economic, all colleagues at CastleNet have bravely faced severe challenges, making inventory reduction, expanding new customers, and high gross profit products the top priority, bringing digital transformation and sustainable operation to the enterprise. Despite the slowdown in demand and slow destocking, there are still many variables in the annual revenue and profit. In response to this situation, CastleNet is working hard on a new product development plan to reduce the delay or even cancellation of orders caused by customer inventory. CastleNet are actively improving product quality, introducing advanced technology, increasing unit production capacity, and adjusting product combinations to reduce product business with longer development cycles. At the same time, in order to achieve maximum cost-effectiveness, CastleNet is increasing the proportion of high value-added products shipped.

In addition, a 10G DOCSIS 3.1+ cable gateway will be developed for broadband cable end-user devices this year. At the same time, WiFi 7 grid wireless routing system is also developing to cover the product line from low to high levels, to keep up with the latest communication standards and ensure that our products are at the forefront of technology. CastleNet will further accelerate the introduction of cloud management features to give our products the ability to support AI Mesh optimization and enhance their competitive advantage.

CastleNet will continue to expand its products based on cable modems and system integration business, relying on self-developed technology, actively investing in highly integrated and high-value niche products to deepen product differentiation, enhance market competitiveness, and simultaneously develop new product lines, including 5G fixed wireless access related products, as well as fiber optic network broadband gateways (covering up to 10G XGS-GPON ONT), while exploring new market customers. This helps to effectively diversify customer and regional risks, obtain long-term stable orders, and achieve growth goals.

In addition to strengthening production and sales capabilities, expanding operational scale, reducing operating costs, and increasing brand awareness and market share, CastleNet will also fully leverage the group's advantages in global manufacturing, continuously improving production technology and quality. Introducing automation technology to replace human labor, increase production capacity, control production costs, and thereby increase profit margins. The development of related products and services for 5G fixed wireless access terminal equipment (5G FWA) and fiber optic network broadband gateway will also become the company's main

focus project in 2024, which is expected to contribute to the company's future revenue. In addition, important production and sales strategies to 2024 will also focus on ESG sustainable development and achieving the goal of reducing carbon emissions, while strengthening production quality management and integrating product sales to improve overall revenue stability.

Vision and Outlook

CastleNet has been committed to the R&D, design and sales of network communication products. With high-quality products to be proud of and strong technical capabilities, we are continuing to consolidate our position in the field of Netcom.

With excellent research and development capabilities experience, staying on top of market demand, and an in-depth understanding of customers' future new service operation plans, we can provide products and services that are closer to customer needs, consolidate market positions, and establish long-term and stable cooperation.

We have been committed to operating with integrity as our corporate governance principle to ensure the healthy development of the company. We are striving to enhance corporate value and shareholders' rights, pursue sustainable business development of the company, and become a world-class provider of complete broadband network solutions as our mission. Lastly, we would like to wish all shareholders good health and all the best of luck.

Sincerely,

CastleNet Technology Inc.

Chairman: Ying Chang

CEO: Ying Chang

II. Company profile

2.1 Date of Incorporation: June 26, 1998

2.2 Company History:

2008	Listed on Emerging Stock Board of TPEX. EMTA product passed CableLabs® CW#64 PacketCable 1.5 certification.
2009	DOCSIS3.0 product were officially shipped. DOCSIS3.0 product passed CableLabs® CW#71 DOCSIS3.0 certification.
2010	IPO on TPEX Mainboard, Issued new shares of NT\$87,100,000 for capital increase in cash, and the paid-in capital amounted to NT\$926,000,000. DOCSIS2.0b Channel Bonding Wireless EMTA passed TUV ErP 2009/125/EC EU environmental protection regulations certification. DOCSIS3.0 product passed CableLabs® CW#79 DOCSIS3.0 for 2 nd generation chip certification.
2011	DOCSIS2.0 product passed CableLabs® CW#82 DOCSIS3.0 and PacketCable1.5™ certification. EURO DOCSIS3.0 product passed EURO CableLabs® ECW#43 EURO DOCSIS3.0 and EURO PacketCable1.5™ certifications. DOCSIS3.0 EMTA product obtained the order from Turkey's biggest MSO.
2012	IEEE802.11n wireless network card product was certified by the Wi-Fi Alliance. DOCSIS3.0 Wireless Cable Modem product passed CableLabs CW#90 DOCSIS3.0 certification. DOCSIS3.0 EMTA product passed CableLabs CW#91 DOCSIS3.0 certification. Cable Modem product passed CableLabs CW#92 certification. Cable Modem product passed CableLabs CW#93 certification. Cable Modem product BCW710J was certified by Wi-Fi Alliance. Cable Modem product BCW700J was certified by Wi-Fi Alliance. Cable Modem product CBW383G4J was certified by Wi-Fi Alliance.
2013	Cable Modem product passed CableLabs CW#96 certification. Set-Top Box product SAS603 passed HDMI certification. Cable Modem product passed CableLabs CW#97 certification.
2014	The capital reduction of NT\$14,820,000 for the cancellation of treasury stock resulted in a paid-in capital of NT\$911,180,000.

	<p>Integrated Wuhan R&D Center into Taipei R&D Center.</p> <p>Cable Modem product CBW383G4AC passed CableLabs CW#103 certification.</p> <p>Cable Modem product passed CableLabs CW#101.</p> <p>Cable Modem product DCM-301 passed CableLabs CW#104 certification.</p> <p>Cable Modem product CBV3843Z4S passed CableLabs CW#107 certification.</p> <p>Cable Modem product CBW3843G4S passed CableLabs CW#108 certification.</p> <p>Cable Modem product CBC3843D1 passed CableLabs CW#112 certification.</p> <p>Cable Modem product CBW383G4DBC passed CableLabs CW#112 certification.</p>
2015	<p>Cable Modem product CBV383Z4 obtained the order from Peru's biggest MSO and started shipping.</p> <p>Cable Modem product CBW383ZN was certified by Wi-Fi alliance.</p> <p>Cable Modem product CBW383ZN passed CableLabs CW#113 certification.</p> <p>Cable Modem product Infinity 401 passed CableLabs CW#113 certification.</p> <p>Cable Modem product Infinity 402 passed CableLabs CW#58E certification.</p> <p>Cable Modem product DCM-3012G passed DOCSIS 3.0 and PacketCable 1.5 certification. (CW115).</p> <p>Cable Modem product Optimum 601 passed DOCSIS 3.1 Dry-Run test.</p> <p>Cable Modem product CBV3843Z4S was certified by Wi-Fi alliance.</p> <p>The new plant in CTI(Kunshan) was completed and put into use.</p>
2016	<p>Kinpo Electronics, Inc. acquired more than half of the directors of the board, and became the parent company with substantial control over the Company.</p> <p>Cable Modem product Optimum 601 passed DOCSIS 3.1 certification (CW#116).</p>
2017	<p>Cable Modem product Infinity 401 was certified by Wi-Fi Alliance.</p> <p>Cable Modem product CGA0101 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p>
2018	<p>Cable Modem product CGA2231 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p> <p>Cable Modem product CGA0112 was certified by Wi-Fi Alliance.</p>
2019	<p>Cable Modem product CGA2231 passed CableLabs CW#127 certification.</p>

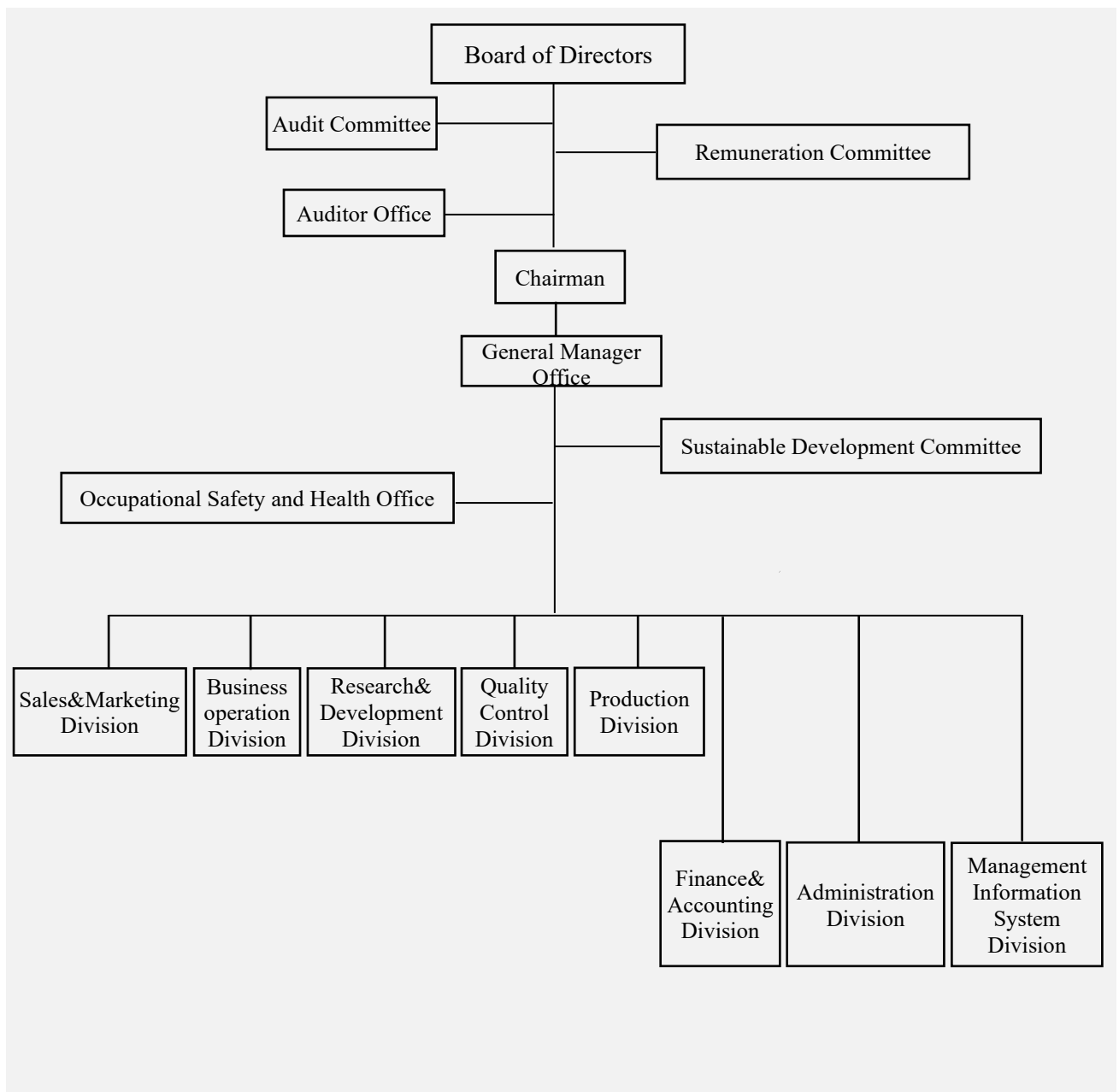
	<p>Cable Modem product CGA0112 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p> <p>Cable Modem product CGA0112 was certified by Wi-Fi Alliance.</p> <p>Issuance of 8,508 units of the Company's first employee warrants for 2019, each for 1,000 shares of the Company's common stock.</p> <p>The private equity capital increased the Company's capital by a total of 102,500 thousand shares of common stock at NT\$10 per share.</p> <p>Purchased convertible bonds of SPI.</p>
2020	<p>Head office moved from Tucheng District, New Taipei City to Shenkeng District, New Taipei City.</p> <p>Obtained the order for Cable Gateway product from the biggest MSO in Philippines.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Peru.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Colombia.</p> <p>A total of 1,663 units of the Company's first employee stock warrants for 2020 were issued, with each unit entitled to 1,000 shares of the Company's common stock.</p>
2021	<p>Strategic partnership with Plume, a US-based cloud services company.</p> <p>Obtained the order for Cable Modem/Gateway product from a secondary MSO in Switzerland.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Ecuador.</p> <p>Obtained the order for WiFi Mesh Router product from MSO in Colombia.</p> <p>Obtained the order for DOCSIS module from the intelligent transportation system product manufacturer and DOT/ITS in US.</p> <p>Obtained the order for Cable WiFi Gateway product from the biggest MSO in Taiwan.</p> <p>The issuance of the Company's first employee stock warrants for 2020 amounting to 1,337 units, with each unit entitled to subscribe 1,000 shares of the Company's common stock; The company issued 3,000 stock warrants for the first time in 2020, and all of them have been issued.</p> <p>CastleNet Technology Inc., a subsidiary of the Company, underwent a cash capital reduction and remitted US\$8.5 million. After the capital reduction, the paid-in capital was changed to US\$7.5 million, and its holding company, CastleNet (BVI) Technology Inc., also underwent a cash capital reduction</p>

	and remitted US\$8.5 million to the Company. After the capital reduction, the amount of paid-in capital was changed to US\$8.708 million, and the deduction of the Company's investment in Mainland China was approved by the Investment Review Committee of the Ministry of Economic Affairs.
2022	<p>WiFi Product EBM552 passed Plume Product Certification.</p> <p>WiFi Mesh product EBM522 passed Wifi Garden certification.</p> <p>Cable Modem product CBV384Z4 passed CableLabs CW#133 certification.</p> <p>Cable Modem product CBV384Z4 was certified by Wi-Fi Alliance.</p> <p>Cable Modem product Infinity 601 passed DOCSIS 3.1 CableLabs CW# 138 certification.</p> <p>Establishment of the Sustainable Development Committee.</p>
2023	<p>Cable Modem Product Infinity 601 was officially shipped to Taiwan MSO.</p> <p>ECMM Product CBE390Z1MUA passed DOCSIS 3.1 Cablelabs CW#141 certification.</p> <p>ECMM Product CBE390Z1MUA was officially shipped to USA customer.</p> <p>Wifi Mesh Product EBM522 was officially shipped to Taiwan MSO</p> <p>Employee stock options were converted, resulting in the issuance of 1,881.5 thousand shares, increasing the capital by 18,815 thousand dollars.</p>
2023 (As of the printing date)	<p>WiFi Mesh EBM522C-X54 was certified by Plume.</p> <p>Wifi Mesh EBM522C-X54 was certified by Wi-Fi Alliance.</p> <p>Wifi Mesh EBM562-X30 was certified by Wi-Fi Alliance.</p> <p>Employee stock options were converted, resulting in the issuance of 391 thousand shares, increasing the capital by 3,910 thousand dollars.</p> <p>Employee stock options were converted, resulting in the issuance of 1,656.25 thousand shares, increasing the capital by 16,562.5 thousand dollars.</p> <p>As of the deadline of the publication of the annual report, there were still 83,750 new shares issued through conversion of employee stock option certificates. After the Board of Directors of the Company made a resolution to approve the proposal for the base date of issuance of new shares through conversion of employee stock option certificates and relevant matters on May 10, 2024, corporate change registration will be legally conducted. After completion of the change, the number of paid-in shares reached 192,630,500, and the paid-in share capital reached NT\$ 1,926,305,000.</p>

III. Corporate Governance Report

3.1. Organization

3.1.1. Organizational Chart:



3.1.2. Major Corporate Functions:

Division	Functions
Board of Directors Chairman	Responsible for corporate governance and overall operational performance.
Auditor Office	Assisting in auditing the implementation of various rules and regulations, and providing suggestions to management for improvement, etc.
General Manager Office	Planning the company's business strategy, organizing, managing, and coordinating the business of each division.
Sustainable Development Committee	To promote sustainable environment (E), social responsibility (S), corporate governance (G) (including integrity management), risk management, information security management, other organizational operations, and planning implementation related operations to promote the sustainable development of enterprises.
Occupational Safety and Health Office	Planning the company's safety and health management plan and promoting safety and health related matters.
Research & Development	Responsible for the design, development and testing of new products, planning and implementing the company's mid- and long-term new technology research and development blueprint, establishing the R&D process quality system and intellectual property management of R&D technology.
Sales & Marketing	Marketing and customer complaint handling; import and export business and payment collection.
	Market analysis, product planning, product promotion and publicity activities, editing of product specifications.
Business operation	Supplier management, raw material procurement, inventory control, production and sales scheduling, cost control, production technical support.
Quality Control	Responsible for the implementation and maintenance of the quality management system.
Production	Product production management, planning improvement and efficiency improvement of production process, establishment of operating standards, equipment maintenance.
Finance & Accounting	Overseeing and managing matters concerning finance, accounting, investment evaluation.
Administration	Overseeing and managing human resources, employee benefits and administrative management and other related operational matters.
Management Information System	Responsible for planning, development and maintenance of information systems, planning, management and maintenance of computer software, hardware and network equipment, and management and promotion of information security planning.

3.2. Information on Board Directors, President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Units and Branches

3.2.1. Directors:

3.2.1.1. Directors Information (1):

April 8, 2024

Title	Nationality	Name	Gender	Date of Assignment	Office Term (Years)	Date of First Elected	Shareholding when Owned Share upon Assignment		Shareholding		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key position held in other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
			Age				Number of Shares	%	Number of Shares	%	No. of Shares	%	No. of Shares	%			Relation	Name	Title	
Chairman	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	M.S., Management, eorge Washington University Senior Vice President of Compal Electronics, Inc. Director of Allied Circuit Co., LTD.	-	-	-	-	-
	Taiwan	Representative: Chang, Yi	M 60-69	2022.6.27	3	2010.7.21	0	0%	0	0%	0	0%	0	0%		(Note 1) (Note 4)	-	-	-	-
Director	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2010.6.22	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	M.S., International Business, Waseda University, Japan Chairman and President of Acbel Polytech Inc.	-	-	-	-	-
	Taiwan	Representative: Hsu, Chieh-Li	M 50-59	2022.6.27	3	2010.7.21	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Director (Note 2)	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2010.6.22	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	B.S., Navigation, Taipei College of Maritime Technology Director of Kinpo Electronics, Inc.	-	-	-	-	-
	Taiwan	Representative: Hsu, Wei-Yang	M 60-69	2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Director	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	M.B.A., Pacific Western University Director and General Manager of NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd.	-	-	-	-	-
	Taiwan	Representative: Huang, Yu-Hui	M 60-69	2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-

Title	Nationality	Name	Gender	Age	Date of Assignment	Office Term (Years)	Date of First Elected	Shareholding when Owned Sharew upon Assignment		Shareholding		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key position held in other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship				Remark
								Number of Shares	%	Number of Shares	%	No. of Shares	%	No. of Shares	%			Relation	Name	Title		
Director (Note 2)	Taiwan	Kinpo Electronics, Inc.	-		2022.6.27	3	2017.6.13	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	M.S., Technology Management, Pacific Western University Vice President of Cal-Comp Electronics (Thailand) Public Company Limited, Director and President of Dongguan Kaipu Electronics Co., Ltd.	-	-	-	-	-	-
	Taiwan	Representative: Chiang, Tai-Chang	M	50-59	2022.6.27	3	2017.6.13	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-	-
Director (Note 2) (Note 3)	Taiwan	Kinpo Electronics, Inc.	-		2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	67.46%	0	0%	0	0%	M.A., National Chengchi University. Corporate Governance Officer of Kinpo Electronics, Inc.	-	-	-	-	-	-
	Taiwan	Representative: Lin, Cheng-Hsien	M	60-69	2022.6.27	3	2023.11.2	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-	-
Independent director	Taiwan	Hsu, Sheng-Haur	M	70-79	2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%	Oklahoma State University Chairman of Costar Electronics Inc.	(Note 4)	-	-	-	-	-
Independent director	Taiwan	Tsai, Chien-Wen	M	70-79	2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%	B.S., Department of Industrial and Systems Engineering, Chung Yuan Christian University Independent Director of Cen Link Co., Ltd.	(Note 4)	-	-	-	-	-
Independent director	Taiwan	Fu, Chi-Ching	M	50-59	2022.6.27	3	2019.6.24	0	0%	0	0%	0	0%	0	0%	B.S., Public Administration, National Chengchi University. President of Alibaba Taiwan & Hong Kong Branch.	(Note 4)	-	-	-	-	-
Independent Director (Note 1)	Taiwan	Chen, Yi-Ling	F	40-49	2023.5.30	2.1	2023.5.30	0	0%	0	0%	0	0%	0	0%	B.A., major in Department of Korean Language and Culture (minor in Department of Accounting), National Chengchi University. CPA, BDO Taiwan	(Note 4)					

Note 1: If the chairman of the board of directors and the general manager or the person of equivalent position (the top manager) of the company are the same person, spouse or a relative of each other, the reason, rationality, necessity and relevant information (such as increasing the number of

independent directors, and more than half of the directors should not concurrently serve as employees or managers, etc.) shall be explained. Mr. Chang, Yi was elected as the chairman of the company and acted as the general manager by the resolution of the board of directors on 27th, June, 2022 until the day when the board of directors re-appointed the general manager. More than half of the directors of the company are not employees or managers. An independent director was added to the company by a resolution at the Shareholders' Meeting on May 30, 2023.

Note 2: Enter the date of first appointment as a director or supervisor of the Company, with an explanatory note if there is any interruption:

On May 11, 2016, Kinpo Electronics, Inc. initially elected 4 seats as the representative of directors, with an additional seat added on June 13, 2017. Of the 3 seats in 2016 and 1 seat in 2017, their terms expired on June 24, 2019. Subsequently, 2 seats were elected on June 22, 2020, and 2 seats from 2016 and 1 seat from 2017 were re-elected on August 2, 2021. On June 24, 2022, all directors and independent directors' terms of office had expired. After the full re-election of directors, there are currently 6 directors in office.

Note 3: Kinpo Electronics, Inc. respectively reassigned a representative of director on January 16, 2023. Mr. Shiau, Ching-Hwa replaced Mr. Hsu, Wen-Han. Then, on November 2, 2023, Mr. Shiau, Ching-Hwa was reassigned to Mr. Lin, Cheng-Hsien.

Note 4: All Directors have other key positions held in other companies as below:

Title	Name	Key Positions Held in Other Companies	
Chariman	Chang, Ying	Chariman	Hong-Yi Materials and Products Corporation, Hongyi optical Co., Ltd.
Director	Hsu, Chieh-Li	Chariman	AcAmple Power Pte. Ltd., OmniOn Power (China) Co., Ltd., OmniOn Power Holdings Inc., OmniOn Power Overseas LLC, OmniOn Power Shanghai Co., Ltd., AcSacca Solar Energy Co., Ltd., AcTel Power Co., Ltd., KangYang New Energy Co., Ltd., AcSun Energy Inc., AcRay Energy Co., Ltd., AcTek Energy Co., Ltd., AcRise Power Inc., AcLeap Power Inc., Sumray Power Company, Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd.
		Chariman & President	Acbel Polytech Philippines, Inc., AcGile EV Power Inc., AcBel Polytech Inc., AcBel Electronic (XIAN TAO) Co., Ltd., AcBel Electronic(Dong Guan) Co., Ltd., AcBel Electronic (Wuhan) Co., Ltd.
		Vice President	Cal-Comp Electronics(Thailand) Public Company Limited
		Director & President	Acbel (USA) Polytech Inc., Kinpo&Compal Group Assets Development Corporation

Title	Name	Key Positions Held in Other Companies	
		Director	ABB Lineage Power Mexico, S. de R.L. de C.V., Acbel Polytech (Ireland) Limited, AcBel Polytech (SAMOA) Investment Inc., Acbel Polytech (Singapore) Pte Ltd., Acbel Polytech (UK) Limited, Acbel Polytech Holdings Inc., AcBel Polytech International Inc., AcBel Polytech Japan Inc., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp Electronics de Mexico Co., S.A. de C.V., Cal-comp Industria De Semicondutores S.A., Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Thailand) Limited, Cal-Comp Semiconductor, Ltd., Cal-Comp USA (San Diego), Co., Inc., CK Holdings Inc., CSA Holdings Inc., Lineage Power Matamoros, S.A. de C.V., OmniOn Power (Singapore) Pte. Ltd., OmniOn Power Inc., Power Station Holdings Ltd., Target Gain Corporation, XYZprinting, Inc., Shangbao Enterprise Inc., Compal Ruifang Health Assets Development Corporation, Compal Electronics, Inc., VesCir Ltd., MELVITA TAIWAN LTD., ARCE Therapeutics, Inc., Cal-Comp Precision Holding Co., Ltd., Epoch Foundation, NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Raypal Biomedical Co., Ltd., Ginza Sakoh Taiwan Co., Ltd., LIZ Electronics (Nantong) Co., Ltd.
		Supervisor	Teleport Access Services, Inc., Kinpo Group Management Consultant Company, Full Power Investment Co.,Ltd
		Vice President	Taiwan Electrical and Electronic Manufacturers' Association.
		Director	The Third Wednesday Club, Chinese National Federation of Industries
		Director	Japan-Taiwan Exchange Association, Importers and Exporters Association of Taipei, Monte Jade Science and Technology Association (Taiwan)
		Managing Director	Chongqing Tongliang District Shanghai Sino Hardware Electronics Co., Ltd., Chongqing Kanghua Metal Product Co.,Ltd.
		Chief Strategy Officer	Cal-Comp Electronics And Communications Co., Ltd.
		Branch Manager	AcSacca Solar Energy Co. Ltd. Changhua Branch
Director	Hsu, Wei-Yang	Director	Power Station Holdings Ltd., Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd.
Director	Huang, Yu-Hui	Chairman & President	XYZprinting (suzhou) Co., Ltd.

Title	Name	Key Positions Held in Other Companies	
		Director & President	CastleNet Technology Inc (Kunshan)., NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd.
		Director	ICKP(Beijing) Technology Development Co., Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd. Yueyang, Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Precision (Yueyang) Co., Ltd., Cal-Comp Precision (Dongguan) Co., Ltd
		Vice President	Kinpo Electronics (China) Co., Ltd.
Director	Chiang, Tai-Chang	Director	Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Singapore) Limited, Cal-Comp Precision (Thailand) Limited, Cal-Comp Semiconductor, Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Electronics(Thailand) Public Company Limited
Director	Lin, Cheng-Hsien	Director	McTec Taiwan Ltd., Teleport Access Services, Inc., Hongyi optical Co., Ltd., Crownpo Technology Inc., QBit Semiconductor Ltd., Norm Pacific Automation Corp., Prudence Venture Investment Corp., iHELPER Inc.
		Supervisor	ICKP(Beijing) Technology Development Co., Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Precision (Yueyang) Co., Ltd.
		Supervisor	Kinpo Electronics (China) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Li-Cheng Materials Corporation
		Corporate Governance Officer	Kinpo Electronics, Inc.
Independent Director	Hsu, Sheng-Haur	Chairman	Costar Electronics Inc., Ours Technology Inc.
		Director	Taipei Computer Association
Independent Director	Tsai, Chien-Wen	Independent Director	Cen Link Co., Ltd
Independent Director	Fu, Chi-Ching	President	Double Flourish Digital Co., Ltd.
		Independent Director	Lukas Biomedical Inc.
		Director	Taiwan Industrial Internet Council
Independent Director	Chen, Yi-Ling	Director & Owner	East Surpedia Technologies Development, Ltd.
		CPA	BDO Taiwan

Significant Shareholders of Legal Entities

8th, April, 2024

Name of Legal entity	Main legal person	Shareholding (%)
Kinpo Electronics, Inc.	COMPAL ELECTRONICS, INC.	8.26
	Panpal Technology Corp.	4.62
	GEBO Limited	3.00
	Ho Bao Investment Co., Ltd.	2.00
	Ruey Shinn Co., Ltd.	1.87
	Li Chu Tsai	1.44
	UBS Taipei Branch is subject to Li Chu Tsai trust property account	1.33
	Lai Shun Shen Tsai	1.28
	JPMorgan Chase Bank Taipei Branch is entrusted with the safekeeping of Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group	1.24
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21

Major shareholders of the major shareholders that are juridical persons

Name of juridical persons	Major shareholders of the juridical persons	Shareholding (%)
Compal Electronics, Inc (Date: 2 nd April, 2024)	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF.	6.97
	Yuanta/P-shares Taiwan Dividend Plus ETF	4.27
	Kinpo Electronics, Inc.	3.44
	New Labor Pension Fund	2.39
	Yuanta Taiwan High Dividend Low Volatility ETF	1.59
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.28
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.25
	JP Morgan Chase Bank Custody ABP Retirement Fund Investment Account	1.23
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.10
	Labor Insurance Fund	0.87
Panpal Technology Corp.	Compal Electronics, Inc	100.00
GEBO Limited	Li-Chu Tsai	95.39
	Chieh-Li Hsu	1.77
	Chun-Chi Hsu	1.42
	Yung-Hsu Hsu	1.42
Ho Bao Investment Co., Ltd.	Chieh-Li Hsu	45.76
	Li-Chu Tsai	20.06
	Chun-Chi Hsu	17.09
	Yung-Hsu Hsu	17.09
Ruey Shinn Co., Ltd.	Hsin Chung Chen	33.34
	Hsin Tso Chen	33.33
	Hsin Yu Chen	33.33

3.2.1.2. Directors Information (2):

<div>Criteria</div> <div>Name</div>	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Kinpo Electronics, Inc. Representative: Chang, Yi	(1) M.B.A of George Washington University U.S.A., with work experience in KinCompal Group more than 30 years, as Senior vice President in Compal Electronics, Inc. and Chariman, Director, President in the subsidiaries. (2) No breach of any of the provisions of Article 30 of the Company Law.	None of the directors (including independent directors) are related to each other as spouses or relatives within two degrees.	None
Kinpo Electronics, Inc. Representative: Hsu, Chieh-Li	(1) Chairman and President of AcBel Polyeach Inc., , Executive V.P. of Taiwan Electrical and Electronic Manufacturers's Association, President of Importers and Exporters Association of Taipei, with work experience covering operation management, leadership decision-making and industrial innovation in various professional fields of electronic technology, power energy, international marketing, production and manufacturing. Recently, he focuses on the blueprint of sustainable development of enterprises, and is committed to the innovation and promotion of energy saving and carbon reducing products such as clean energy, green electricity and car electricity. (2) No breach of any of the provisions of Article 30 of the Company Law.		
Kinpo Electronics, Inc. Representative: Hsu, Wei-Yang	(1) He had served as a director of Kinpo Electronics, Inc. and currently holds director positions at Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd. and Power Station Holdings Ltd. He has an international view of the world and expertise in business decision-making and leadership, as well as professional knowledge and insight on issues related to the corporate sustainable environment. (2) No breach of any of the provisions of Article 30 of the Company Law.		
Kinpo Electronics, Inc. Representative: Huang, Yu-Hui	(1) He holds an MBA degree from Pacific Western University in the United States and currently serves as the Senior Vice President of Kinpo Electronics, Inc., responsible for the manufacturing-related business of China		

Name \ Criteria	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>factories. With nearly 40 years of experience at NKG Group, he has professional financial and business management capabilities in the electronics and EMS manufacturing industry, as well as professional abilities in operational decision-making and leadership.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Kinpo Electronics, Inc. Representative: Chiang, Tai-Chang	<p>(1) He is the Director and President of Dongguan Kaipo Electronics Co., Ltd., with profound international business marketing expansion capabilities and work experience. He has worked in Kinpo Group for more than 20 years, responsible for the product marketing business of many world-renowned brand manufacturers, and is proficient in marketing-related production process control and product technology and quality issues.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Kinpo Electronics, Inc. Representative: Lin, Cheng-Hsien	<p>(1) The corporate governance supervisor of Kinpo Electronics, Inc. He has professional qualifications and experience in listed company governance and legal compliance, group organization operation and investment management, business analysis management and financial accounting.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Hsu, Sheng-Haur	<p>(1) In 1987, he founded Costar Electronic Inc. with the core values of innovation, efficiency, and harmony. Under his leadership, the company has evolved from a distributor to a professional mechanical keyboard and smart IC card reader ODM manufacturer. In 2003, he took over as Chairman of Ours Technology Inc., which specializes in IC research and development. The business scope expanded from consumer electronics to related products in IoT and smart health management. He has rich professional expertise and practical experience in business management and leadership decision-making..</p>	<p>Current Independent Directors have not againsted Articles 3-1 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” in two years before the</p>	0

Name \ Criteria	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	(2) No breach of any of the provisions of Article 30 of the Company Law.	election and during the term of office.	
Tsai, Chien-Wen	<p>(1) From 1997 to 2007, he held various positions at Kinpo Electronics, Inc. including Vice General Manager of Manufacturing Department, Vice General Manager of Management Department, General Manager of China Region, and Spokesperson for Kinpo Electronics, Inc. Later, he served as General Manager of South China Region and Director & General Manager of the Philippines at Leader Electronics, Inc. Currently, he serves as an independent director at Cen Link Co., Ltd., with extensive expertise in group organizational operation and management, cross-national production, manufacturing and sales management of electronics technology conglomerates. He also possesses professional abilities and experience in financial report internal control operation-related analysis as well as deliberation responsibilities as an independent director.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		1
Fu, Chi-Ching	<p>(1) He used to be Senior V.P. of Wealth Management Department in Standard Chartered and general manager of Alibaba Hong Kong and Taiwan., He is currently the general manager of Double Flourish Digital Co., Ltd., independent director of Lukas Biomedical Inc., and President of Taiwan Industrial Internet Association. Currently, he is committed to promoting and coaching Taiwanese enterprises to transform, innovate, and internationalize through 5th generation wireless business applications. He has the knowledge of the network communications industry and the professional qualifications and experience to lead the innovation and transformation of enterprises.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		1
Chen, Yi-Ling	(1) She once served as the team leader of Yadong United Accounting Firm, and now works as a		0

Name \ Criteria	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>practicing accountant at BDO Taiwan. She has served as a certified accountant for the listed company Tai Roun Products Co., LTD. since 2017. She specializes in the practical application of financial accounting standards and internal control systems, and corporate Organizational structure and transaction process planning. She has extensive experience in auditing public companies and listed companies. She has professional capabilities and practical experience in the scope of independent director responsibilities including analysis of financial reporting and internal control operations.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		

3.2.2 The Diversity & Independence of the Board of Directors:

3.2.2.1 The Diversity of the Board of Directors: Describe the board's diversity policy, Aim and achievement.

- In accordance with Article 20 of the Company's Corporate Governance Code: The board of directors of the company shall be accountable to the shareholders' meeting, and the operations and arrangements of the corporate governance system shall ensure that the board of directors exercises its functions and powers in accordance with laws and regulations, the company's articles of association or the resolutions of the shareholders' meeting. The structure of the board of directors of the company shall be based on the scale of the company's operation and development and the shareholding situation of its major shareholders, and the needs of practical operation to determine the appropriate number of directors of more than five people. The composition of the board of directors should consider diversity. The Board of Directors should formulate an appropriate diversification policy for the company's own operation, business pattern and development needs, which should include but not be limited to the following two criteria:

- (1) Basic conditions and values: Gender, age, nationality and culture, etc.

- (2) Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. CAbility to lead.
8. Ability to make decisions.

According to Article 3-1 of the Company's "Director Election Regulations": Directors shall have more than half of the seats, and shall not have spouses or relatives within the second degree of kinship.

2. The company adopts the nomination system for director candidates in accordance with the regulations of the company's articles of association, and takes the company's corporate governance code and the regulations for director election as the goal of selecting director candidates to ensure the diversity and independence of directors.
3. There are a total of 10 members of the current board of directors, and none of the members have a relationship of spouse or relative within the second degree of kinship with each other, and among them: directors who are employees of this company, its parent, subsidiary, or sibling companies status for 50%. Independent directors constitute 40% of the seats. Among the independent directors, 75% have less than 3 years of tenure, and 25% have served between 3 to 6 years. For information on the professional qualifications and experience of the current board members and the independence of independent directors, please refer to pages 16-19 of this annual report. Please refer to page 22-24 of this annual report for for a statistical chart of the distribution ratio of directors' relevant professional fields, industrial experience, gender, age, nationality, etc. The goal of diversity in the composition of the board of directors of the company has been achieved.
4. Establishment of objectives of corporate board diversity policy: To achieve the objective of corporate board diversity, a target of at least one female board member is established. The Board of Directors resolved to nominate one female independent director candidate at the Board Meeting on March 9, 2023., and she was elected at the Shareholders' Meeting on May 30, 2023. Thereby, achieving the target of at least one female board member.

3.2.2.2 Independenc of The board: State the number and proportion of independent directors, and state the independence of the board of directors, and explain with reasons

whether there are no items 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act, including a description of directors, supervisors or directors spouse and relatives within the second degree are related to the supervisor.

1. The proportion of the members of the current board of directors, please refer to above (1)3.
2. As of the publication date of the annual report, all directors (including independent directors) have spousal relationship or kinship relationship within the second parental level, which complies with the provisions of Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.
3. The independent directors of the company did not have any of the circumstances mentioned in Article 3, Item 1 of the "Measures for the Establishment of Independent Directors of Public Companies and Matters to be Followed" in the two years before their election and during their term of office, and they meet the qualifications for independence as independent directors.

Note:

1. Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether there is no company law Article 30 of each case.

2. Independent directors shall state their independence, including but not limited to whether they, their spouse, or relatives within the second degree are the directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held in the name of another person; whether to serve as a director, supervisor, or supervisor of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Offering Companies). Persons or employees; the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

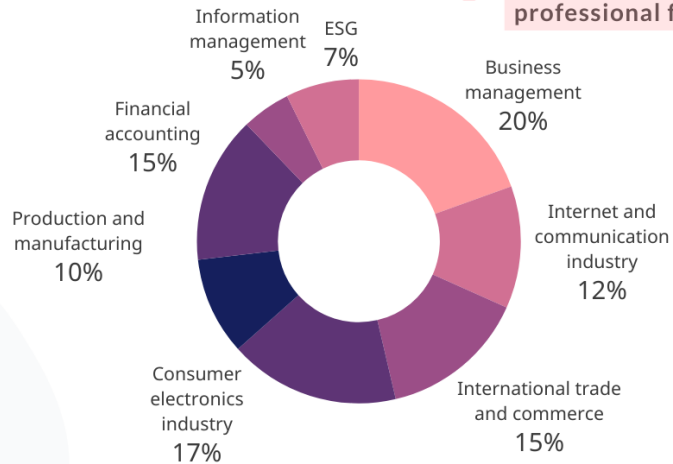
The diversity distribution table of the 9th Board of Directors members:

Title & Name	Gender	Concurrently serving as an employee or manager of the company, its parent, subsidiary, or sibling companies	Age				Main diversified businesses/areas.							
			40 - 49 years old	50 - 59 years old	60 - 69 years old	70 years old and above	Business management	Internet and communication industry	International trade and commerce	Consumer electronics industry	Production and manufacturing	Financial accounting	Information management	ESG
Chairman Chang, Ying	Male	√			√		√	√	√	√		√	√	
Director Hsu, Chieh-Li	Male	√		√			√	√	√	√	√	√		√
Director Hsu, Wei-Yang	Male				√		√		√	√				√
Director Huang, Yu-Hui	Male	√			√		√			√	√	√		
Director Chiang, Tai-Chang	Male	√		√				√	√	√				
Director Lin, Cheng-Hsien	Male	√			√		√					√		√
Independent Director Hsu, Sheng-Haur	Male					√	√	√	√	√	√			
Independent Director Tsai, Chien-Wen	Male					√	√			√	√	√		
Independent Director Fu, Chi-Ching	Male			√			√	√	√				√	
Independent Director Chen, Yi-Ling	Female		√							√	√	√		
%	Male 90% Female 10%	50%	10%	30%	40%	20%	20%	12%	15%	17%	10%	15%	5%	7%

The 9th CTI Board of Directors

DIVERSE COMPOSITION

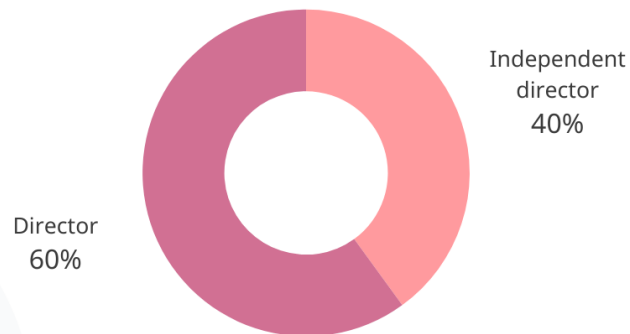
Distribution of professional fields



The 9th CTI Board of Directors

DIVERSE COMPOSITION

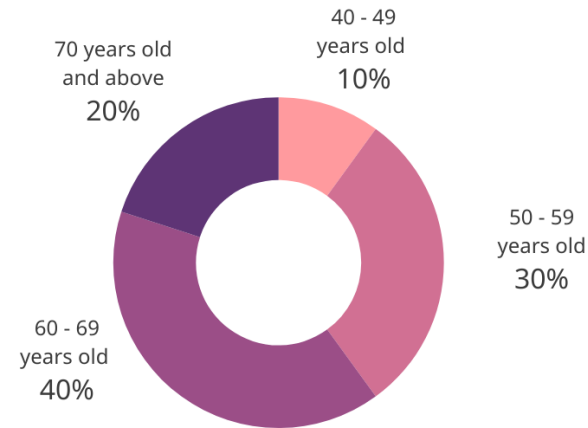
Independent director proportion



The 9th CTI Board of Directors

DIVERSE COMPOSITION

Age proportion



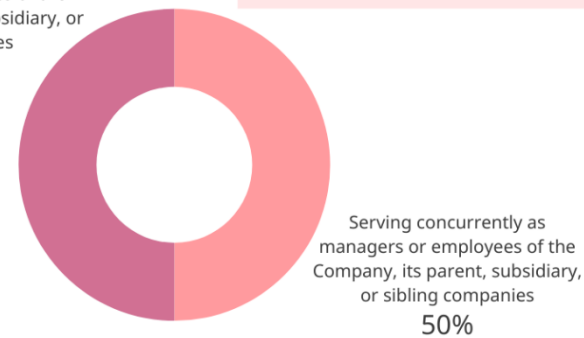
The 9th CTI Board of Directors

DIVERSE COMPOSITION

The proportion of individuals serving concurrently as managers or employees of the Company, its parent, subsidiary, or sibling companies

Net serving concurrently as managers or employees of the Company, its parent, subsidiary, or sibling companies

50%

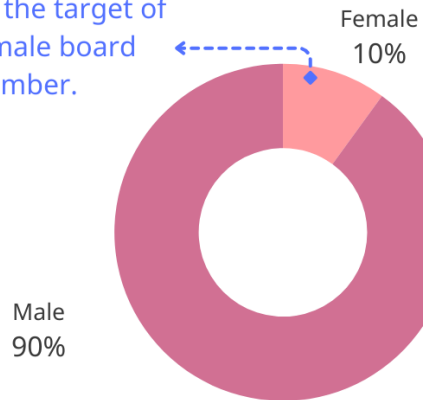


The 9th CTI Board of Directors

DIVERSE COMPOSITION

Achieving the target of
10% female board
member.

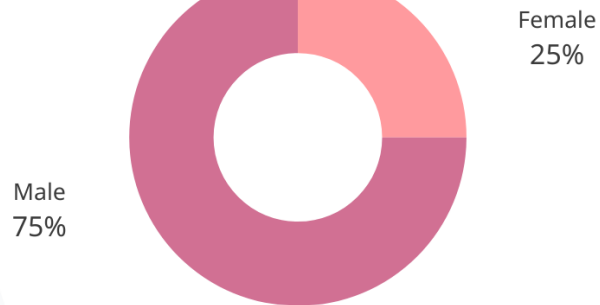
Gender
proportion of
Directors



The 9th CTI Board of Directors

DIVERSE COMPOSITION

Gender
proportion of
Independent
directors

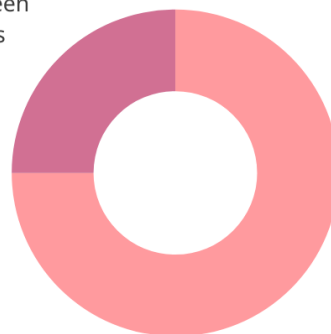


The 9th CTI Board of Directors

DIVERSE COMPOSITION

Tenure of
Independent
Directors

Served between
3 to 6 years
25%



Less than 3 years
75%

3.2.2 Management Team:

May 10, 2024 (Unit: Share,%)

Title	Nationality	Name	Gender	Date of Assignment	Shareholding when Owned Shares upon Assignment		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key positions held in other companies (Note 3)	Managers are Spouse or within 2 Degrees of Consanguinity Each Other			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation	
President	Taiwan	Chang, Ying	M	109.8.12	0	0	0	0	0	0	M.B.A of George Washington University U.S.A. Senior Vice President of Compal Electornics, Inc. Director of Allied Circuit Co., Ltd.	Refer to Page 12.	None	None	None	(Note)
Vice President	Taiwan	Ting, Pao-Chuan	M	107.3.1	0	0	0	0	0	0	Doctoral Candidate of Computer Science, Chiao Tung University President of Edgcore Networks Corporation Director and Vice President of CastleNet Technology Inc.	None	None	None	None	-
Vice President	Taiwan	Lo, Hsiao-Wei	M	110.3.10	125,000	0.065	0	0	0	0	Bachelor of International Business, Tamkang University Vice President of Compal Electornics, Inc.	None	None	None	None	-
Chief of Finance & Accounting and Corporate Governance Supervisor	Taiwan	Wu, Li-Mei	F	87.9.3	0	0	0	0	0	0	Bachelor of Statistic, Fu Jen Catholic University Senior Manager of CastleNet Technology Inc.	Supervisor of CTI(Kunshan)	None	None	None	-
Head of Audit	Taiwan	Chen, Tien-Pao	M	102.8.13	0	0	0	0	0	0	Bachelor of Accounting, Soochow University Project Manager of Audit office of Sampo Corporation	None	None	None	None	-

(Note) When the general manager or equivalent (top manager) and the chairman are the same person, spouse or first-degree relative, the reasons, rationality, necessity and countermeasures should be disclosed (such as increasing the number of independent directors, and there should be For information on the way that more than half of the directors do not concurrently serve as employees or managers): Please refer to page 11 (Note 1) of this annual report for the relevant description of the position of the chairman of the company acting as general manager.

3.3. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

3.3.1. Remuneration of Directors and Independent Directors

Unit: Thousand NTD, %

Title	Name	Remuneration								Ratio of total A,B,C&D to Net Income(%)		Remuneration Received as Employee								Raito of total A,B,C,D,E,F&G to Net Income (%)		Remuneration on from Invested Companies Other than Subsidiaries
		Remuneration (A)		Pension (B)		Remuneration to Directors(C)		Allowances(D)				Salary, Bonus and Special Allowance(E)		Pension (F)		Employee Bonus(G)						
		The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements			
																				Cash	Stock	
Chariman	Chang, Ying (N 3)	0	0	0	0	0	0	15	15	0.22	0.22	13,724	13,724	0	0	0	0	0	0	204.30	204.30	None
Director	Hsu, Chieh-Li	0	0	0	0	0	0	15	15	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	None
Director	Hsu, Wei-Yang	0	0	0	0	0	0	15	15	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	None
Director	Huang, Yu-Hui	0	0	0	0	0	0	15	15	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	None
Director	Chiang,Tai-Chang	0	0	0	0	0	0	15	15	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	None
Director	Lin, Cheng Hsien(N4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,622
Director	Shiau, Ching-Hwa (N 4)	0	0	0	0	0	0	15	15	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	2,464
Director	Hsu, Wen-Han (N 4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Hsu, Sheng-Haur	120	120	0	0	0	0	10	10	1.93	1.93	0	0	0	0	0	0	0	0	1.93	1.93	None
Independent Director	Tsai, Chien-Wen	120	120	0	0	0	0	15	15	2.00	2.00	0	0	0	0	0	0	0	0	2.00	2.00	None
Independent Director	Fu,Chi-Ching	120	120	0	0	0	0	15	15	2.00	2.00	0	0	0	0	0	0	0	0	2.00	2.00	None
Independent Director	Chen, Yi-Ling (N 3)	30	30	0	0	0	0	5	5	0.52	0.52	0	0	0	0	0	0	0	0	0.52	0.52	None

Note1: Please describe the remuneration policy, system, standard and structure of independent directors, and describe the relationship with the remuneration amount according to the responsibilities, risks, investment time and other factors:

According to the "Regulations on the Management of Salary and Remuneration of Directors and Managers" approved by the board of directors of the company, independent directors can receive travel expenses and attendance fees because they are also functional committee members. No more than 2% shall be allocated to directors' remuneration; the allocation of directors' remuneration shall take into account the company's annual operating performance and the performance

evaluation of the board of directors and individual directors, as well as the rationality of the connection with individual performance and company's operating performance and future risks. It will be processed after deliberation by the Remuneration Committee and the resolution of the Board of Directors.

Note2: Except as disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company / all companies listed in the financial report / transfer investment enterprises, etc.):None.

Note 3: Please refer Page 11 (Note1)

Note 4: Please refer Page 12(Note3)

Note5: The directors of the Company have not been provided retirement pensions in any form.

3.3.2. Remuneration of the President and Vice Presidents

Unit: Thousand NTD, %

Unit: Thousand NT\$, %

Title	Name	Pemuneration(A)		Pension (B)		Bouns and Special Allowances(C)		Employee Bonus (D)				Raito of total A,B,C&D to Net Income(%)		Remuneration from Invested Companies other than Subsidiaries
		The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company		All Companies in the Consolidated Financial Sataements		The Company	All Companies in the Consolidated Financial Sataements	
								Cash	Stock	Cash	Stock			
President (Note)	Chang, Ying	4,160	4,160	0	0	9,564	9,564	0	0	0	0	204.08	204.08	None
Vice President	Ting, Pao-Chuan	2,888	2,888	108	108	881	881	0	0	0	0	57.65	57.65	None
Vice President	Lo, Hsiao-Wei	2,227	2,227	108	108	678	678	0	0	0	0	44.80	44.80	None

Note: Please refer to Page 11 (Note 1)

3.3.3. Top 5 Remuneration of Management Team

Unit: Thousand NTD, %

Unit: Thousand NTD, %														
Title	Name	Pemuneration(A)		Pension (B)		Bouns and Special Allowances(C)		Employee Bonus (D)				Raito of total A,B,C&D to Net Income(%)		Remunerati on from Invested Companies other than Subsidiaries
		The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company		All Companies in the Consolidated Financial Sataements		The Company	All Companies in the Consolidated Financial Sataements	
								Cash	Stock	Cash	Stock			
President	Chang, Ying	4,160	4,160	0	0	9,564	9,564	0	0	0	0	204.08	204.08	None
Vice President	Ting, Pao-Chuan	2,888	2,888	108	108	881	881	0	0	0	0	57.65	57.65	None
Vice President	Lo, Hsiao-Wei	2,227	2,227	108	108	678	678	0	0	0	0	44.80	44.80	None
Chief of Finance & Accounting and Corporate Governance Supervisor	Wu, Li-Mei	1,496	1,496	91	91	454	454	0	0	0	0	30.35	30.35	None

Note 1: "Management personnel" in the "Five Highest Remunerated Management Personnel" means managerial officers of the Company. "Managerial officers" means those falling within the applicable scope defined in 27 March 2003 Order No. Tai-Cai-Zheng-III-0920001301 of the former Securities and Futures Commission, Ministry of Finance. The "five highest remunerated" is calculated as those ranked in the top five in remuneration based on the sum total of the amounts of salary, retirement pay and pension, rewards and special disbursements, and employee profit-sharing compensation (i.e., the sum of items A+B+C+D) received by each of the Company's managerial officers from all companies in the consolidated financial reports. If any concurrently serving director(s) is among those top, fill out this table and also Table (1-1) above.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.

Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Company).

Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 7: a. In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. Remuneration means remuneration received by the five highest remunerated management personnel of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

3.3.4. Earnings distribution as employees' remuneration to management team: None.

3.3.5. Analysis of total remuneration (as a percentage of net income) given to directors, general managers and senior vice general managers in all consolidated companies in the most recent two years along with description of the remuneration policies, standards, packages and procedures for defining the their linkage to operating performance and future risk exposure:

3.3.5.1. Ratio of total remuneration to Profit after Income Tax

Unit: %

Title	Ratio of total remuneration to Profit after Income Tax (%)			
	2022		2023	
	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements
Director (Note)	88.62	88.62	211.88	211.88
President and Vice President	123.95	123.95	306.53	306.53

Note: Please refer to Page 11 (Note 1).

3.3.5.2. The remuneration of the company's directors and managers shall be in accordance with Articles 22 and 26 of the company's articles of association: The remuneration of the chairman and directors shall be authorized by the board of directors according to the degree of their participation in the operation of the company and the value of their contributions, as well as the consideration of peers. The usual level is negotiated and if the company makes a profit in the current year, it may allocate no more than 2% for the remuneration of directors and no less than 2% for the remuneration of employees, and also according to the company's "Directors and Managers Remuneration Management Regulations", independent directors who also serve as functional committee members can receive travel fees and attendance fees. General directors can receive attendance fees. The remuneration of the Chairman and executives is determined by referencing the latest salary survey reports from 104 CORPORATION to benchmark against industry salary levels. Salaries are calculated based on individual qualifications, professional abilities, and job responsibilities in accordance with the company's personnel regulations. Additionally, the latest salary trend reports from 104 CORPORATION are considered. The company first measures the annual operational results as a baseline according to the performance appraisal management regulations, then calculates individual salary adjustments and bonus bases based on the annual KPI results. These figures are then submitted to the remuneration committee for review and the board of directors for approval.

3.4. Implementation of Corporate Governance

3.4.1. Board of Directors

A total of 4 times meeting of Board of Directors were held in 2023. The attendance of directors was as follows:

Title	Name(Note 1)	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Chairman	Chang, Ying Representative of Kinpo Electronics, Inc.	4	0	100%	
Director	Hsu, Chieh-Li Representative of Kinpo Electronics, Inc.	4	0	100%	
Director	Chiang, Tai-Chang Representative of Kinpo Electronics, Inc.	4	0	100%	
Director	Lin, Cheng-Hsien Representative of Kinpo Electronics, Inc.	1	0	100%	The representative of director was changed from Mr. Hsu, Wen-Han to Mr. Shiau, Ching-Hwa on January 16, 2023. Then, Mr. Shiau, Ching-Hwa was replaced by Mr. Lin, Cheng-Hsien on November 2, 2023.
Director	Shiau, Ching-Hwa Representative of Kinpo Electronics, Inc.	3	0	100%	
Director	Hsu, Wen-Han Representative of Kinpo Electronics, Inc.	None.			
Director	Hsu, Wei-Yang Representative of Kinpo Electronics, Inc.	4	0	100%	
Director	Huang, Yu-Hui Representative of Kinpo Electronics, Inc.	4	0	100%	
Independent Director	Hsu, Sheng-Haur	3	1	75%	
Independent Director	Tsai, Chien-Wen	4	0	100%	
Independent Director	Fu, Chi-Ching	4	0	100%	
Independent Director	Chen, Yi-Ling	2	0	100%	Elect at Shareholders' Meeting on May 30, 2023.
Note 1: If the directors and supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed.					
Note 2: (1) If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.					
(2) If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The inperson attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.					

Other matters required to be recorded:

A. If the operation of the board of directors meets any of the following situations, the board meeting date, session, agenda items, opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

(1) Matters referred to Article 14-3 of the Securities and Exchange Act.

Board meeting date	Board meeting session	Agenda Items	Independent Directors have objection or qualified opinion.
2023.03.09	The 4 th of the 9 th board	1.Reassignment of directors of CastleNet Technology Inc (Kunshan). 2.Proposal for the election to add an Independent Director. 3. Releasing directors from non-competition restrictions.	None
2023.05.10	The 5 th of the 9 th board	1.2023 evaluation of the accountant independence, and suitability of CPA of the Company. 2.Proposal to amend the Rules of Procedure for Board of Directors.	None
2023.08.11	The 6 th of the 9 th board	1.Proposal for the Policy on Pre-approval of Auditors and Their Firms (including Related Entities) to Provide Non-audit Services to the Company (and Subsidiaries). 2.Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 3.Proposal to Partially Amend the Procedures for Loaning Funds to Others.	None
2023.11.13	The 7 th of the 9 th board	1.Review of the compensation items for the new independent Director. 2.Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters.	None

2024.03.11	The 8 th of the 9 th board	1.Evaluation of the accountant independence, suitability and AQI information and 2024 Appointment and Remuneration of CPA of the Company. 2.Request for Retroactive Recognition of Lease Assets from Related Parties. 3.Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 4.Releasing directors from non-competition restrictions.	None
2024.05.10	The 9 th of the 9 th board	Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters.	None

(2) Other agenda items that involve the objection or reservation of independent directors of which the opinion is recorded or stated in writing: None

B. Director's avoidance of motions in conflict of interest.

Board meeting date	Board meeting session	Agenda Items	Director's avoidance in conflict of interest.
2023.3.9	The 4 th of the 9 th board	Reassignment of directors of CastleNet Technology Inc (Kunshan).	Directors, Shiau, Ching-Hwa did not participate in the discussion and resolution due to the interests of the parties in this case. After consultation by the chairman, all the attending directors passed the proposal without objection.
		Proposal for the election to add an Independent Director.	Chairman Chang, Ying did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Hsu, Sheng-Haur as the acting chairman to preside over the decision of this case. Independent Director, Tsai, Chien-Wen suggested "The company should still plan early to divide the functions and responsibilities of the Chairman and the General Manager, distinguishing between operational authority and management authority, in order to strengthen corporate governance and ensure sound operational development." And after the acting chairman consulted all the attending directors, they passed the proposal without objection.

		Releasing directors from non-competition restrictions.	Directors, Hsu, Chieh-Li, Shiau, Ching-Hwa and Independent Director, Fu, Chi-Ching did not participate in the discussion and resolution due to the interests of the parties in this case. After consultation by the chairman, all the attending directors passed the proposal without objection.
2023.11.13	The 7 th of the 9 th board	Proposal for 2023 year-end bonus for managers.	Chairman Chang, Ying, temporarily acted as the general manager, did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Hsu, Sheng-Haur as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.
		Review of the compensation items for the new independent Director.	Independent directors, hen, Yi-Ling did not participate in the discussion and resolution due to the interests of the parties in this case. After consultation by the chairman, all the attending directors passed the proposal without objection.
2024.3.11	The 8 th of the 9 th board	Request for Retroactive Recognition of Lease Assets from Related Parties.	Director, Kinpo Electronic, Inc. did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Fu, Chi-Ching as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.
		Releasing directors from non-competition restrictions.	Directors, Kinpo Electronic, Inc., Hsu, Chieh-Li, Chiang, Tai-Chang and Lin, Cheng-Hsien did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Fu, Chi-Ching as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.

C. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self(or peer) evaluation, and the implementation:

(1) Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self(or peer) evaluation, and the implementation:

Evaluation cycle	Evaluation Period	Scope of evaluation	Evaluation Method	Evaluation content
Once a year	From 2023.1.1 to 2023.12.31	The board	Questionnaire survey	1.Participation in the Company operation 2.Improvement of the quality of the board of directors' decision making 3.Composition and structure of the board of directors 4.Election and continuing education of directors 5.Internal control
		Individual directors	Questionnaire survey	1.Alignment of the goals and missions of the company 2.Awareness of the duties of a director 3.Participation in the company operation 4.Internal relationship and communication 5.The director's professionalism and continuing education 6.Internal control
		Functional committees	Questionnaire survey	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control

Note 1: Fill in the cycle on which the board evaluations are performed, for example: performed once per year.

Note 2: Fill in the period covered by the board evaluation, for example: An evaluation was performed of the performance of the board of directors from 1 January 2019 to 31 December 2019.

Note 3: The scope of the evaluation should cover the performance of the board as a whole, the individual directors, and the functional committees.

Note 4: The performance evaluation methods may include internal evaluation by the board, self-evaluations by individual board members, peer evaluations by board members, evaluations external organizations or experts engaged for that purpose, or other suitable method.

Note 5: The evaluation content shall include at least the following based on the scope of the evaluation:

- (1) Evaluation of the performance of the board should include at least the following: degree of the board's participation in the operation of the company; the quality of the board's decision making; composition and structure of the board; election and continuing education of the directors; internal control.
- (2) Evaluation of the performance of individual directors should include at least the following: familiarity with the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationships and communication; the director's professionalism and continuing education; internal control.
- (3) Evaluation of the performance of the functional committees: degree of participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control.

(2) The board of directors have been reported the evaluation results on 11th, March, 2024.

(3) The performance evaluation results for the overall Board of Directors, individual directors, Audit Committee, and Remuneration Committee of the company for the year 2023 are as follows:

Performance evaluation of the Board			Total Avg.:	4.89	A
Evaluation content	Avg.	Level			
1. Participation in the Company operation	4.88	A			
2. Improvement of the quality of the board of directors' decision making	4.96	A			
3. Composition and structure of the board of directors	4.98	A			
4. Election and continuing education of directors	4.75	A			
5. Internal control	4.82	A			

Performance evaluation of Functional committees			Total Avg.:	4.95	A
- The Audit Committee					
Evaluation content	Avg.	Level			
1. Participation in the operation of the company	4.90	A			
2. Awareness of the duties of the functional committee	4.92	A			
3. Improvement of quality of decisions made by the functional committee	5.00	A+			
4. Makeup of the functional committee and election of its members	5.00	A+			
5. Internal control	4.87	A			

Performance evaluation of the Board members			Total Avg.:	4.69	A
Evaluation content	Avg.	Level			
1. Alignment of the goals and missions of the company	4.70	A			
2. Awareness of the duties of a director	4.88	A			
3. Participation in the Company operation	4.55	A			
4. Internal relationship and communication	4.73	A			
5. The director's professionalism and continuing education	4.61	A			
6. Internal control	4.94	A			

Performance evaluation of Functional committees			Total Avg.:	4.97	A
- The Remuneration Committee					
Evaluation content	Avg.	Level			
1. Participation in the operation of the company	4.94	A			
2. Awareness of the duties of the functional committee	5.00	A+			
3. Improvement of quality of decisions made by the functional committee	4.96	A			
4. Makeup of the functional committee and election of its members	5.00	A+			

(4) Evaluation report analysis:

The board of directors of the company is composed of ten directors with extensive business management and industry experience. Their professional backgrounds cover business management, marketing, manufacturing, industrial technology, corporate governance, international trade and commerce, information management, financial accounting, etc. The attendance rate of directors in 2023 was 97% (100% including delegated attendance), the attendance rate of audit committee members was 93% (100% including delegated attendance) and remuneration committee members was 100%, indicating that board members and functional committee members actively participated in the operation of the board of directors and functional committees, and contributed their professional efforts to the company's operation. And according to the conclusion of the annual self-assessment, it shows that the members of the board of directors and functional committees have given positive comments on the efficiency and operation of the board of directors, and they all agree that they are operating well and wield influence.

D. The current year and the last recent year to strengthen the goals of the board of directors (like establishing an audit committee, improving information transparency, etc.) and implementation evaluation:

- (1) In order to meet the requirements of Corporate Governance operations, the company amended Articles of Incorporation to extend the range of the number of directors on March 9, 2022. It was approved by the Shareholder's Meeting on June 27, 2022.
- (2) In order to establish performance objectives and enhance the operational efficiency of the board of directors, the company formulated the Board and Functional Committee Performance Evaluation Regulation on November 12, 2020. Moreover, to promote diversity among board members, the Procedures for Election of Directors were amended on March 30, 2021. In order to implement corporate governance, the Procedures for Ethical Management and Guidelines for Conduct on May 11, 2022, and formulated Sustainable

Development Committee Charter and Risk Management Measures on August 5, 2022, and established Sustainable Development Committee.

- (3) To achieve the company's board diversity policy objectives, a target of at least one female director seat was set. Following the board resolution on March 9, 2023, nominating a female independent director candidate, she was successfully elected at the shareholder's annual meeting on May 30, 2023, thus achieving the goal of at least one female director seat.
- (4) There shall be at least one separate communication meeting a year between the independent directors and the accountant and audit supervisor without the presence of the general directors and management. In recent years, separate communication meetings with independent directors, accountants and audit supervisors were held on March 9, 2023 and March 11, 2024. In addition, separate communication meetings were held quarterly for independent directors and accountants on March 9, 2023, May 10, 2023, November 13, 2023, March 11, 2024, and May 10, 2024.
- (5) The company's 2023 performance evaluation results of the board of directors and functional committees were reported to the board of directors on March 11, 2023. According to the overall evaluation results in 2023, the overall operation of the company's board of directors and functional committees is in good condition, in line with corporate governance requirements.
- (6) Plans to increase the Continuing Education Hours for directors: Starting from 2023, the Financial Supervisory Commission mandates that directors of listed and OTC companies must complete at least 3 hours of education and training each year. In order to increase the education hours of directors, the company has combined the educational resources of the NKG group to encourage directors to participate in training programs while strengthening the promotion of regulations and requirements from regulatory agencies. The company also periodically recommends training courses from regulatory agencies and qualified educational training institutions to provide relevant courses for directors. The company plans to hold internal training courses for board members by external speakers in the second half of the year.
- (7) Enhanced dissemination of internal shareholding change regulations: In order to familiarize internal personnel with the relevant legal provisions regarding shareholding changes, advisory letters were submitted to internal personnel for reference by the Taipei Exchange on October 2023 and April 2024. Additionally, a report was presented to the board of directors on March 11, 2024, providing relevant legal information and Q&A materials regarding internal shareholding changes.

3.4.2. The Audit Committee

A total of 4 times meeting of Audit Committee were held in 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Independent director (Chairperson)	Hsu, Sheng-Haur	3	1	75%	
Independent director	Tsai, Chien-Wen	4	0	100%	
Independent director	Fu, Chi-Ching	4	0	100%	
Independent director	Chen, Yi-Ling	2	0	100%	New elected on May 30, 2023.

Other matters required to be recorded:

- If the operation of the audit committee meets any of the following situations, board meeting date, session, agenda items, resolution of the audit committee and the company's handling of the opinions of the audit committee shall be stated:

(1) Matters prescribed in Article 14-5 of the Securities and Exchange Act

Committee meeting date	Committee meeting session	Agenda Items	Resolution of the audit committee	The Company's handling of the audit committee's opinions
2023.3.9	The 3 rd of the 2 nd committee	1. The Statement of Internal Control System in 2022. 2. 2022 business reports and financial statements of the company. 3. 2022 Proposal of appropriation of profit and loss	Approved as proposed	Implemented by the resolution
2023.5.10	The 4 th of the 2 nd committee	1. 2023 evaluation of the accountant independence, and suitability of CPA of the Company. 2. The Company's Consolidated Financial Statements for 2023 Q1.	Approved as proposed	Implemented by the resolution
2023.8.11	The 5 th of the 2 nd committee	1. The Company's Consolidated Financial Statements for 2023 Q2. 2. Proposal for the Policy on Pre-approval of Auditors and Their Firms (including	Approved as proposed	Implemented by the resolution

			<p>Related Entities) to Provide Non-audit Services to the Company (and Subsidiaries).</p> <p>3. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters.</p> <p>4. Proposal to Partially Amend the Procedures for Loaning Funds to Others.</p>		
	2023.11.13	The 6 th of the 2 nd committee	<p>1. Audit Plan for 2024.</p> <p>2. The Company's Consolidated Financial Statements for 2023 Q3.</p> <p>3. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters.</p>	Approved as proposed	Implemented by the resolution
	2024.3.11	The 7 th of the 2 nd committee	<p>1. The Statement of Internal Control System in 2023.</p> <p>2. 2023 business reports and financial statements of the company.</p> <p>3. 2023 Proposal of appropriation of profit and loss.</p> <p>4. Evaluation of the accountant independence, suitability and AQI information and 2024 Appointment and Remuneration of CPA of the Company.</p> <p>5. Request for Retroactive Recognition of Lease Assets from Related Parties.</p> <p>6. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters.</p>	Approved as proposed	Implemented by the resolution
	2024.5.10	The 8 th of the 2 nd committee	<p>1. The Company's Consolidated Financial Statements for 2024 Q1.</p> <p>2. Proposal for the Establishment of the Basis Date for the Conversion and</p>	Approved as proposed	Implemented by the resolution

		Issuance of New Shares for Employee Stock Options and Related Matters.		
<p>(2) Other matters adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None</p> <p>2. In the case of a director's avoidance of conflict of interest, the director's name, agenda item, reason for the avoidance of conflict of interest, the director's participation in the vote on the matter shall be stated: None.</p> <p>3. The communication between Independent Directors, Chief Internal Auditor and accountants (This shall include the communication on important matters with respect to the company's financial status and operational status, the communication method, result, etc.)</p> <p>(1) Policy of the communication between Independent Directors and Internal Audit Supervisor:</p> <ol style="list-style-type: none"> 1. Normally, the audit supervisor may contact the independent directors directly as necessary. The communication is good; 2. In addition to the audit reports received by the independent directors on a monthly basis, the audit supervisor also provides quarterly reports to the independent directors on the significant operations of the Company and its subsidiaries, and has fully communicated with them on the execution and effectiveness of the audit operations; 3. At least once a year, the company arranges a meeting between the independent directors and the auditors and accountants without the presence of the general directors and the management. 4. In addition to regularly inviting independent directors to conduct internal control self-inspection and audit report symposiums, as well as quarterly attendance at the audit committee to report on audit business, the internal audit unit also implements audit projects according to the annual plan, and delivers the audit report to each independent director on a monthly basis after the audit report is completed. If independent directors need to know more about the audit status and follow-up results, they can contact the audit supervisor at any time. <p>(2) Policy of the communication between Independent Directors and Accountants</p> <ol style="list-style-type: none"> 1. The Company regularly arranges for its accountants to meet with the independent directors and the governance unit at least once a quarter, and to hold separate communication meetings with the independent directors. The accountant reports to the independent directors at quarterly meetings on the results of financial statement audits and on any new or amended tax laws and regulations, and provides professional insight and advice on matters that the independent directors would like to know more about; 2. At least once a year, without the presence of the general directors and management, the independent director and the audit supervisor and the 				

accountant will hold a separate communication meeting on internal audit and internal control matters;

3. In addition, the accountants and independent directors have their own communication channels, and there is also a mechanism for holding separate communication meetings arranged by the company's stock unit.

(3) Policy of the communication between Independent Directors and Internal Audit Supervisor and accountants:

a. Summary of the communication between Independent Directors and Chief Internal Auditor:

Date	Communication summary	Actions taken
2023.03.09	Report on 2022.8~10 audit improvement follow up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	Report on 2022.11~2023.1 audit plan implementation and improvement follow-up.	
	Implementation status of annually applied projects.	
2023.05.10	2022.11~2023.1 audit improvement follow up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	2023.2~4 audit plan implementation and improvement follow-up.	
	Audit symposium for the year 2022 and improvement follow-up of internal control deficiencies.	
	Implementation status of annually applied projects.	
2023.08.11	2023.2~5 audit improvement follow up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	2023.6~8 audit plan implementation and improvement follow-up.	
2023.11.13	2023.6~8 Audit improvement following up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	2023.9~11 audit plan implementation and improvement follow-up.	
2024.03.11	2023.8~10 audit improvement follow up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	2023.11~2024.2 audit plan implementation and improvement follow-up.	
	Implementation status of annually applied projects.	
2024.05.10	2023.11~2024.1 audit improvement follow up.	After reporting to the Audit Committee, the report is submitted to the Board of Directors as required.
	2024.2~4 audit plan implementation and improvement follow-up.	

	Audit symposium for the year 2023 and improvement follow-up of internal control deficiencies. Implementation status of annually applied projects.	
b. Summary of the communication in recent years between independent directors and accountants and management units		
Date	Communication summary	Actions taken
2023.03.09	After the audit of 2022 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2023.05.10	After the audit of 2023 Q1 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2023.08.11	After the audit of 2023 Q2 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2023.11.13	After the audit of 2023 Q3 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2024.03.11	After the audit of 2023 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope and Materiality of audit -Key inspection items of annual report -Other matters. - Audit Quality Indicators information	Consultation and exchange of opinions

2024.05.10	After the audit of 2024 Q1 financial report, the accountants communicate with the management units about the following -Analysis of the company's operating results and financial status. -Scope and Materiality of audit -Other matters. (including Independence statements)	Consultation and exchange of opinions
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c. Separate communication meetings between independent directors and accountants in the most recent year

Date	Communication summary	Recommendations and implementation
2023.03.09	Accountant's audit of 2022 financial statements and exchange of related issues	Consultation
2023.05.10	Accountant's audit of 2023 Q1 financial statements and exchange of related issues	Consultation
2023.11.13	Accountant's audit of 2023 Q2 financial statements and exchange of related issues	Consultation
2024.03.11	Accountant's audit of 2023 financial statements and exchange of related issues	Consultation
2024.05.10	Accountant's audit of 2024 Q1 financial statements and exchange of related issues	Consultation

d. Summary of the communication between Independent directors and Chief Internal Auditor and Accountants

Date/Meeting	Communication summary	Actions taken
2023.03.09 / 2022 Annual Internal Control Self-Assessment and Audit Report Symposium	<u>Report Items</u> : 2022 annual internal control system self-assessment report and the operation of annual audit plan. <u>Discussion Items</u> : Self-evaluation of internal control, annual audit report, and discussion of independent directors' suggestions.	Independent directors and CPAs are invited to discuss the implementation status of self-evaluation of internal control and annual audit plan. The independent directors and CPAs shall further learn about and discuss the status of the auditing work. Besides, the independent directors also select samples for audit of cybersecurity. In addition to those who exit from the company under normal circumstances, it is suggested that those with jobs changed be selected. The replies from the Auditing Office will be implemented as suggested.
2023.03.11	<u>Report Items</u> : 2023 annual internal control system self-	Independent directors and CPAs are invited to discuss the

	/ 2023 Annual Internal Control Self-Assessment and Audit Report Symposium	assessment report and the operation of annual audit plan. <u>Discussion Items</u> : Self-evaluation of internal control, annual audit report, and discussion of independent directors' suggestions.	implementation status of self-evaluation of internal control and annual audit plan. The independent directors and CPAs shall further learn about and discuss the status of the auditing work. Besides, the independent directors also propose relevant suggestions on the pending orders of the business, purchasing, production, and sales unit and whether the information security system is capable of implementing virus implantation test, etc. Besides giving replies regarding the confirmation results, the Auditing Office shall also continually follow up the independent directors' suggestions.
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4. Annual Work Priorities of the Audit Committee:

The main purpose of the operation of this committee is to supervise the following matters:

1. Appropriate elaboration of financial statements of the Company.
2. Selection, dismissal, independence and performance of CPA.
3. Effectively implementation of internal control of the company.
4. The Company complies with laws and regulations.
5. Control and management of the Company's existing or potential risks.

The terms of reference of the Committee are as follows:

1. The establishment of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The establishment of or amendment to the procedures of handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act, .
4. Matters in which a Director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.

	<p>8. The hiring or dismissal of a certified public accountant, or their compensation.</p> <p>9. The appointment or dismissal of the head of finance, Accounting, or internal audit officer.</p> <p>10. Annual financial reports which are signed or sealed by the Chairman, manager, and accounting supervisor, and the second quarter financial report subject to the audit of an accountant.</p> <p>11. Other material matters as may be required by this Corporation or by the competent authority.</p>
5.	Please refer to pages 37-44 of this annual report for the focus and operation of the Audit Committee in 2023. For the professional qualifications and experience of the Audit Committee, please refer to pages 17-19.

Note 1: If an independent director resigns before the end of the year, the date of resignation should be indicated in the remarks column, and the actual attendance rate (%) is calculated based on the number of audit committee meetings and the number of actual attendance during their tenure.

Note 2: Before the end of the year, if there is a re-election of an independent director, the new and old supervisors should be filled in, and the independent director should be stated in the remarks column as the old, new or re-elected and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and the actual number of attendances during their tenure.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established a "Corporate Governance Code" which is disclosed on the Company's website in addition to being uploaded to the Public Information Observatory.	Compliant
2. Shareholding Structure and Shareholder’s Rights				
2.1 Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has a spokesperson and has established a "stock operation" policy, and has stock personnel to handle shareholders' concerns and other related matters.	Compliant
2.2 Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company keeps track of the shareholdings of directors, managers, and major shareholders holding 10% or more of the shares.	
2.3 Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The company and its affiliated companies operate independently, and have formulated the "Transaction Operation Procedures for Related Parties, Specific Companies and Group Enterprises ", "Operational Specifications for Financial Business between Affiliated Companies" and other risk control and firewall mechanisms between affiliated companies.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2.4 Does the company establish internal rules against insiders trading with undisclosed information?	✓		The company has established "Internal Significant Information Processing Operation Procedures" to prohibit behaviors that may involve insider trading or obtaining improper benefits, and has announced them on the internal website and reinforced them through training courses.	
3. Composition and Responsibilities of the Board of Directors				
3.1 Does the Board Develop and implement a diversified policy for the composition of its members?	✓		In accordance with the provisions of Article 20 of the Corporate Governance Code and Article 3-1 of the Director Election Regulations, an appropriate diversity policy based on the Company's own operation, business model and development needs should be formulated for the selection of board members, so as to improve the company's board structure; There are 10 members of the board of directors of the company, of which 4 are independent directors. The target for female board members is at least one seat. For the implementation of the diversity of the board members, please refer to pages 16-24.	Compliant
3.2 Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		The Audit Committee and the Remuneration Committee have been set up. In the future, other functional committees will be evaluated and set up depending on the actual needs of operation management.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3.3 Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for re-election?	✓		The board of directors of the company approved the performance evaluation method of the board of directors and functional committees on November 12, 2020. The performance evaluation methods include the internal self-evaluation of the board of directors and functional committees, the self-evaluation of directors or other appropriate performance evaluation methods. The performance evaluation shall be completed before the end of the first quarter, and the results of the Board's performance evaluation will be used as a reference for individual directors' remuneration and nomination for reappointment. The company has completed the 2023 board performance evaluation in the first quarter of 2024, and the evaluation results have been submitted to the Board of Directors on March 11, 2024.	Compliant
3.4 Does the Company regularly evaluate the independence of CPAs?	✓		The audit committee of the company regularly evaluates the independence, suitability and AQIs of certified accountants every year, and then reports the evaluation results to the board of directors. The last evaluation was submitted to the Audit Committee for deliberation and passed by the Board of Directors on March 11, 2024. The evaluation mechanism is as follows:	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<ol style="list-style-type: none"> 1. The certified accountant is required to provide a statement of transcendental independence and provide the accountant's professional background experience. 2. It shall be confirmed that the accountant has no significant financial interest in the company, nor any undue interest. 3. Any accountant whose term of office is not more than seven consecutive years, or whose reappointment interval is not less than two years, and has not worked in the company in two years prior to the certification. 4. The accountant is not allowed to concurrently work for the company to receive a fixed salary, receive any business-related commissions, have any financial loan with the Company, hold shares in the Company, or have any joint investment or benefit-sharing relationship with the Company. 5. The accountants must have relevant electronic industry audit experience. The accountants and their assistants must regularly participate in the evaluation of trade associations or other relevant organizations to ensure honesty, impartiality and independence. <p>Evaluation conclusion:</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			There is no doubt that the certified accountant is not independent and competent.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders’ meetings, and producing minutes of board meetings and shareholders’ meetings)?	✓		The Finance and Accounting Department shall be the deliberative unit of the Board of Directors. By resolution of May 10, 2023, the Board of Directors has designated the Head of Corporate Governance to be responsible for corporate governance and matters related to the operation of the shareholders' meeting and the Board of Directors, including but not limited to providing information necessary for the directors to perform their duties, assisting the directors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting in accordance with the law, and preparing the minutes of the Board of Directors and the shareholders' meeting.	Compliant
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The company has a specific division for stakeholders on the company's website as a channel for communication with stakeholders, including: customers, product users, suppliers, investors and employees, etc. There is also a staff mailbox inside the company to respond to issues of concern to stakeholders.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		MasterLink Securities Corp. has been appointed as the stock agency responsible for handling shareholder affairs and meetings.	Compliant
7. Information Disclosure				
7.1 Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company website: http://www.castlenet.com.tw . Information on financial standings, corporate governance and other relevant matters has been disclosed on the company website.	Compliant
7.2 Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The company has assigned a special person to be responsible for the collection and disclosure of company information, and has set up an English website and implemented a spokesperson system. In addition, the Company was invited to participate in an online investor conference by MasterLink Securities to present an overview of the company’s operations on October 20, 2023. The presentation materials and video from the briefing were uploaded to the company's website and the Market Observation Post System for investors to view.	Compliant
7.3 Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly		✓	The company announces and declares the annual financial report within 75 days after the end of the accounting year according to the regulations; announces and declares the first, second, and third quarter financial reports within 45 days at the end of	The company is aware that the announcement and reporting will be completed within the time limit stipulated by

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
operation results, before the prescribed time limit?			each quarter and announces revenue information monthly.	the law; the annual financial report has not been able to complete the announcement and reporting within 2 months.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		Please refer to Item 10 of this table.	Compliant
9. Explanation of the improvements which have been made in accordance with results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock	1. To enhance the effectiveness of the board of directors and increase board diversity, please refer to pages 35-36 for details on the implementation status. 2. In line with the efforts of the competent authorities to improve the quality of information disclosure and strengthen the integration of English information disclosure with international standards, in addition to increasing the upload of financial reports in English from the fourth quarter of 2021, the publication of major			

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Exchange, And Provide the priorityenhancement measures.			<p>information, notice of meeting and meeting handbooks in English from 2022, we have issued English-language annual reports since 2023. Additionally, we have added English versions of corporate governance information, financial information, and shareholder meeting information to our corporate website.</p> <p>3. To coordinate with the competent authority’s improvement of the efficiency of the application for equity change in Article 25 of the Securities and Exchange Act, the company has completed the compilation of application data around the 5th day of each month in advance since the year 2023. Such data is submitted to the stock agency department to ensure that the application for change in insiders’ shareholding can be completed before the tenth day of each month.</p> <p>4. To strengthen the disclosure of sustainability related information, the third-party statement of greenhouse gas inventory will be continually and additionally uploaded on the special page of the Sustainable Development Committee on the corporate website.</p> <p>5. In the future, the operations related to the sustainable development of the enterprise, risk management and the safety management of information and communication will continue to be carried out and implemented gradually, depending on the overall operational considerations and planning of the company.</p>	
<p>10. Other information for corporate governance works:</p> <p>1. Employee rights and employee care: Please refer to the description of “Labor-capital Relations” in this annual report.</p> <p>2. Investor relations: The company has special personnel to deal with investor-related matters. In addition to a spokesperson, there is an investor division on the company's website to provide relevant information.</p> <p>3. Supplier relationship: The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business Alliance (RBA) code of conduct, requiring suppliers to comply with all local relevant laws and</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>regulations when operating the company's business. Their suppliers are required to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership.</p> <p>4. Rights of stakeholders: The company website has a specified division for stakeholders, through which all stakeholders can communicate with the company and make suggestions. It also has a code of ethics, internal important information processing operations, a code of integrity management and its operating procedures and behavior guidelines, which serve as the basis for integrity management to safeguard the rights and interests of stakeholders.</p> <p>5. Implementation of risk management policies and risk measurement standards: please refer to pages 80-82.</p> <p>6. Implementation of customer policy: The company has passed ISO9001/TL9000 certification, meets customer needs with high-quality products and services, and maintains good and stable cooperative relations with customers to create company profits.</p> <p>7. The situation where the company purchases liability insurance for directors and supervisors: The company purchases liability insurance for all directors on an annual basis.</p> <p>8. Intellectual property management plan: In 2011, the company formulated the "Measures for Rewarding Inventions and Creation" to encourage employees to file patent applications. In addition to contacting and cooperating with external patent firms, the company will also conduct searches and careful evaluation of others' intellectual property rights in order to reduce risks and actively maintain the rights and interests of the company and shareholders; and for the purpose of protecting confidential information and business secrets, transparent, practical and effective compliance standards were established, and "Classification Measures for Confidential Information" were formulated.</p>				

3.4.4 The Remuneration committee

1. Information of Members of the Remuneration Committee

31st, December, 2023

Title	Name	Criteria	Professional Qualifications with experiences (Note)	Independence Criteria (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent director (Convener)	Hsu, Sheng-Haur	Please refer to Pages 17-21.			0
Independent director	Tsai, Chien-Wen				1
Independent director	Fu, Chi-Ching				1

Note:

1. Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether there is no company law Article 30 of each case.

2. Independent directors shall state their independence, including but not limited to whether they, their spouse, or relatives within the second degree are the directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held in the name of another person; whether to serve as a director, supervisor, or supervisor of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Offering Companies). Persons or employees; the amount of remuneration received of providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

2. Information of Remuneration Committee Operations

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

(2) The term of this committee member is from June 27, 2022 to June 26, 2025. A total of 2 times meeting of the Remuneration Committee was held in 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Convener	Hsu, Sheng-Haur	2	0	100%	
Committee Member	Tsai, Chien-Wen	2	0	100%	
Committee Member	Fu, Chi-Ching	2	0	100%	



Other notes:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the board of directors, and the Company's response to the remuneration committee's opinion (eg., if the amount of remuneration passed by the Board of Directors exceeds the remuneration committee's recommended amount, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the remuneration committee are objected by members or become subject to a qualified opinion, which have been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note 1: If a member of Remuneration Committee resigns before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of Remuneration Committee and the number of actual attendance during the term of office.

Note 2: Before the end of the year, if there is a re-election of Remuneration Committee, the new and old members of Remuneration Committee should be filled in, and the remarks column should indicate the old, new or re-appointed and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by Remuneration Committee and the number of actual attendances during the term of office.

3. Duties of Remuneration Committee:

The committee shall, with the attention of good managers, faithfully perform the following functions and powers, and submit the recommendations to the Board of Directors for discussion:

1. Formulating and regularly reviewing the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers of the Company.
2. Regularly evaluating the salaries of the Company's directors and managers.

4. The Company's Remuneration Committee held the following discussions in 2023:

Committee Meeting Date	Committee Meeting Session	Agenda Items	Resolution	The Company's Handling
2023.3.9	The 2 nd of the 5 th committee	1. Annual salary adjustment for managers in 2023 2. 2023 Dragon Boat Festival and Mid-Autumn Festival bonus payment	Passed as proposed	Implemented by resolution.
2023.11.13	The 3 rd of the 5 th committee	1. 2023 year-end bonus payment for managers 2. Review of the compensation items for the new independent Director. 3. Review of the compensation items for the new corporate governance supervisor.	1. By the resolution of all the members present, the former 2023 year-end bonus payment amount is reduced. 2. Passed as proposed 3. Passed as proposed	Implemented by resolution

Committee Meeting Date	Committee Meeting Session	Agenda Items	Resolution	The Company's Handling
2024.5.10	The 4 th of the 5 th committee	1. Annual salary adjustment for managers in 2024 2. 2024 Dragon Boat Festival and Mid-Autumn Festival bonus payment	1. After all the attending members discussed and reached a consensus, a resolution was made to suspend the annual salary adjustment for managers. This propose will be submitted for discussion again in the fourth quarter in consideration of the operating performance. 2. Passed as proposed	Implemented by resolution.

3.4.5. Fulfillment of sustainable development and Deviations from the “Sustainable Development Best Practice Principles for TWDE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	✓		<p>The Company established the Sustainable Development Committee, which is the highest level of decision making center for sustainable development within the Company. The General Manager is the Chairman of the Committee and leads all department heads to review the Company's core operating capabilities, formulate medium and long-term sustainable development plans, and report the results to the Board of Directors at least once a year.</p> <p>The Sustainable Development Committee organizes the heads of all departments of the company to set up relevant working groups according to the work issues of sustainable environment (E), social responsibility (S), corporate governance (G)(including promoting ethical management), risk management, information security management, etc., and acts as a cross-departmental communication platform for upward and downward integration and horizontal linkage.</p> <p>Each working group identifies sustainable issues related to the operation of the company and the concerns of stakeholders, formulates corresponding strategies and working guidelines, promotes and implements relevant</p>	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>operational objectives, and ensures that the sustainable development strategy is fully implemented in the daily operation of the company.</p> <p>The latest report on the implementation of the Company's Sustainability Committee was submitted to the Board of Directors' meeting on 113.5.10. The report contains the promotion and implementation of corporate governance, integrity management, environmental and ecological protection, occupational safety, information and communications safety, product safety, risk management and other projects. After listening to and reading the contents of the report, the members of the Board of Directors have performed their supervisory duties such as expressing their opinions or communicating their suggestions on such implementation.</p>	
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?(Note 2)	✓		<p>The company's risk management policy and risk assessment of environmental, social and corporate governance issues related to company operations:</p> <ol style="list-style-type: none"> 1. The company has formulated "Risk Management Measures" to establish a risk warning system for risks that may endanger the company's operations, production and shipments, raw material supply, employee and asset safety, information security, etc., and to minimize the possible impact of risk occurrence through the 	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons							
	Yes	No	Abstract Explanation								
			<p>implementation of risk control in the internal control system.</p> <p>2. The sustainable development committee of the company selects members according to the functions and professional fields of each department to set up a "risk management team", which is responsible for the identification of various risk factors, so as to identify the relevant risks that may affect the sustainable development of the enterprise, and select the risk management category. Based on this, management policies are formulated and implemented and reported to the board of directors at least once a year.</p> <p>3. Risk management process of the Company: The company manages according to the procedures of risk identification, risk assessment, risk control, risk monitoring and communication management.</p> <p>1. Risk identification: The company faces the following risks:</p> <table><tr><th>Topics</th><th>Risk Assessment Items</th></tr><tr><td>Environment</td><td>Environmental protection and ecological conservation</td></tr><tr><td rowspan="2">Society</td><td>Occupational safety</td></tr><tr><td>Product safety</td></tr></table>	Topics	Risk Assessment Items	Environment	Environmental protection and ecological conservation	Society	Occupational safety	Product safety	
Topics	Risk Assessment Items										
Environment	Environmental protection and ecological conservation										
Society	Occupational safety										
	Product safety										

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Explanation									
			<table><tr><td rowspan="3">Corporate governance</td><td>Internal control and compliance with the law</td></tr><tr><td>Strengthening the functions of directors and implementing the responsibilities of directors</td></tr><tr><td>Communication with stakeholders</td></tr><tr><td colspan="2">Information security</td></tr><tr><td colspan="2">Operating risks and financial position(Note)</td></tr></table> <p>(Note) Including an analysis of the various types of risks required to be disclosed by the annual report preparation guidelines and an assessment of the risks of the Company's major operating activities</p> <p>2. Risk assessment: Each business execution unit defines the risks within the company's risk management scope, analyzes and identifies them, assesses their impact on the company, and formulates countermeasures as the basis for risk management.</p> <p>3. Risk control and monitoring:</p> <p>(1). It is the risk of each unit's daily operation activities, and the risk control is executed by each responsible unit.</p> <p>(2). For critical cross-departmental crisis incidents, the Risk Management Team will conduct cross-departmental risk</p>	Corporate governance	Internal control and compliance with the law	Strengthening the functions of directors and implementing the responsibilities of directors	Communication with stakeholders	Information security		Operating risks and financial position(Note)		
Corporate governance	Internal control and compliance with the law											
	Strengthening the functions of directors and implementing the responsibilities of directors											
	Communication with stakeholders											
Information security												
Operating risks and financial position(Note)												

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>assessment, identify feasible strategies for preventing crisis incidents, and formulate treatment procedures and recovery plans based on the crisis incidents.</p> <p>4. Risk communication:</p> <p>(1). In addition to disclosing relevant information in accordance with the regulations of the competent authorities, the Company also discloses risk management-related information in its annual report and on its website.</p> <p>(2). The top executive of the Sustainable Development Committee or his or her designee will report to the Board of Directors on the operation and implementation of risk management on a regular basis each year.</p> <p>4. The scope of the disclosure covers the company's sustainable development performance in its main locations between June 2023 and May 2024. The risk assessment boundary is mainly based on the Company (Taiwan), and overseas subsidiaries are included in the scope when appropriate based on the relevance to the operating business and the degree of impact on major themes.</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			5. Based on the assessed risks, relevant risk management policies or strategies will be formulated. Please refer to pages 80-82 of this annual report for the relevant assessment.	
3. Development of sustainable environment				
3.1 Does the company establish proper environmental management systems based on the characteristics of its industries?	✓		<p>The company has obtained ISO9001/TL9000 and R6.3/R5.7(H) certification and complies with WEEE, RoHS, REACH and CMRT environmental protection requirements. The products sold meet energy efficiency, safety regulations, and electromagnetic compatibility standards.</p> <p>The company continues to undergo third-party verification and conducts annual greenhouse gas inventories in accordance with ISO14064-1 standards to track emissions reductions and publicly disclose the results on our company website. Additionally, the company has obtained grade-B total score on the CDP climate change platform, but also signed to join Science Based Targets initiative (SBTi) and became a supporter for the climate-related financial disclosures.</p>	Compliant
3.2 Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The company is committed to advancing the concept of green energy in product research and development, production, and sales, and improving the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			example, production materials comply with WEEE, RoHS, REACH and CMRT environmental protection requirements, product designs meet the latest energy efficiency standards and various international regulations, recycled materials are introduced into packaging, using multi-purpose packaging materials to save on packaging usage and further reduce transportation costs, and paper is effectively reused in the office. At the same time, renewable energy is used, and excessive packaging is avoided, to lower the impact on the environment.	
3.3 Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter these issues?	✓ ✓		The company is aware of the impact of climate change on the global environment and operating activities. We have formulated energy-saving and carbon-reduction policies and thoroughly implement them in daily operations, such as: office air-conditioning temperature control, timing automatic shutdown, and designating a person to shut off office power during lunch break to reduce power consumption, etc. The product design uses renewable and environmentally friendly materials and new generation design to improve energy efficiency and reduce production waste. Also, renewable energy and minimal product packaging have been introduced to lower the extra carbon price expenditure resulting from greenhouse gas emissions. The company also synchronously identifies feasible opportunities, and discusses and formulates response measures. In the	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			aspect of climate change mitigation, the company develops projects like green operation, energy management, and carbon emission disclosure.	
3.4 Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction , water reduction, or waste management?			<p>1. Greenhouse gas management</p> <p>Management Strategy The Company is aware of the impact of climate change on the Earth's environment and business activities, and has developed energy conservation and carbon reduction policies which are thoroughly implemented in our daily operations, such as temperature control of office air conditioning, automatic shutdown at regular intervals, and designating a person to shut off office power during lunch break to reduce electricity consumption.</p> <p>Reduction Target The Company's greenhouse gas emission reduction target is a 2% reduction from the base year for Phase I (2022-2025) and a 10% reduction from the base year for Phase II (2025-2030) with a rolling review.</p> <p>Budget and Planning The company is continuously committed to sustainable corporate development in harmony with the environment. In terms of energy conservation</p>	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Explanation													
			<p>management, our management policy aims to "reduce energy use" and "improve energy efficiency", and we are implementing energy conservation improvements in three major directions: "lighting", "air conditioning", and "energy management".</p> <p>Carbon reduction effect for customers</p> <p>When shipping products, the company continues to ship products in the original packaging materials (that is, completely reuse of the original packaging), and does not increase the use of additional packaging materials, including cartons, shock-proof materials and parts boxes.</p> <p>The Company has completed the inventory and third party verification for Scope 1 and 2 in 2023 and with the Group in 2022. The certificate has been uploaded to the company's website.</p> <p>The Company's greenhouse gas emissions for the last 2 years:</p> <p>(Scope 1, 2 for Taiwan factory information) T /CO2e</p> <table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th></tr><tr><td>2021 (base year)</td><td>37.65</td><td>91.01</td><td>No statistics available</td></tr><tr><td>2022</td><td>38.24</td><td>93.89</td><td>No statistics available</td></tr></table>	Year	Scope 1	Scope 2	Scope 3	2021 (base year)	37.65	91.01	No statistics available	2022	38.24	93.89	No statistics available	
Year	Scope 1	Scope 2	Scope 3													
2021 (base year)	37.65	91.01	No statistics available													
2022	38.24	93.89	No statistics available													

Evaluation Item	Implementation Status						Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Abstract Explanation														
			<table><tr><td>2023</td><td>15.68</td><td>132.72</td><td>No statistics available</td></tr></table> <p>The total greenhouse gas emissions for Scope 1 and Scope 2 in 2023 were 148.4 tons, up by 12.31% compared with the year 2022. The increase mainly resulted from the leasing of the office floor for 1 extra month since April 2023, leading to the increase in the purchased electricity in Scope 2.</p> <p>The Group plans to complete the application for SBT targets in March 2024, and submit relevant documents in April. It is expected that the targets will be reviewed since September 2024.</p> <p>2. Water Resources Management</p> <p>The company has been paying attention to the issue of energy conservation and environmental protection of water resources for years. In terms of water conservation plan, we start from the full implementation of daily life water conservation.</p> <p>Water consumption of the Company in recent 2 years (tons):</p> <table><tr><td>Year</td><td>Total water consumption (tons)</td></tr><tr><td>2022</td><td>1,180</td></tr><tr><td>2023</td><td>1,180</td></tr></table>				2023	15.68	132.72	No statistics available	Year	Total water consumption (tons)	2022	1,180	2023	1,180	
2023	15.68	132.72	No statistics available														
Year	Total water consumption (tons)																
2022	1,180																
2023	1,180																

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No	Abstract Explanation							
			<p>Management policy and reduction target</p> <p>The company mainly uses water for infrastructure, such as domestic water for employees. The water sources are all from the Taipei Water Supply Service, and no water is taken from rivers, lakes or groundwater sources, so there is no significant impact on the water sources and possible impact on community water use. In order to continuously promote water conservation, we strengthen the management and replacement of water-saving facilities in the factory, and inspect and repair water piping and fire protection piping, as well as advocate employees to achieve the goal of improving water conservation efficiency through water use behavior change.</p> <p>3. Waste Management</p> <p>The company only generates general household waste and business waste, etc.</p> <p>Waste volume of the company in the last 2 years (tons):</p> <table><tr><th>Year</th><th>Total waste volume (tons)</th></tr><tr><td>2022</td><td>8.98</td></tr><tr><td>2023</td><td>8.81</td></tr></table>	Year	Total waste volume (tons)	2022	8.98	2023	8.81	
Year	Total waste volume (tons)									
2022	8.98									
2023	8.81									

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Waste management policy and reduction target</p> <p>For waste reduction, the company focuses on source management, and separates the sources into two categories: "employee household waste" and "process waste"; In this regard, the management of employees' domestic waste is to effectively promote the reduction and classification of waste through employee education and training, as well as through employee behavioral norms to improve resource utilization and resource value; The company currently has no process waste. The centralized treatment of business waste is aimed at classification and safety, and is removed by legal waste disposal operators, while also cooperating with resource recycling operators to improve the value of resource utilization and reduce waste.</p> <p>4. Energy Management</p> <p>Improving energy efficiency</p> <p>The company is continuously committed to sustainable corporate development in harmony with the environment. In terms of energy conservation management, our management policy aims to "reduce energy use" and "improve energy efficiency", and we are implementing energy</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>conservation improvements in three major directions: "lighting", "air conditioning" and "energy management".</p> <p>Policy on the use of recycled materials As a multinational company of Netcom products, we are committed to environmental protection with the care for the society, and we continue to move towards the green concept in the design, production, packaging, sales and service of our products, and follow the policies of compliance with regulations and customer satisfaction; energy saving and green design; pollution prevention and resource recycling.</p> <p>Our products are designed using environmentally safe and recycled materials, and we have introduced new generation designs to improve energy efficiency and reduce production waste.</p>	
4. Social issues				
4.1 Does the company formulate appropriate management policies and procedures according to relevant regulations and the international Bill of Human Rights?	✓		The company abides by relevant labor laws and regulations and respects internationally recognized basic labor rights, protects the legitimate rights and interests of employees and adopts non-discriminatory employment policy.	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4.2 Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		<p>1. The company regularly organizes various employee education and training and performance appraisals, which are combined with salary adjustments, promotions, rewards and punishments, in addition to maintaining work discipline and creating incentives for employees to work, thereby forming a virtuous circle and improving operational performance.</p> <p>2. The company has an employee suggestion box, a specific division for stakeholders on the website, and an employee mailbox as a channel for appeals to safeguard the basic rights and interests of employees.</p> <p>3. The company regularly holds labor-management meetings to achieve the purpose of good communication between labor and management, and also has the Occupational Safety and Health Office on labor safety and health to take care of employees' physical and mental health and safety maintenance, and takes "employee care" as the highest principle.</p> <p>4. Please refer to pages 111-113 and 132-134 for the company's employee welfare programs and employee remuneration.</p>	Compliant
4.3 Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		Please refer to Pages 73-82.	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4.4 Does the company provide its employees with career development and training sessions?	✓		The company regards all colleagues as the company's most important assets. In addition to providing professional knowledge and skills training, it also encourages employees to pursue self-education and lifelong learning to meet the challenges of the market and environment. Please refer to pages 99-101 and 133-134 for the employee education, training and implementation status in 2023.	Compliant
4.5 Do the company’s products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		1. Customer health and safety, customer privacy, marketing and labeling of products and services of the company are handled in accordance with relevant laws and regulations, and the principle of fair trade. 2. The company's products comply with WEEE, RoHS, REACH, and CMRT environmental protection standards, and the stakeholder division of the website provides complaints and communication channels for customers, consumers and suppliers to protect the rights and interests of our customers. 3. The Company has set up an independent customer service department to assist customers in using the Company's products and services. It also receives complaints from customers and safeguards their rights and interests.	Compliant
4.6 Does the company implement supplier management policies, requiring suppliers to observe relevant	✓		1. The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results			<p>Alliance (RBA) code of conduct, requiring suppliers to comply with all relevant local laws and regulations when operating the company's business. It also requires its suppliers to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership.</p> <p>2. When selecting new suppliers, the company follows the supplier management operating procedures and requires the following documents to be signed in addition to the general procurement contract and confidentiality contract:</p> <ol style="list-style-type: none"> 1. Hazardous substance restriction guarantee (included in the procurement contract) 2. Social Responsibility Statement and Commitment: Commitment regarding labor rights, health and safety, environmental standards, ethics, management system and social impact. 3. Supplier code of conduct commitment: Business ethics and integrity requirements. 4. Letter of commitment for responsible mining: Suppliers are required to promise to abide by RBA code of conduct, and transparently disclose the sources of mines used in products and components according to OECD standards. <p>3. The company assesses suppliers' performance as well as rewards and punishments on a quarterly basis</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			according to the supplier management work in the internal control. The evaluation contents include quality, price, delivery period, degree of coordination. Also, we educate and train suppliers with assessment scores not reaching the standard, and coach them to improve each failed item to assure supply quality.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	The company plans to complete the publication by the end of 2024.	The operation is in progress.
6. Describe the difference, if any, between actual practice and the Sustainable Development Best Practice Principles, if the company has formulated such principles itself based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: The company has formulated a corporate social responsibility policy, which is posted on the company's website as a criterion for the company and all employees to fulfill social responsibility. It also regards corporate social responsibility as the core value of corporate culture. In 2022, a sustainable development committee was established to strengthen the promotion of and implementation of various sustainable development goals.				
7. Other useful information for explaining the status of corporate social responsibility practices: 1. Workplace environment and security The company's occupational safety and health policy follows the Occupational Safety and Health Act. The company holds occupational safety training and practical drills from time to time each year to increase employees' awareness of occupational safety and strengthen their occupational safety consciousness in order to build a healthy and happy workplace.				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>In order to promote the physical and mental health of our employees and to prevent occupational disasters or accidents, the Company has established an "Occupational Safety and Health Room" for the purpose of creating a safe and comfortable working environment, the maintenance of which includes but is not limited to the following items:</p> <p>(1) Fire facility & Equipment safety management</p> <p>A. The offices are equipped with fire extinguishers, smoke detectors, and emergency exit instructions. Employees are required to receive fire protection training once every half a year or every year, including ways to use fire extinguishers and implement evacuation procedures.</p> <p>B. With disaster prevention and prevention as our core concept, we conduct annual fire inspections and check and replace safety facilities including fire alarms and fire extinguishers to strengthen the occupational safety environment in the workplace.</p> <p>C. The company holds fire safety seminars every year and receives retraining at least once every two years in accordance with the regulations for the establishment and management of professional fire prevention management agencies of the Ministry of the Interior's Fire Department.</p> <p>D. In the second half of the year 2023, a laboratory fire not caused by people occurred late at night in the company. Due to the nighttime security management, the fire was quickly put out, and no casualties were caused. Only relevant laboratory equipment was damaged, and the indoor area was affected by smoke and water. The property loss was already covered through property insurance, and no significant impact was imposed on the company’s profit or loss. Through the review of the accident, the following three control measures have been adopted in all plant areas</p> <p>a.Monitoring equipment is additionally installed to intensively inspect each plant area, and smoke detectors are installed for online preservation and security, to prevent and respond to abnormalities.</p> <p>b.The security personnel are required to patrol the plant areas at fixed time and fixed points to confirm whether abnormal conditions exist in the plant areas. Also, SOP for response to abnormalities have been established and implemented.</p> <p>c.Check the equipment power sockets, and replace old and incompliant extension lines to avoid fires caused by heat generating equipment. For experimental equipment operated for 24 hours a day, a security control and verification mechanism shall be installed.</p> <p>(2) Access control security</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>A. Our premises are provided with 24-hour security and public accident liability insurance to maintain and protect the safety of labor and business equipment.</p> <p>B. In order to maintain the safety of all employees, strictly protect the security of the company's intellectual property data and the peace of the workplace, the company has set up access control management measures. In addition to 24-hour security, the office is equipped with access control card machine. Employees must swipe their identification cards to open access control and outsiders must apply and register through operating procedures before entering, so as to control the personnel in and out of the company.</p> <p>(3) Electrical safety The Company implements regular patrolling of general electrical box (panel) every quarter.</p> <p>(4) Environmental safety A. In order to protect and provide a healthy and comfortable working environment for employees, the company performs CO2 work environment monitoring twice a year, to ensure good ventilation in the workplace and conduct necessary maintenance, which is in line with the implementation method of labor work environment monitoring by the Ministry of Labor. B. The company cleans and maintains the offices, public areas, and shared facilities. C. The company disinfects the office area and the periphery of the site on an irregular basis.</p> <p>(5) Drinking water safety The company tests the water quality of water dispensers every 3 months in accordance with the use and maintenance management measures of continuous drinking water supply fixtures.</p> <p>(6) Occupational safety and security education advocacy A. The company implements occupational safety and health education advocacy annually. B. The offices are equipped with first-aid kits which are regularly updated. Office employees shall receive training for first-aid personnel and obtain relevant licenses, to cope with possible accidental injuries.</p> <p>(7) Statistics of incapacitated injuries: In 2022, there were 3 occupational disasters involving 3 people and 108 days of lost working hours; in 2023, there were 2 occupational disasters involving 2 people and 65 days of lost working hours. While the number of incidents and lost workdays decreased, failing to reach the target of 0 cases.</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
2. Physical and mental health and rights protection				
(1) Welfare guarantee				
A. The Employee Welfare Committee provides various subsidies and welfare measures for education, injury, illness, disaster relief, travel, etc.				
B. The company encourages employees to participate in the company's various club activities to relax and rejuvenate their minds and bodies during their spare time.				
C. The company reviews the employee health examination program annually to strengthen the protection of employees' physical and mental health.				
D. Contribution to employees' labor insurance, health insurance and pension.				
E. Group insurance and Medicaid for employees.				
F. The company provides nursing/milk collection rooms and related equipment to create a friendly environment for women to use.				
G. The company provides employees with massage service by disabled persons once every week to relieve their work pressure				
(2) Work security				
A. In accordance with the Labor Standards Law and the Gender Equality in Employment Act, the company has set the provisions of physiological leave, maternity leave, paternity leave, and maternity protection, as well as parental leave such as nursing leave, breastfeeding leave, and family care leave, and has set up a comprehensive nursing room for female employees to use during the nursing period.				
B. In accordance with the "Gender Equality in Employment Act" and the "Guidelines for the Formulation of Complaints and Disciplinary Measures against Sexual Harassment in the Workplace " issued by the Ministry of Labor, the Company has formulated the "Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures" to maintain gender equality at work and human dignity and prevent sexual harassment in the workplace.				
(3) Learning support				
A. From time to time, the company invites professionals to hold seminars on physical and mental health and health care.				
B. The company's education and training program provides newcomer education and training, general education, internal seminars, external training, online education courses, etc., covering management, personnel, labor safety, marketing, R&D,				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>finance, auditing, legal affairs, intellectual property, ESG, etc., in order to cultivate employees' self-development and strengthen their job skills.</p> <p>(4) Communication guarantee</p> <p>A. There is a dedicated email box for employees in the stakeholder division of our website and a suggestion box for employees within the company, which serves as a direct and quick channel of complaint and communication for employees and safeguards their basic rights and interests.</p> <p>B. The company holds regular labor-management meetings to achieve the purpose of good communication between labor and management, and also to take into account the physical and mental health support and safety maintenance of employees.</p> <p>3. In 2023, our colleagues participated in various charitable activities of "Hsu Chiu Ying Charity Foundation", including donations and volunteer services:</p> <p>(1) “Sending Love at Yearend and Donating Freely” and “Dream Fulfilling Fly Program”: These activities were organized to help the disadvantaged children acquire better learning opportunities.</p> <p>(2) “Caring Environment-friendly Camp”: To care about school children from economically disadvantaged and high-risk families, a small camp was organized, and volunteers led children to form different groups and participate in relevant activities and competitions. Also, they shared the abundance and brilliance of life with children and spread the seeds of kindness. This activity benefited Taoyuan Wuhan Elementary School.</p> <p>(3) “Singing and Sharing for Senior Citizens”: This activity was organized to care about the elderly in Shenkeng District, New Taipei City. It was held before Mother’s Day, and volunteers presented an unforgettable holiday experience to the senior citizens. With the passionate singing, living dancing, and warm companionship, more than 70 senior citizens laughed heartily and celebrated Mother’s Day with joy.</p> <p>(4) “Caring Activity on Children’s Day”: To care about the disadvantaged school children, colleagues supplemented stationary products and essential daily necessities for children, and gifts for Children’s Day were collected to help children fulfill their dreams and encourage them to study earnestly and pursue their aspirations.</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4. Our colleagues constantly participated in the Group's "Chingmei Creek Riverbank Beautification" activity regularly. They rolled up their sleeves and bent down to do their part for the community! Chingmei Creek riverbank is a place where the Group's employees often take a walk to relieve stress. In order to implement the business philosophy of feedback to the society, the company makes a small contribution to the community by picking up garbage and maintaining plants. The total number of volunteer services & donations participants from the company in 2023 is 28.</p> <p>5. The company attaches importance to the issue of sustainable development and actively promotes it internally. At the same time, combined with the Group's education and training resources, in addition to physical courses, the Group has set up an online school for employees to learn online anytime and anywhere, with a wide range of courses covering various ESG issues. Statistics show that in 2023, more than 50 courses have been offered, including gender equality, risk management, product security, quality management, integrity management, sustainable development, green lectures, trend lectures, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, risk assessment, and confidential information classification methods. The total number of class attendance is about 600.</p> <p>6. The company attaches importance to the development of arts and cultural activities in Taiwan, and encourages employees to actively participate in arts and cultural activities, exhibitions, and film appreciation with their family members by utilizing their spare time. The employees participated in the activities organized by the Group as follows in 2023:</p> <p>(1) “National Taiwan University, A Magical Journey of Ecology”: This activity was to visit the insect specimen museum, zoological museum, and botanical specimen museum of National Taiwan University. This activity involved guided tours and display of hundreds of thousands of precious collections. These collections hold an important position in the academic circles of Taiwan. This activity was intended to enable the participants to understand the local ecology of Taiwan (including insects, animals, and plants), and learn about the significance of scientific and cultural assets of Taiwan.</p> <p>(2) “Tamsui, An Intellectual Journey of Green Buildings”: The rich cultural heritage of Tamsui led the participants to experience a journey of history and the present. In this activity, professional lecturers led the team and introduced Tamsui Art House, the first public green building in New Taipei City, as well as historical buildings around it. The journey involved Tamsui Mazu, Chongjian Street, Red Castle, Huwei Mackay Hospital, Tamsui Presbyterian Church, Statue De Mackay, Tamsui Art House,</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>etc. By deeply exploring the past and the present of Tamsui, the participants learned a lot and came back with fruitful results after end of the journey.</p> <p>(3) “Beitou, An Intellectual Journey of Green Buildings”: Participants attended the unique cultural feast of Beitou, and each of them was led to experience the romantic feeling of Beitou. In the activity, the guide introduced Taipei Public Library Beitou Branch, the first green library in Taiwan, and historical buildings around it. The journey involved the Century-old Fountain in Beitou Park, Tengu Temple Relics , Longnice, Beitou Creek, Thermal Valley, Plum Garden, Beitou Park Outdoor Hot Spring Bathing Pool, Beitou Hot Spring Museum, etc. From admiring the beauty of Beitou Library to the walking through the sulfur-infused Thermal Valley, participants had a better understanding of the cultural, historical, and geographical backgrounds of each site, and learned the land where they lived more profoundly.</p> <p>(4) Other activities: To encourage colleagues to appreciate films in cinemas, the Welfare Committee issued a total of 425 online streaming platform vouchers and film tickets from 2021 to 2023, with a total investment amount of NT\$ 254,850.</p> <p>7. The company complies with laws and regulations, and immediately releases major information on information related to shareholders' rights and interests, and provides relevant information or links on the company's website to enhance investors' understanding of the company.</p>				

Note 1: If mark "Yes" for the implementation situation, please describe the important policies, strategies, measures and implementation situation adopted; If mark "No" for the implementation, please explain the differences and reasons in the column "Differences from the Code of Practice for Sustainable Development of OTC Listed Companies and Reasons", and explain the plans to adopt relevant policies, strategies and measures in the future.

Note 2: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders related to environmental, social and corporate governance issues.

Major issues	Items of Risk Evaluation	Risk management policy/strategy
Environment	Environment protection and Ecological Conservation	<p>✔ The company has obtained ISO9001/TL9000 and R6.3/R5.7(H) certification and complies with WEEE, RoHS, REACH and CMRT environment protection requirements.</p>
		<p>✔ The company continues to move towards the concept of green energy in product research and development, production, and sales, and improves the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For example, production materials comply with WEEE, RoHS, REACH and CMRT environmental protection requirements, and paper is effectively reused in the office.</p>
		<p>✔ The company is aware of the impact of climate change on the global environment and operating activities and has formulated energy-saving and carbon-reduction policies. The management policies can be divided into: greenhouse gas management, water management, waste management, energy management, etc. We strengthen the advocacy and thoroughly implement them in daily operations., such as: office air-conditioning temperature control, and timing automatic shutdown to reduce power consumption etc. Additionally, the company has obtained grade-B total score on the CDP climate change platform, but also signed to join Science Based Targets initiative (SBTi) and became a supporter for the climate-related financial disclosures.</p>
		<p>✔ The Company's greenhouse gas emission reduction target is a 2% reduction from the base year for Phase I (2022-2025) and a 10% reduction from the base year for Phase II (2025-2030) with a rolling review. The combined greenhouse gas emissions of Scope 1 and Scope 2 in 2023 and 2022 are approximately 148.42 metric tons and 132.13 metric tons, the total weight of waste in 2023 and 2022 is 8.81 metric tons and 8.98 metric tons, and the water consumption in 2023 and 2022 is approximately 1,180 metric tons and 1,180 metric tons.</p>
Society	Occupational Safety	<p>✔ The company's occupational safety and health policy follows the Occupational Safety and Health Act. The company holds occupational safety training and practical drills from time to time each year to increase employees' awareness of occupational safety and strengthen their occupational safety consciousness in order to build a healthy and happy workplace.</p> <p>In order to promote the physical and mental health of our employees and to prevent occupational disasters or accidents, the Company has established an "Occupational Safety and Health Room" for the purpose of creating a safe and comfortable working environment, the maintenance of which includes but is not limited to the following items:</p> <p>(1) Fire facility & Equipment safety management</p> <p>A. The offices are equipped with fire extinguishers, smoke detectors, and emergency exit instructions. Employees are required to receive fire protection training once every half a year or every year, including ways to use fire extinguishers and implement evacuation procedures.</p> <p>B. With disaster prevention and prevention as our core concept, we conduct annual fire inspections and check and replace safety facilities including fire alarms and fire extinguishers to strengthen the occupational safety environment in the workplace.</p> <p>C. The company holds fire safety seminars every year and receives retraining at least once every two years in accordance with the regulations for the establishment and management of professional fire prevention management agencies of the Ministry of the Interior's Fire Department.</p> <p>D. Establishment of fire prevention and control measures:</p> <p>01. Monitoring equipment is additionally installed to intensively inspect each plant area, and smoke detectors are installed for online preservation and security, to prevent and respond to abnormalities.</p> <p>02. The security personnel are required to patrol the plant areas at fixed time and fixed points to confirm whether abnormal conditions exist in the plant areas. Also, SOP for response to abnormalities have been established and implemented.</p> <p>03. Check the equipment power sockets, and replace old and noncompliant extension lines to avoid fires caused by heat generating equipment. For experimental equipment operated for 24 hours a day, a security control and verification mechanism shall be installed.</p> <p>(2) Access control security</p> <p>A. Our premises are provided with 24-hour security and public accident liability insurance to maintain and protect the safety of labor and business equipment.</p> <p>B. In order to maintain the safety of all employees, strictly protect the security of the company's intellectual property data and the peace of the workplace, the company has set up access control management measures. In addition to 24-hour security, the office is equipped with access control card machine. Employees must swipe their identification cards to open access control and outsiders must apply and register through operating procedures before entering, so as to control the personnel in and out of the company.</p> <p>(3) Electrical safety</p> <p>A. The Company implements regular patrolling of general electrical box (panel) every quarter.</p>

Major issues	Items of Risk Evaluation	Risk management policy/strategy
		<p>(4) Environmental safety</p> <p>A. In order to protect and provide a healthy and comfortable working environment for employees, the company performs CO2 work environment monitoring twice a year, to ensure good ventilation in the workplace and conduct necessary maintenance, which is in line with the implementation method of labor work environment monitoring by the Ministry of Labor.</p> <p>B. The company cleans and maintains the offices, public areas, and shared facilities.</p> <p>C. The company disinfects the office area and the periphery of the site on an irregular basis.</p> <p>(5) Drinking water safety</p> <p>A. The company tests the water quality of water dispensers every 3 months in accordance with the use and maintenance management measures of continuous drinking water supply fixtures.</p> <p>(6) Occupational safety and security education advocacy</p> <p>A. The company implements occupational safety and health education advocacy annually.</p> <p>B. The offices are equipped with first-aid kits which are regularly updated. Office employees shall receive training for first-aid personnel and obtain relevant licenses, to cope with possible accidental injuries.</p> <p>(7) Statistics of incapacitated injuries: In 2022, there were 3 occupational disasters involving 3 people and 108 days of lost working hours; in 2023, there were 2 occupational disasters involving 2 people and 65 days of lost working hours. While the number of incidents and lost workdays decreased, failing to reach the target of 0 cases.</p>
	Product Safety	<p>♥The company has obtained ISO9001/TL9000 and R6.3/R5.7(H) certification and complies with WEEE, RoHS, REACH and CMRT environment protection requirements.</p> <p>♥The products of the company meet WEEE and RoHS environmental protection requirements, energy efficiency, safety regulations, and electromagnetic compatibility standards.</p> <p>♥The product design uses renewable and environmentally friendly materials, and new generation design to improve energy efficiency and reduce production waste.</p> <p>♥The company continues to move towards the concept of green energy, waste reduction and energy saving in product research and development, production, and sales, and improves the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For example, production materials comply with WEEE and RoHS environmental protection requirements, product designs meet the latest energy efficiency standards and various international regulations, recycled materials are introduced into packaging, and paper is effectively reused in the office. At the same time, renewable energy is used, and excessive packaging is avoided, to lower the impact on the environment.</p> <p>♥Customer health and safety, customer privacy, marketing and labeling of products and services of the company are handled in accordance with relevant laws and regulations, and the principle of fair trade.</p> <p>♥The Company has set up an independent customer service department to assist customers in using the Company's products and services. It also receives complaints from customers and safeguards their rights and interests. The stakeholder division of the website provides a channel for customers, consumers and suppliers to complain and communicate with each other in order to protect the rights of customers.</p> <p>♥The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business Alliance (RBA) code of conduct, requiring suppliers to comply with all relevant local laws and regulations when operating the company's business. It also requires its suppliers to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership.</p>
Corporate Governance	Internal Control system and compliance with regulations	<p>♥In accordance with the risk-oriented annual audit plan and through the establishment of a governance organization and the implementation of an internal control system, it is ensured that all personnel and operations of the company truly comply with relevant laws and regulations.</p> <p>♥In accordance with the provisions of "Regulations Governing the Establishment of Internal Control Systems by Public Companies" and other relevant laws and regulations, the company has also established relevant management systems for its finance, business operation, and accounting. Full-time personnel have been assigned in each business unit to take charge of relevant risk management work, to control, lower, and prevent each risk of the company.</p> <p>♥The company complies with the laws and regulations, and immediately releases important information related to shareholders' rights and interests, and provides relevant information or links on the company's website to enhance investors' understanding of the company.</p>

Major issues	Items of Risk Evaluation	Risk management policy/strategy																																																
	Strengthening Directors' Functions and Implementing Directors' Responsibilities	<p>♥In order to enable the directors to understand their legal responsibilities, the company plans relevant training topics for the directors. The company has already combined the resources for education and training of directors of the Group, encouraged directors to engage in continuing education, strengthened the publicity of the provisions of the competent authority and regulations, and irregularly recommended advocacy meetings of the competent authority and information regarding courses designed by external qualified education and training agencies for directors to the directors for consideration and participation.</p> <p>♥Directors' liability insurance is provided to protect directors from lawsuits or claims when they have performed their duties as good managers.</p>																																																
	Communication with stakeholders	<p>♥The company attaches great importance to the corporate social responsibility towards employees, customers, investors, suppliers, and the overall environment. Therefore, the board of directors attaches great importance to promoting integrity management and supervising the implementation. The company has good communication channels and dedicated personnel who are responsible for listening to stakeholders' requirements, and explain, reply and track and manage the feedback information collected by different communication channels.</p> <table><tr><th colspan="4">Stakeholder communication:</th></tr><tr><th>Object</th><th>Communication channel</th><th>Frequency</th><th>Topics</th></tr><tr><td rowspan="2">Employee</td><td>Labor-capital meetings</td><td>Quarterly</td><td>Labor-capital relationship</td></tr><tr><td>Employee suggestion box</td><td>In real-time</td><td>Employees' voices and opinions insight</td></tr><tr><td rowspan="5">Investor</td><td>Shareholders meeting</td><td>Annually</td><td>Business performance</td></tr><tr><td>Public Information Observatory</td><td>Aperiodically</td><td>Information Disclosure</td></tr><tr><td>Company website - Investor</td><td>Aperiodically</td><td>Information Disclosure</td></tr><tr><td>Annual report / financial statements</td><td>Annually / Quarterly</td><td>Financial status and operating performance</td></tr><tr><td>Spokesperson system</td><td>In real-time</td><td>Respond to Investors' opinions and questions</td></tr><tr><td rowspan="3">Customer</td><td>Business visits</td><td>Aperiodically</td><td>Know and respond to customers' needs and opinions</td></tr><tr><td>Company website - Complaint</td><td>Aperiodically</td><td>Appeal channel</td></tr><tr><td>Company website - Product and Technical Supports</td><td>In real-time</td><td>Product introduction and service</td></tr><tr><td rowspan="2">Supplier</td><td>Calls and on-site visits</td><td>Aperiodically</td><td>To find out company needs</td></tr><tr><td>Purchaser survey</td><td>Annually</td><td>To get close with vendors and relationship maintenance</td></tr></table> <p>♥The company has established a whistle-blowing system, and has disclosed the relevant operating methods and reporting channels in the stakeholder division of the company's website, and special personnel or teams will be responsible for investigation.</p> <p>♥If there is a case reported, the company will conduct follow-up investigation in a rigorous manner, with dedicated personnel or team, in accordance with operating procedures and in a confidential manner, to protect the whistle blower from improper disposal.</p>	Stakeholder communication:				Object	Communication channel	Frequency	Topics	Employee	Labor-capital meetings	Quarterly	Labor-capital relationship	Employee suggestion box	In real-time	Employees' voices and opinions insight	Investor	Shareholders meeting	Annually	Business performance	Public Information Observatory	Aperiodically	Information Disclosure	Company website - Investor	Aperiodically	Information Disclosure	Annual report / financial statements	Annually / Quarterly	Financial status and operating performance	Spokesperson system	In real-time	Respond to Investors' opinions and questions	Customer	Business visits	Aperiodically	Know and respond to customers' needs and opinions	Company website - Complaint	Aperiodically	Appeal channel	Company website - Product and Technical Supports	In real-time	Product introduction and service	Supplier	Calls and on-site visits	Aperiodically	To find out company needs	Purchaser survey	Annually	To get close with vendors and relationship maintenance
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	Purchaser survey	Annually	To get close with vendors and relationship maintenance																																															
Information security		<p>♥In order to strengthen information security management, the company's sustainable development committee has organized a cross-departmental professional team to set up an information security group, which is responsible for the planning and implementation of information security system, formulation of regulations, regular reviews and internal control audits, and reports to the board of directors at least once a year.</p> <p>♥The company has already established an information security management policy, and used highly safe SSL-VPN connection and connection confirmation mechanism, to strengthen the information system services for the remote working of employees as well as the network connection security management.</p> <p>♥The company plans to apply for joining “Taiwan Computer Emergency Response Team /Coordination Center” (TWCERT/CC) to realize the joint defense of information security data.</p> <p>♥The company organizes information security publicity and training and implements drills to prevent the social engineering of malicious emails.</p>																																																
Operation riskw and financial position		♥ Please refer to Chapter 7-“6 Risk analysis, assessment and response”.																																																

8. Climate-Related Information of TWSE/TPEX Listed Company

● Implementation of Climate-Related Information

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	<p>In response to the uncertainties resulting from climate change and the rapid changes in the international markets and policies, the company formulated risk management measures and established a Sustainable Development Committee in 2022. The President serves as the chairperson of the committee, and assigns the senior chief of Quality Assurance Division to serve as the organizational leader. The committee is divided into seven working teams according to ESG issues, and the team members are department heads and other designated personnel. This committee is responsible for establishing, promoting, and strengthening the action plans for the important sustainable development policies of the company (including subsidiaries), and implementing active rolling inspection, tracking, and revision of the implementation status and effect of sustainable development. Besides, the committee shall report to the Board of Directors at least once every year, and the Board of Directors will supervise the targets and check the progress.</p> <p>The working teams subordinate to the company's Sustainable Development Committee include product safety team and environmental and ecological protection team which are assigned with the responsibility to implement environmental management, follow relevant regulations, international standards, etc. regarding environment, evaluate the sustainability execution plans, improve the resource utilization rate, respond to climate change, etc. Furthermore, a risk management team has been established in the company with the President serving as the top manager of this team. The members of the risk management team comprise personnel selected by the President from each department and division with different professional functions to take charge of risk management policy of the company. In accordance with the risk identification items defined in the company's risk management measures, five aspects are included, i.e., environmental risks, social risks (including occupational safety and product safety), corporate governance risks, information security risks, and operational and financial risks. Based on the foregoing, various risks shall be defined in the affordable scope to prevent possible losses, bring value to investors and stakeholders, and achieve the best resource allocation, thus assuring the achievement of the company's sustainable development goals.</p>

	The company plans to include the climate-related internal control system into the future annual audit plan, to promote and assure the operation of climate-related management.		
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	The company (including subsidiaries) actively discusses and formulates response plans, to lower the impact of climate change on the enterprise’s operation and finance and improve the company’s climate resilience. Also, relevant climate risks and opportunities are evaluated per short term, medium term, and long term, to facilitate the drafting of response plans, reduce the climate risks, and master the opportunities from climate change.		
	Note: The company defines the length of short term, medium term, and long term as within 3 years, 3-5 years, and above 5 years respectively.		
	Type of risk	Type of term	Potential risk items
	Transition risks Risks generated during the transformation of the company to low-carbon economy, including risks of policies, laws, technologies, markets, and reputation.	Short term	● Aggregate control of greenhouse gases as well as carbon tax and carbon fee.
		Medium term	● Changes in customer requirements and preferences. ● Transformation to low-carbon technology. ● Increase of laws and regulations on renewable energy. ● Insufficient climate response actions, resulting in the decline of brand reputation.
Long term		● Net-Zero emission becomes a mainstream trend.	
Physical risks Risks resulting from climate change due to incident driving (acute physical risks) or	Short term	● Extreme climate changes lead to the increased frequency of flood damage. If the overseas OEMs are damaged, the corporate operation may be affected.	

	long-term climate change (long-term physical risks) Acute physical risks are resulting from weather-related incidents, e.g., rainstorm, flood, draught, or heat wave, with severity and frequency gradually increased. Long-term physical risks are resulting from the long-term changes in climate models, including changes in precipitation and temperature, which may result in the rising of sea levels, the reduction of availability of water resources, the loss of biodiversity, and the change in soil productivity.	Medium term	<ul style="list-style-type: none">● The increase of natural disasters results in the interruption of the supply chain.● The movement of tectonic plates is becoming increasingly active, leading to a higher frequency of large-scale earthquakes. The corporate operation will be affected if such damage is suffered.
		Long term	<ul style="list-style-type: none">● Decline of average temperatures.
	Corresponding opportunities	Type of term	Potential opportunity items
	Potentially positive impact of climate change on individuals; the efforts made regarding climate change mitigation and adaptation may create climate-related opportunities for individuals.	Short term	<ul style="list-style-type: none">● R&D and innovation of new low-carbon products and services.
Medium term		<ul style="list-style-type: none">● Improvement of resource utilization efficiency.	
Long term		<ul style="list-style-type: none">● Improvement of corporate reputation.	

The company (including subsidiaries) evaluates the aforesaid risks, and proposes climate related risks and opportunities that may cause a material financial impact, as well as response strategies as follows:

Transition risks/Climate opportunities		
R (risk) / O (opportunity)	Financial impact -/+	Response strategies
R: Aggregate control of greenhouse gases as well as carbon tax and carbon fee. R: Increase of laws and regulations on renewable energy.	— The paying of carbon fee results in the increase in operating cost. — The purchasing of RECs results in the increase in operating cost. — The paying of penalties for violation of regulatory requirements results in the increase in operating expenses.	<ul style="list-style-type: none"> ● Strengthen green R&D and innovation. ● Improve energy utilization efficiency, and seek opportunities to invest in green energy equipment. ● Search suitable renewable energy utilization solutions.
R: Changes in customer requirements and preferences. O: R&D and innovation of new low-carbon products and services.	— The reduction of market sales results in the decline of operating revenue. + The improvement of sales ratio of low-carbon products increases the operating risk.	<ul style="list-style-type: none"> ● Continually invest in the R&D of low-carbon products. ● Search raw materials with low-carbon footprints and reallocate product ingredients. ● Research, develop, and make innovations in green products.
R: Transformation to low-carbon technology.	— The development of new low-carbon processes will increase the R&D cost. Financial losses will be caused in case of development failure.	● Establish a project R&D team and develop most suitable, low-carbon technology that benefits management.
R: Insufficient climate response actions, resulting in the	— The stakeholders' expectations cannot be satisfied, to harm the	● Actively pay attention and respond to climate-related issues, strengthen the public welfare image of the

	decline of brand reputation	corporate reputation and lower the market sales.	enterprise, and enhance customers' sense of identity.
	R: Net-Zero emission becomes a mainstream trend.	— The setting and operation of carbon reduction equipment result in the increase in cost.	<ul style="list-style-type: none"> ● Continually implement greenhouse gas reduction actions. ● Encourage suppliers to take climate mitigation and adaption actions.
	O: Improvement of corporate reputation	+ Improvement of financing availability and reduction of capital cost.	<ul style="list-style-type: none"> ● Improve the enterprise' s green image through transparent disclosure. ● Strengthen corporate governance, and establish a corporate culture of emphasis on climate-related issues and engagement in concrete actions. ● Improve the performance in sustainability appraisal and establish a favorable image.
	Physical risks/Climate opportunities		
	R (risk) / O (opportunity)	Financial impact -/+	Response strategies
	R: The increase of natural disasters results in the interruption of the supply chain. For example, extreme climate changes lead to the increased frequency of flood damage or heat wave. If the overseas OEMs are	<ul style="list-style-type: none"> — The shutdown of operating sites results in the decline of operating revenue. — The damage of machinery equipment results in the property losses. — The rising prices of raw materials lead to the increase in operating cost. 	<ul style="list-style-type: none"> ● Give consideration to the risk of flood before new operating sites are established. ● Evaluate the risk of flood in the operating sites, and execute risk mitigation measures. ● Develop alternative raw materials. ● Search suppliers in other regions.

	damaged, the corporate operation may be affected.	— The decrease in product output results in the decline of operating revenue.	
	R: The movement of tectonic plates is becoming increasingly active, leading to a higher frequency of large-scale earthquakes. The corporate operation will be affected if such damage is suffered	— The toppling of plant buildings, the damage of materials and inventories, the damage of machinery equipment, the injuries of employees, etc. result in property losses, decline of operating revenue, and increase in operating cost due to restoration expenses.	<ul style="list-style-type: none"> ● In addition to the purchasing of earthquake insurance just in case, actively search suitable places for plant construction in non-seismic regions to spread the supply chain risks and prevent the breakage of the supply chain. ● Pay close attention to the building safety, and immediately evaluate the hazard level in case of any damage.
	R: Decline of average temperatures O: Improvement of resource utilization efficiency.	— The increase in power consumption results in the increase in operating expenses. — The shortage of raw materials results in the rising price. — The increase in cost, or decrease in production output results in the decrease in operating revenue. + Decrease in cost of power consumption.	<ul style="list-style-type: none"> ● Construct green buildings. ● Use renewable energy. ● Develop alternative raw materials. ● Purchase energy-saving equipment. ● Adopt environmental management system and track the energy use status. ● Establish relevant energy-saving and carbon reduction policies and promote their implementation in the company.
3. Describe the financial impact of extreme weather events and transformative actions.	<p>The company participates in the maternity sorting of climate change risks and opportunities by the Group, and organizes the potential climate change risks and opportunities as follows:</p> <p>Increased extreme weather events - Flooding Due to the drastic climate change in Taiwan, flooding would easily occur during typhoons or the plum rain season. Therefore, the company follows the information of “National Science and Technology Center for Disaster</p>		

	<p>Reduction- Climate Change and Disaster Risk Mitigation Platform” adopted by the Group, and estimates the climate conditions in the middle of this century (2036~2065) in consideration of hazard of flooding, vulnerability and exposure. Then, the company conducts risk analysis of flooding disaster in the plant area, and estimates and confirms that the renovation amount of equipment damage in the plant area will not be higher than NT\$ 1,900,000 if flooding disaster occurs in the future. Therefore, to prevent the future extreme climate events from leading to flooding of plant area and causing renovation cost and operation interruption, the company will continually follow-up the response policies planned by the Group based on the analysis results in the future, and prudently evaluate potential hazards and work out management and action guidelines.</p> <p>Carbon cost</p> <p>The possible carbon related expenses and emission control in the future will impose a financial impact on the company. With reference to three climate change scenarios determined by the Group, including IEA Stated Policies Scenario (STEPS), IEA Sustainable Development Scenario (SDS), and IEA Net Zero Emissions by 2050 Scenario (NZE), and based on four carbon fee scenarios of Environmental Protection Administration, Taiwan, EU Emissions Trading System, NGFS 2050 Net Zero, and NGFS Nationally Determined Contribution, the company conducts cost analysis and finally adopts IEA Sustainable Development Scenario (SDS) as the carbon reduction pathway planning. The company will follow the policy goals of the Group and determine its own action plans and targets.</p> <p>The company established “Sustainable Development Committee” in the second half of 2022, and this committee administers different working teams per functions. They are responsible for identifying and managing corporate operation risks, including physical and transition risks possibly resulting from climate change, and leading the planning of relevant response measures. As for the short-term goals, the committee expects to participate in the Group’s establishment of sustainable development policies and guidelines, the promotion of implementation of sustainable development policies, the preparation of the company’s sustainability report, and the reporting of the implementation status and achievements to the Board of Directors at least once every year, to strengthen the enterprise’s constitution and achieve the milestone of Corporate Governance 3.0-Sustainable Development Roadmap.</p>
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>The Sustainable Development Committee is the top authority for risk management in the company (including subsidiaries), and the President services as the top manager of the risk management team. The members of the risk management team comprise personnel selected by the President from each department and division with different professional functions. The Board of Directors passed a resolution to approve risk management measures in 2022. The risk management team is responsible for implementing the risk management policy of the company. In accordance with the risk identification items defined in the company’s risk management measures, five aspects are included, i.e., environmental risks,</p>

	social risks (including occupational safety and product safety), corporate governance risks, information security risks, and operational and financial risks. Based on the foregoing, various risks shall be defined in the affordable scope to prevent possible losses, bring value to investors and stakeholders, and achieve the best resource allocation. Also, the committee regularly reports the operating and implementation status to the Board of Directors every year, to strengthen the corporate constitution and assure the achievement of the company's sustainable development goals.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Not applicable.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Not applicable.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning	Not applicable.

<p>horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p>	
<p>9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).</p>	<p>Not applicable.</p>

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Satus			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
1.1 Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and procitices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		The company has established the "Integrity Management Code", "Integrity Management Procedures and Behavior Guidelines" and "Code of Ethics", adhering to the concept of "Integrity and Faithfulness". In addition to implementing it in corporate governance, it strengthens the risk control system in daily business activities in the hope of sustainable development.	Compliant
1.2 Does the company have mechanisms in plaxe to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has established an assessment system for the risk of dishonest behavior in accordance with the "Integrity Management Code" and formulated a plan for preventing dishonest behavior, including the preventive measures in Article 7, paragraph 2, of the "Code for Integrity Management of Listed Companies", and discloses the company's integrity management policy in internal regulations, annual reports, company website or other publicity materials, The company strengthens advocacy and practice through employees signing the employee integrity statement and manufacturers signing no bribery statement.	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1.3 Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		The Sustainable Development Committee organizes members of relevant departments to set up an "Integrity Management Team", which is responsible for promoting the company's corporate governance matters such as integrity management, anti-corruption, anti-bribery and compliance with laws and regulations, and reports the implementation status to the board of directors at least once a year. The company's "Integrity Management Code", "Integrity Management Operating Procedures and Behavior Guidelines", "Code of Ethics" and "Work Rules" all state that in addition to the legal responsibility, the company will punish the relevant personnel according to the actual situation if they violate the law, and the most serious punishment will be the removal from the company.	Compliant
2. Corporate Conduct and Ethics Compliance Practice				
2.1 Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		When the company selects new suppliers, in addition to the general purchase contract and confidentiality agreement, it is also required to sign a letter of commitment that contains the terms of ethics and integrity.	Compliant
2.2 Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical	✓		The "Integrity Management Team" of the Sustainable Development Committee is responsible for promoting and implementing, regularly reviewing and revising management policies and procedures related to	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?			<p>integrity management, and reporting to the board of directors at least once a year on its integrity management policies, plans for preventing dishonest behavior and supervision of the implementation. The latest performance report to the Board of Directors is dated 2024.5.10.</p> <p>The Company implements the integrity management policy, and the relevant implementation situation is as follows:</p> <p>(1) Whistleblowing system and protection of whistleblowers:</p> <p>The Company has a code of corporate governance practices, a code of ethical conduct and a whistleblowing system, and the Company added a code of integrity and operating procedures and guidelines for conduct. The company accepts complaints of dishonest conduct from employees in accordance with the regulations, and provides an effective means of communication for employees, shareholders, interested persons and outsiders in the Stakeholders division of the company's website. Complaints involving directors or senior executives will be reported to the independent directors. The company has also established a whistleblower protection system,</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>which keeps the identity and content of the whistleblower confidential and promises to protect the whistleblower from being improperly disposed of due to the whistleblowing.</p> <p>(2) Legal compliance and education training: In order to promote advocacy and education among all colleagues, the administrative unit organized an online course with the theme of "Integrity Towards Excellence", covering three main courses: "Integrity Value", "Integrity attitude" and "Integrity behavior". In addition, the company, together with the group, hires professional lecturers or sets up physical courses, or sets up courses in the Kinpao Online College. Through the human resources department, we advocate or standardize the course information necessary for personnel promotion through E-mail, so that employees have access to professional knowledge lectures, interactive reflection, practical cases and other diversified teaching methods, to achieve the company to build integrity values and executive awareness; Statistics show that during the period of this report, more than 50 courses have been offered, including gender equality, risk management, product security, quality management, integrity</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			management, sustainable development, green lectures, trend lectures, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, risk assessment, and confidential information classification methods. The total number of class attendance is about 600.	
2.3 Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		In the company's "Code of Ethics", there is a clause on interest avoidance, and the channels for statements and explanations are specified to avoid the occurrence of profit-seeking situations.	Compliant
2.4 Does the company establish an effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		The company strictly abides by the effective accounting system and internal control system established for the implementation of ethical corporate management, and according to its design, regularly reviews the operation and effectiveness of various items, and the auditors also conduct regular inspections and report to the board of directors and Audit Committee.	Compliant
2.5 Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		The company's directors and supervisors continue to participate in internal or external relevant education courses every year; the company also arranges for the promotion and education of the relevant code of integrity management during the education and	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			training of newcomers, and puts it on the company's internal website for each employee. And we have also jointly established an online academy with our group to provide online training videos for every employee to log in and learn.	
3. Operation of the integrity system				
3.1 Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The company has established a whistle-blowing system, and has disclosed the relevant operating methods and reporting channels in the stakeholder division of the company's website, and the impeaches will be received and investigated by special personnel.	Compliant
3.2 Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		If there is a case reported, the company will conduct follow-up investigations in a rigorous manner, with dedicated personnel or teams, in accordance with operating procedures and in a confidential manner, to protect the whistle blower from improper disposal.	Compliant
3.3 Does the company provide proper whistleblower protection?	✓			
4. Strengthening information Disclosure				
4.1 Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The company discloses the content and promotion effect of "Integrity Management Code", "Integrity Management Operation Procedures and Behavior Guidelines" and "Code of Ethics" on the company's website, and the online course education and training takes "Integrity Towards Excellence" as the theme,	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>covering three major syllabuses of "Integrity Value", "Integrity Attitude" and "Integrity Behavior". External professional lecturers use professional knowledge teaching, interactive reflection, practical cases and other teaching methods to achieve the establishment of integrity values and execution.</p> <p>Statistics show that in 2023, more than 50 courses have been offered, including gender equality, risk management, product security, quality management, integrity management, sustainable development, green lectures, trend lectures, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, risk assessment, and confidential information classification methods. The total number of class attendance is about 600.</p>	
5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: Compliant				
6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review and revision of the Company’s corporate conduct and ethics policy). In line with the concept of integrity, transparency and responsibility, the company has formulated management policies based on integrity, which are not only used as the basic spirit of operation, but also implemented in internal management and external business activities to achieve the goal of sustainable operation.				

3.4.7 The company should disclose how to search for its Corporate Governance and regulations (if any):

Please search on the Company's website: <http://www/castlenet.com/tw/tw/page/26>

3.4.8 Other Important Information Regarding Corporate Governance:

3.4.8.1 The Company's directors' pursuit of further education

Job title	Name	Organizer	Course title	Training Hours
Director	Chang, Ying	Securities and Futures Institute	Competitiveness vs Survivability, ESG Trends and Strategies	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Director	Hsu, Chieh-Li	Taiwan Corporate Governance Association	Global Trends and Business Opportunities of Low-carbon Economy and Corporate Low-carbon Innovation in 2023	3
			Trends of Digital Technology and AI and Risk Management	3
		Taiwan Institute of Directors	Turning Point for Strategies of Century-old Enterprises Series-2 Wheel of Innovation	3
Director	Hsu, Wei-Yang	Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Director	Huang, Yu-Hui	Securities and Futures Institute	Competitiveness vs Survivability, ESG Trends and Strategies	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Director	Chiang, Tai-Chang	Securities and Futures Institute	Competitiveness vs Survivability, ESG Trends and Strategies	3
			Seminar of TWSE/TPEX Listed Companies-Insight to Derivative Financing Market and Aiming at Corporate Sustainability	3
		Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Director	Lin, Cheng-Hsien	Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
		Securities and Futures Institute	Analysis of Common Legal Violation Cases in the Securities and Exchange Act	3
			Challenges and Responsibilities of Board of Directors under Corporate	3

Job title	Name	Organizer	Course title	Training Hours
			Governance Evaluation Indicators and Sustainable Action Plans	12
			Practical Workshop for Directors and Supervisors (Including Independent Directors) & Corporate Governance Officer	
Independent Director	Hsu, Sheng-Haur	Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Independent Director	Tsai, Chien-Wen	Securities and Futures Institute	Competitiveness vs Survivability, ESG Trends and Strategies	3
		Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Independent Director	Fu, Chi-Ching	Financial Supervisory Commission	The 14 th Taipei Corporate Governance Forum	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3
Independent Director	Chen, Yi-Ling	CPA Associations R.O.C. (Taiwan)	Case Analysis on Money Laundering and Insider Trading Patterns	3
			Accounting Treatment under Climate Change	3
			Analysis of Practical Operations of Independent Directors and Audit Committee	3
			Sustainability Report of Investment Grades	3
		Taiwan Corporate Governance Association	Trends of Digital Technology and AI and Risk Management	3

3.4.8.2 The Company's managers' pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Chief of Finance & Accounting	Wu,Li-Mei	Accounting Research and Development Foundation	Continuing training course for accounting supervisors of issuers, securities firms and stock exchanges	12
Corporate governance supervisor		Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3
		Securities and Futures Institute	Competitiveness vs Survivability, ESG Trends and Strategies	3
		Taipei Exchange	Promotion Meeting for Sustainable Development Action Plans for TWSE- and TPEx-listed Companies (2023)	3
		Securities and Futures Institute	Trends of Digital Technology and AI and Risk Management	3
		Accounting Research and Development Foundation	Common Internal Control Management Deficiencies of Enterprises and Analysis of Practical Cases	6

3.4.8.3 The Company's Auditors' pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Audit Officer	Chen, Tien-Pao	Accounting Research and Development Foundation	Quality of "Corporate Governance" Required of Internal Auditors and Practice of Risk Assessment of Financial Statements	6
			Practice of Audit and Control of "Information Security" by Internal Auditors	6
Audit staff	Chen, Si-Hui	Securities and Futures Institute	Audit of Regulatory Compliance of Major Financial and Business Operation Behaviors	6
		Accounting Research and Development Foundation	Practical Measures for Improvement of "Three Defense Lines of Internal Control"	6

3.4.8.4 The Company's Financial report preparer's pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Accounting Deputy Section Manager	Wen, Chiu-Feng	Securities and Futures Institute	Continuing training course for accounting supervisors of issuers, securities firms and stock exchanges	12

3.4.9 Internal Control System

3.4.9.1 Statement of Internal Control

<p style="text-align: center;">CastleNet Technology Inc. Statement of Internal Control System</p> <p style="text-align: right;">Date: March, 11, 2024</p> <p>Based on the results of self-assessment, CastleNet Technology Inc. (hereinafter referred to as “CastleNet”) states the following regarding its internal control system during the year 2023:</p> <ol style="list-style-type: none">1. CastleNet acknowledges that the board of directors and managers are responsible for establishing, implementing, and maintaining the internal control system, and such system has been established. Our internal control system is designed to provide reasonable assurance of accomplishing the following objectives such as the effectiveness and efficiency of our operations (including profitability, performance, and asset safeguard), reliability, timeliness, transparency, and legal compliance of our reporting, and compliance with applicable rulings, laws, and regulations.2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the above three objectives. Moreover, the effectiveness of an internal control system may change due to changes in the environment or other circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, allowing CastleNet to take immediate remedial action in response to any identified deficiencies.3. CastleNet evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter “Regulations”). The criteria adopted by the Regulations divide the internal control system into five key components based on the process of managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component in turn consists of several items. Please refer to the Regulations for the aforementioned items..4. CastleNet has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.5. Based on the results of previous assessment, CastleNet believes that, as of December 31, 2023, CastleNet has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), and can reasonably assure accomplishment of the following objectives: the level of achievement of our operational effectiveness and efficiency objectives is understood, our reporting is reliable, timely, transparent, and complies with applicable laws, and we are in compliance with applicable rulings, laws, and regulations.6. This Statement will be an integral part of CastleNet’s annual report and prospectus, and will be made public. Any falsehood, concealment, and/or other illegality in the content will result in legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.7. This Statement was passed by the board of directors in their meeting held on March 11, 2024. Of the 10 directors in attendance (personally or by proxy), none objected to the content of this Statement; the remainder affirmed. It is hereby declared. <p style="text-align: right;">CastleNet Technology Inc. Chairman: Chang, Ying President: Chang, Ying</p>
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3.4.9.2 Companies which commissions accountants to audit the internal control system shall reveal the audit report: None.

3.4.10 Any penalties, major deficiencies, and improvements the Company made internally regarding violations against the internal control system or any penalties received by Company or its employees in the laest year or as of the date of publication of the annual report: None.

3.4.11 Important resloutions passed by shareholders meetings and board meetings during the most recent fiscal year up to the date of publication of the annual repot.

3.4.11.1 Major Resolutions of Shareholders' Meeting and Board Meetings:

Date of meeting	Resolution	Implementation
2023.5.30	1. Acknowledgement of 2022 annual business report and financial statement	The announcement and declaration have been completed in accordance with the law after the shareholders' meeting on May 30, 2023.
	2. Approved 2022 Proposal of appropriation of profit and loss	Major information has been released on the Public Information Observatory after the shareholders' meeting on May 30, 2023.
	3. Proposal for the election to add an Independent Director	List of Independent Directors Elected: Independent directors: Chen, Yi-Ling. The announcement and declaration have been completed in accordance with the law after the shareholders' meeting on May 30, 2023. Then, the company change registration has been completed on June 13, 2023 and the information of the board members has been updated on the company website.
	4. Releasing Directors from non-competition restrictions	List of Directors released from non-competition restrictions: Corporate Directors: Representatives of Kinpo Electronics, Inc.: Hsu, Chieh-Li, Shiau, Ching-Hwa. Independent directors: Fu, Chi-Ching. After the shareholders' meeting on May 30, 2023, major information has been released on the Public Information Observatory and the content of the resolution is used as the basis for releasing the directors from non-competition restrictions.

3.4.11.2 Important resolutions passed by the obard of directors

Date of meeting	Important resolution matters
2023.3.9	1. The Company Statement of Internal Control System in 2022 2. 2023 annual salary adjustment plan for managers 3. 2023 Dragon Boat Festival and Mid-Autumn Festival bonus payment 4. 2022 annual business report and financial statements 5. 2022 Proposal of appropriation of profit and loss 6. Reassignment of directors of CastleNet Technology Inc (Kunshan).

Date of meeting	Important resolution matters
	7. Proposal for the election of an additional Independent Director. 8. Nomination of an independent director candidate. 9. Releasing directors from non-competition restrictions 10. Convening the 2023 annual general shareholders' meeting
2023.5.10	1. 2023 evaluation of the independence and suitability of CPA of the Company. 2. 2023 Q1 Consolidated Financial Statements of the company 3. Proposal to amend the Rules of Procedure for Board of Directors. 4. Appointment of Corporate Governance officer of the Company 5. Application for bank line of credit
2023.8.11	1. 2023 Q2 Consolidated Financial Statements of the company 2. Proposal for the Policy on Pre-approval of Auditors and Their Firms (including Related Entities) to Provide Non-audit Services to the Company (and Subsidiaries). 3. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 4. Proposal to Partially Amend the Procedures for Loaning Funds to Others 5. Application for bank line of credit
2023.11.13	1. Audit plan of 2024 2. 2023 Q3 Consolidated Financial Statements of the company 3. 2023 year-end bonus payment for managers 4. Review of the compensation items for the new Independent Director. 5. Review of the compensation items for the new Corporate governance supervisor. 6. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 7. Application for bank line of credit
2024.3.11	1. The Company Statement of Internal Control System in 2023 2. Business plan of 2024 3. Approval of proposal for application of line of credit from client. 4. 2023 annual business report and financial statements 5. 2023 Proposal of appropriation of profit and loss 6. 2024 Evaluation of the certified accountant independence, suitability, AQI information and Remuneration of the company. 7. Request for Retroactive Recognition of Lease Assets from Related Parties. 8. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 9. Releasing directors from non-competition restrictions 10. Convening the 2023 annual general shareholders' meeting 11. Application for bank line of credit
2024.5.10	1. 2024 Q1 Consolidated Financial Statements of the company 2. Approval of proposal for suspension of annual salary adjustment for managers in 2024 and submission of the proposal for discussion again in the fourth quarter in consideration of operating performance. 3. 2024 Dragon Boat Festival and Mid-Autumn Festival bonus payment 4. Proposal for the Establishment of the Basis Date for the Conversion and Issuance of New Shares for Employee Stock Options and Related Matters. 5. Application for bank line of credit

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the latest year or as of the date of publication of the annual report: None.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.

3.5 Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by the CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
PWC Taiwan	Chang, Shu-Chiung Wu, Han-Chi	2023.1.1 ~ 2023.3.31	1,920	480	2,400	Non-audit fees include: tax visa related services of NT\$ 680,000, offshore company maintenance and declaration services of NT\$ 48,000, other review services of NT\$ 80,000.
	Wu, Jen-Chieh Chang, Shu-Chiung	2023.4.1 ~ 2023.12.31				
Deloitte Taiwan	Wang, Jui-Hung	-	0	328	328	

3.5.1 Companies that have replaced their accounting firm and has a lower audit fee than the year before replacement shall disclose the amounts before and after the replacement and reasons: not applicable.

3.5.2 If audit fees are lower than audit fees of the previous year by 10% or greater, the decreased amount, percentage, and reason shall be disclosed: not applicable.

3.6 Replacement of CPA:

Date of replacement	Upon expiration, the new ones will start from the first quarter of 2023 and from the second quarter of 2023.	
Reason for replacement and explanation	According to the letter No. 23000763 issued by the PwC Taiwan, in accordance with the rotation of accountants as stipulated by the law, the auditing accountants of the financial statements will be changed from HSU, SHENG-CHUNG and WU, HAN-CHI to CHANG, SHU-CHIUNG and WU, HAN-CHI with effect from the first quarter of 2023. In addition, due to the retirement of WU, HAN-CHI, the auditor of the financial statements will be changed from CHANG, SHU-CHIUNG and WU, HAN-CHI to WU, JEN-CHIEH and CHANG, SHU-CHIUNG with effect from the second quarter of 2023 in accordance with the internal adjustment of the accounting firm.	
The statement is that the appointor or accountant terminates or does not accept the appointment	Not applicable.	
Opinions on audit reports other than unqualified opinions issued within the last two years and the reasons for them		
Any disagreement with the issuer		
Other disclosures (those that should be disclosed in Article 10, Paragraph 6, Items 1(d) to 1(g) of this Code)		

3.7 Company Directors, General Managers, Managers of Finance or Accounting that were Employed by the CPA's Accounting Firm or Its Affiliated Corporation in the Most Recent Year: None.

3.8 Transfers or Pledge the shares by Directors, Managers or Shareholders with Shareholdings of over 10% in the Recent Year or as of the Date of Publication of the Annual Report:

3.8.1 Change in Shareholding of Directors, Managers, or Major Shareholders:

Job title	Name	2023		Current fiscal year as of May, 10 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Vice President	Ting, Pao-Chuan	(2,000)	0	0	0
Vice President	Lo, Hsiao-Wei	125,000 (Note1)	0	0	0
Chief of Finance & Accounting, Corporate Governance Supervisor	Wu, Li-Mei	10,000 (Note2)	0	(10,000) (Note3)	0

(Note 1) In 2023, executed the conversion of employee stock options into 125,000 new shares.

(Note 2) In 2023, executed the conversion of employee stock options into 160,000 new shares, and gifting to her children in a total of 150,000 shares.

(Note 3) In 2024, executed the conversion of employee stock options into 57,500 new shares, and gifting to her children in a total of 67,500 shares.

3.8.2 Information of Shares Trading:

Name	Reason for transfer	Date of transaction	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of shares	Transaction price
Wu, Li-Mei	Grant	2023/7/12	Li, Yun-Hsuan	Eldest daughter	75,000	-
			Li, Cheng-Ying	Eldest son	75,000	-
		2024/1/19	Li, Yun-Hsuan	Eldest daughter	32,500	-
			Li, Cheng-Ying	Eldest son	35,000	-

3.8.3 Information of Shares Pledge: None.

3.9 Information on Relationship Among the Top Ten Shareholders (Spouse, Relatives Within Two Degrees, etc.)

April 8th, 2024 Unit: Shares,%

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Niminee Arrngement		Nome and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kinop Electronics, Inc.	129,958,907	67.46	0	0	0	0	N/A	N/A	
Representative:Hsu, Sheng-Hsiung	0	0	0	0	0	0	N/A	N/A	
Huang, Jung-an	3,910,000	2.02	0	0	0	0	N/A	N/A	
Kuo, Chun-Chieh	2,364,000	1.22	0	0	0	0	N/A	N/A	
Huang, Kuang-Lin	1,668,000	0.86	0	0	0	0	N/A	N/A	
Bank SinoPac custody Investment account of PanShih venture capital Inc.	1,456,000	0.75	0	0	0	0	N/A	N/A	
Capital Securities Corporation is entrusted with the Investment Account of Luk Fook Securities (HK) Limited	1,145,000	0.59	0	0	0	0	N/A	N/A	
Chen, Sheng-Wei	1,128,552	0.58	0	0	0	0	N/A	N/A	
Weng, Jui-Lung	962,000	0.49							
Huang, Hung-Mao	892,000	0.46	0	0	0	0	N/A	N/A	
Hung, Yi-Yu	879,000	0.45	0	0	0	0	N/A	N/A	

3.10 Information of the Company Directors, Managers, or Businesses Directly or Indirectly Controlled by the Company

May 10th, 2024 Unit: Shares, %

Reinvestments	Investments by the Company		Investments by Directors, Managers, or Directly or Indirectly Controlled Bussinesses		Total Investments	
	Shares	%	Shares	%	Shares	%
CastleNet Technology (BVI) Inc.	8,708	100%	-	-	8,708	100%
CastleNet Technology Inc (Kunshan). (N 2)	-	-	-	100%	-	100%

Note 1: The Company uses the equity method for long-term investment.

Note 2: CastleNet Technology (BVI) Inc. hold shares of 100%

IV. Capital Overview

4.1 Capital and shares

4.1.1 Source of capital

Unit:NTD, Shares/k, May 10th, 2024

Year Month	Par Value(N T\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Property other than cash paid by subscribers.	Other(Note 1)
87.6	10	200,000	2,000,000	50,000	500,000	Established	-	-
88.7	12	200,000	2,000,000	75,000	750,000	Capitalization of Cash NTD 250,000k	-	1999.6.30(88)Tai TsaiCheng(1) No. 57638
89.6	10	200,000	2,000,000	79,500	795,000	Capitalization of retained earnings NTD 45,000k	-	2000.6.8(89)Tai TsaiCheng(1) No. 49574
90.6	10	200,000	2,000,000	82,290	822,900	Capitalization of retained earnings NTD 12,000k Capitalization of Capital surplus NTD 15,900k	-	2001.6.26(90)Tai TsaiCheng(1) No. 140535
91.7	10	200,000	2,000,000	83,890	838,900	Capitalization of retained earnings NTD 16,000k	-	2002.7.18 Tai TsaiCheng(1) No. 0910140090
99.3	15	200,000	2,000,000	92,600	926,000	Capitalization of Cash for IPO NTD 87,100k	-	2010.03.01 Ching Kong Shang Tzu No. 0990006803
103.11	10	200,000	2,000,000	91,118	911,180	Divestment NTD14,820k	-	2014.11.27 Cheng Kuei Chien Tzu No. 10300326601
107.10	10	200,000	2,000,000	86,118	861,180	Divestment NTD 50,000k	-	2018.10.05 Ching Shou Shang Tzu No. 10701121850
108.12	10	300,000	3,000,000	188,618	1,886,180	Capital Increase NTD1,025,000k	-	2019.11.25 Ching Shou Shang Tzu No. 10801166410
112.9	10	300,000	3,000,000	190,500	1,904,995	ESOP converted into new shares and resulting in an increase of NTD 18,815k in capital	-	2023.9.8 Ching Shou Shang Tzu No. 11230169110
113.1	10	300,000	3,000,000	190,891	1,908,905	ESOP converted into new shares and resulting in an increase of NTD 3,910k in capital	-	2024.1.3 Ching Shou Shang Tzu No. 11230229200
113.4	10	300,000	3,000,000	192,547	1,925,468	ESOP converted into new shares and resulting in an increase of NTD 16,563k in capital	-	2024.4.8 Ching Shou Shang Tzu No. 11330050480

Note 1: Disclose the information for the current fiscal year up to the date of publication of the annual report.

Note 2: For a capital increase, specify the date and reference number of the official letter under which the increase was effectively registered (or approved).

Note 3: If any stock is issued at less than par value, this should be prominently indicated.

Note 4: If capital is paid in by offsetting monetary claims or technology against the price of shares, please specify, and also note the type and monetary amount of the offset.

Note 5: If it is a private placement, the fact that it is a private placement should be prominently indicated.

Note 6: As of the deadline of the publication of the annual report, there were still 83,750 new shares issued through conversion of employee stock option certificates.

After the Board of Directors of the Company made a resolution to approve the proposal for the base date of issuance of new shares through conversion of employee stock option certificates and relevant matters on May 10, 2024, corporate change registration will be legally conducted. After completion of the change, the number of paid-in shares reached 192,630,500, and the paid-in share capital reached NTD 1,926,305,000.

1. Type of Shares

May 10th, 2024 Unit: Shares

May 10, 2024 Unit: Shares

Type of Shares	Authorized Capital				Remarks
	Issued Shares (Note)		Un issued Shares	Total Shares	
	Listed	Un-Listed			
Common Shares	90,130,500	102,500,000	107,369,500	300,000,000	(Note)Please refer to Note 6 on page 108 for further explanation.

2. Information on Shelf Registration: None.

4.1.2 Status of Shareholders

April 8th, 2024 Unit: Shares

Item Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	0	130	13,517	18	13,665
Shareholding(shares)	0	0	130,763,260	58,754,628	3,112,612	192,630,500(Note)
Percentage	0%	0%	67.88%	30.50%	1.62%	100%

(Note)Please refer to Note 6 on page 108 for further explanation.

4.1.3 Distribution profile of share ownership

April 8th, 2024 Unit: Shares

Class of Shareholding(Unit:Share)	Number of shareholders	Shareholding(Shares)	Percentage(%)
1-999	8,232	162,303	0.08
1,000-5,000	4,100	8,247,898	4.28
5,001-10,000	632	4,969,061	2.58
10,001-15,000	206	2,593,008	1.35
15,001-20,000	130	2,444,481	1.27
20,001-30,000	112	2,866,356	1.49
30,001-40,000	50	1,801,648	0.94
40,001-50,000	41	1,894,696	0.98
50,001-100,000	84	6,099,267	3.17
100,001-200,000	35	4,930,031	2.56
200,001-400,000	20	5,568,000	2.89
400,001-600,000	11	5,317,292	2.76
600,001-800,000	2	1,373,000	0.71
800,001-1,000,000	3	2,733,000	1.42
Over 1,000,001	7	141,630,459	73.52
Total	13,665	192,630,500 (Note)	100.00

(Note)Please refer to Note 6 on page 108 for further explanation.

4.1.4 List of major shareholder (Top-10 Shareholders)

April 8th, 2024/Unit:Shares

Major Shareholders	Shares	Number of Shares Held	Shareholding
Kinop Electronics, Inc.		129,958,907	67.46
Huang,Jung-an		3,910,000	2.02
Kuo,Chun-Chieh		2,364,000	1.22
Huang, Kuang-Lin		1,668,000	0.86
Bank SinoPac custody Investment account of PanShih venture capital Inc.		1,456,000	0.75
Capital Securities Corporation is entrusted with the Investment Account of Luk Fook Securities (HK) Limited		1,145,000	0.59
Chen,Sheng-Wei		1,128,552	0.58
Weng, Jui-Lung		962,000	0.49
Huang,Hung-Mao		892,000	0.46
Hung, Yi-Yu		879,000	0.45

4.1.5 Share price for the past 2 fiscal years, together the company's net worth per share, earnings per share, dividends per share, and related information

Year			2022	2023	Current Year as of May 10 th , 2024(Note8)
Item					
Market price per share (Note1)	Highest		11.45	24.90	43.50
	Lowest		8.99	9.02	23.70
	Average		10.20	17.54	33.57
Net value per share (Note2)	Before distribution		9.90	9.98	9.98
	After distribution		9.90	9.98	-
Earnings per share	Weighted average shares(1,000 shares)		188,618	189,650	192,157
	Earnings per share (Note3)	Before retrospective adjustments	0.09	0.04	(0.02)
		After retrospective adjustments	0.09	0.04	-
Dividend per share (Note9)	Cash Dividends		-	-	-
	Stock dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from Capital Surplus	-	-	-
	Accumulated unpaid dividends(Note4)		-	-	-
Return Analysis	Price-earnings ratio(Note 5)		111.33	346.25	-
	Price-dividend ratio(Note6)		-	-	-
	Cash Dividend yield(Note 7)		-	-	-

* If the market price per share and cash dividends after retrospective adjustments according to the number of issued shares by stock dividends should be listed.

Note 1: The highest and lowest market price for each year is provided as well as with the average price for the year computed based on each year's transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at your's end and the distribution passed at the following year's meeting to fill in.

Note 3: If it necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paidout in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price-earnings ratio = Average per share closing price for the year/earnings per share.

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

Note 7: Dividend yield = Cash dividend per share/average per share closing price for the year.

Note 8: Listed net value per share and earnings per share are according to the report reviewed by CPA columns show information for the current year as of the date of the publication of the annual report.

Note 9: In 2023, the company made a profit but still has accumulated losses. According to the Articles of Incorporation, dividends cannot be distributed until the accumulated losses are fully offset. However, this proposal has not yet been approved by the shareholders' meeting.

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy of Articles of Incorporation

Article 26

If the Company earns profits in current year, it shall appropriate at least two percent of the profits as employees' remuneration and no more than two percent of the profits as directors' remuneration respectively.

However, if the Company still has accumulated losses, the amount used to make up the accumulated losses shall be reserved in advance.

The profits in current years mentioned in the preceding paragraph refer to pre-tax profit acquired before deduction of the amount distributed for employees' remuneration and directors' remuneration.

The determination of distribution ratios of employees' remuneration and directors' remuneration as well as the payment of employees' remuneration in stock or cash may be executed with the attendance of more than two thirds of directors and consent from more than half of attending directors, and reported to the shareholders' meeting.

The objects of payment of employees' remuneration in stock or cash may include employees from the Company's controlling or subordinate companies that comply with certain conditions

Article 26-1

Surplus in the annual final accounts of the Company shall be used to pay taxes and make up for accumulated loss first if any. Then, if there is still a remaining amount, ten percent of the surplus shall be drawn as legal surplus as well as special reserve presented or reversed according to laws and regulations or the provisions of the competent authority. If there is still a surplus, the Board of Directors shall, according to the actual needs, propose the appropriation of the sum of its balance

as well as the adjusted amount of undistributed surplus at the beginning of the same period and in current year. When the surplus is thus distributed to issue new shares, it shall be distributed after a resolution made by the shareholders' meeting is passed.

When the Company distributes all or a part of distributable stock dividends, bonuses, capital reserve or legal surplus in cash, it may be distributed only after more than two thirds of directors attend the meeting and more than half of attending directors pass a resolution, and then it shall be reported to the shareholders' meeting.

As for the distribution of dividends mentioned above, the distributable surplus in the current year shall be distributed in full in consideration of factors including finance, business and operation aspects. The cash dividends shall not be lower than ten percent of total amount of cash and stock dividends granted in the current year.

2. The circumstances of the proposed dividend distribution at the shareholders' meeting: In 2023, the company made a profit but still has accumulated losses. According to the Articles of Incorporation, dividends cannot be distributed until the accumulated losses are fully offset.

4.1.7 Effect upon business performance and earning per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

4.1.8 Compensation of employees and directors:

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The company estimates the amount of employee and directors compensation according to a certain ratio within the range of the percentage set in the company's articles of association;

Where employee compensation is distributed in shares, the calculation is based on the closing price of the common stock on the day before the resolution of the board of directors, and the employee stock compensation for less than one share shall be paid in cash.

If there is a discrepancy between the actual distribution amount and the estimated amount, it shall be treated according to the change in accounting estimate, and shall be adjusted and recorded in the distribution year.

3. Board of directors' resolution on compensation distribution: In 2023, the company made a profit but still has accumulated losses. According to the Articles of

Incorporation, employee remuneration and director's remuneration cannot be distributed until the accumulated losses are fully offset.

4. Actual distribution of employee and director compensation in the previous fiscal year: None.

4.1.9 Buy-back of Treasury Stock: None

4.2 Issuance of corporate bonds: None.

4.3 Preferred shares: None

4.4 Issuance of Global Depositary Receipts: None

4.5 Employee Stock Options

4.5.1 Unexpired employee subscription warrants issued by the company in existence as of the date of publication of the annual report

May 10th, 2024

May 10, 2021

Type of employee stock warrant	First employee stock option certificate issued in 2019		First employee stock option certificate issued in 2020	
Effective date of Registration and Number of units issued	August 22, 2019 8,508 units		Decemeber 2ed, 2020 3,000 units	
Date of Issuance/exercise (N 4)	August 30, 2019	December 25, 2020		November 24, 2020
Number of units issued	8,508 units	1,663 units		1,337 units
Available Issued Units	0 units	0 units		0 units
Ratio of subscribable shares to total issued shares	4.51070%	0.88168%		0.70884%
Subscription period	7 years(108.8.30-115.8.29)	7 years(109.12.25-116.12.24)		7 years(110.11.24-117.11.23)
Exercise method	Issue new shares	Issue new shares		Issue new shares
Period and ratio in which subscription is restricted(%)	After two full years since the issuance of employee stock warrants, 50% of the total employee stock options may be exercised, After three full years since the issuance of employee stock warrants, 75% of the total employee stock options may be exercised, After four full years, employees may fully exercise stock options.(Stock option ratio shall be calculated on a cumulative basis)			
Number of the shares subscribed	3,107,500 shares	605,000 shares		300,000 shares
Subscription price per share of the unsubscribed shares	NTD 39,154,500	NTD 6,927,250		NTD 3,240,000
Number of shares that have not been subscribed	2,185,500 shares	689,000 shares		515,000 shares
Subscription price per share of the unsubscribed shares	12.60 dollars	11.45 dollars		10.80 dollars
Ratio of the number of unsubscribed shares to total issued shares(%)	1.13505%	0.35784%		0.26747%
Effect on shareholders' equity	After two full years since the Company's issuance of employee stock warrants, the execution plan will be carried out over the course of five years. Estimated ratio of subscribable shares to total issued shares will dilute original shareholder equity year by year. It should not cause significant impact, and can encourage employees to invest long-term effort into the job and enhance internal coherence, which will create benefits for the Company and shareholders. It will be beneficial to shareholder equity as well.			

Note 1: Employee share subscription warrants include publicly offered and privately placed employee share subscription warrants. Publicly offered employee share subscription warrants are those that have been effectively registered with the FSC; privately placed employee share subscription warrants are those that have been approved by a resolution of the shareholders meeting.

Note 2: Adjust the number of columns according to the actual number of issues.

Note 3: Note whether the method is by delivery of issued shares or issuance of new shares.

Note 4: Fill in all the required information separately for warrants of different issue (handling) dates.

Note 5: If it is a private placement, the fact that it is a private placement should be prominently indicated.

Note 6: The difference between the total number of shares with stock options exercised/not exercised and the number of stock options available based on the issued units is the number of the invalid employee stock option certificates.

Note 7: The original share subscription price is NT\$ 13.60/share. The share subscription price is adjusted according to the provisions of Article 7 of Regulations Governing the Issuance of Employee Stock Option Certificates.

Note 8: As of the deadline of the publication of the annual report, the total number of shares issued reached 192,630,500. There were still 83,750 new shares issued through conversion of employee stock option certificates. After the Board of Directors of the Company made a resolution to approve the proposal for the base date of issuance of new shares through conversion of employee stock option certificates and relevant matters on May 10, 2024, corporate change registration will be legally conducted. After completion of the change, the number of paid-in shares reached 192,630,500, and the paid-in share capital reached NT\$ 1,926,305,000.

4.5.2 List of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of publication of the annual report

May 10, 2024/Unit: NTD

		Executed					Not yet executed					
Title	Name	Number of share subscription warrants acquired (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares	Number of share subscription on warrants (Thousand shares)	Price of stock option (Dollar)	Amount of stock option (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares	Number of share subscription on warrants (Thousand shares)	Price of stock option (dollar)	Amount of stock option (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares	
Management	Vice President	Ting,Pao-Chuan	875	0.45444%	433.5	10.80 ~ 12.60	5,181	0.22514%	441.5	10.80 ~ 12.60	5,261	0.22929%
	Vice President	Lo,Hsiao-Wei										
	Head of F&A Vision Corporate governance supervisor	Wu,Li-Mei										
	Head of R&D Vision	Chang,Wen-Chuan										
	Head of Audit	Chen,Tien-Pao										
Employee	Assistant manager	Tang,Yung-Ju	3,050	1.58403%	1332.5	10.80 ~ 12.60	16,594	0.69204%	1717.5	10.80 ~ 12.60	21,030	0.89199%
	Headquarters Senior Director	Hsu,Hua-Mei										
	Director	Huang,Chi-Hsien										
	Senior Director	Tsai,Su-Yu										
	Manager	Yeh,Jih-Wei										
	Senior Director	Tsai,Chiu-Yuan										
	Senior Director	Chang, Wen-Chuan										
	Director	Chiang,Hai-Yu										
	Headquarters Director	Chou,Yeh-Ti										
	Headquarters Vice Director	Si, Chih-Yun										

Note 1: The names and job titles of the managerial officers and employees should be presented individually (and an annotation should be made in the event an officer or employee has departed the company or died), but the quantities acquired and subscribed may be presented in aggregate sums.

Note 2: Adjust the number of columns according to the actual number of issues.

Note 3: The top ten employees who have acquired share subscription warrants means employees other than managerial officers.

Note 4: The total number of issued shares means the number of shares in the amendment registration information on record with the Ministry of Economic Affairs.

Note 5: For exercised employee share subscription warrants, disclose the exercise price at the time of exercise.

Note 6: For unexercised employee share subscription warrants, disclose the adjusted exercise price as calculated based on the issuance rules.

Note 7: As of the deadline of the publication of the annual report, the total number of shares issued reached 192,630,500. There were still 83,750 new shares issued through conversion of employee stock option certificates. After the Board of Directors of the Company made a resolution to approve the proposal for the base date of issuance of new shares through conversion of employee stock option certificates and relevant matters on May 10, 2024, corporate change registration will be legally conducted. After completion of the change, the number of paid-in shares reached 192,630,500, and the paid-in share capital reached NT\$ 1,926,305,000.

4.6 Status of employee restricted stock: None.

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

4.8 Financing Plans and Implementation: None.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1.Content of main businesses

CastleNet Tech. Inc. has been focusing on the field of network communication and is a professional OBM/ODM manufacturer of netcom products. The main contents of the business include the design, research and development, production and sales of the following products:

- Broadband Cable CPE
- Mesh Wi-Fi System

From the perspective of professional field, CastleNet Tech. Inc. not only has DOCSIS professional technology and is in a leading position in the industry, but also further develops Wi-Fi, 5G FWA ,and other related network communication technologies. Through the integration of production resources with the parent group, CastleNet Tech. Inc. has the ability to manufacture high-tech products in addition to R&D and design.

2. Operational proportion of each product:

Unit: NT\$Thousands;

Product /Year	2023	
	Amount	Percentage (%)
Consumer Electronics	538,853	96.84
Others	17,586	3.16
Total	556,439	100.00

3.Current products

- (1) Broadband CPE: Cable Modem, Cable Router, Voice gateway (EMTA Gateway), cable modem module (Cable Modem Module).
- (2) Mesh WiFi CPE: Mesh Wi-Fi Controller, Mesh Wi-Fi Extender, remote device management software system.

4. New products to be developed

- (1) 10G DOCSIS 3.1/4.0 tri-band cable gateway that supports Wi-Fi 7 and complies with the EasyMesh R6 standard.
- (2) Tri-band mesh wireless routers that support Wi-Fi 7.
- (3) Tri-band mesh wireless extender that supports Wi-Fi 7.
- (4) Next-generation network communication module compatible with DOCSIS 3.1/4.0.
- (5) Fixed wireless access devices (FWA).
- (6) Passive optical network terminal equipment (GPON ONT & XGS-PON ONT).

5.1.2 Industry overview

1. Industry status and prospects

(1) Cable CPE

The overall shipment performance of Cable modem in 2023 is summarized as follows: influenced by the active promotion of fiber optic networks and the provision of fixed network subsidies by various countries, the traditional copper wire product market has shrunk by about 10% compared to 2023. The new DOSCIC 4.0 technology is expected to be mainly promoted in the North American market and gradually stabilize in the future.

In order to maintain market share, North American MSO is implementing a strategic transformation by adopting competitive pricing mobile communication solutions and a profitable fixed network bundling plan. At the same time, telecommunications companies are undergoing a transformation from fiber optic to copper wire. Although they choose to use Fixed Wireless Access (FWA) to compensate for the losses of DSL customers, in the long run, they still rely mainly on fiber optic to provide fixed network services. Currently, due to the excessive construction of 5G, FWA can be used to fill the excess bandwidth and has relatively low customer acquisition and activation costs. However, compared to fixed line networks, their quality maintenance costs are still relatively high, and future development will depend on whether the AI/6G technology have a continuous process of improvements, which is a key factor worth close observation.

Despite the dual challenges of high-interest rates and labor shortages, fixed-line operators are still able to use Cable modem in existing service areas, enjoying the advantages of cost and local base. At present, operators and equipment suppliers in various countries are facing the dilemma of high inventory, low demand, and difficulty in deleveraging to reduce liabilities, so they are considering integrating or exiting the market. Therefore, the trend of utilizing existing assets and introducing AI collaboration to improve resource utilization, improve service quality, and reduce labor costs has become increasingly evident.

Although the chip shortage problem has been alleviated, the replacement of higher-performance 10G 3.1+/4.0 products is expected to support an increase in average selling price (ASP) and output value. Operators are facing an uncertain business, they will carefully consider upgrading to the next generation of fiber optics after ensuring that subsidies are in place. AI optimization and intelligent WiFi upgrades for existing PON/DOCSIS client products are expected to reduce operating costs and become one of the future trends.

(2) WiFi Router

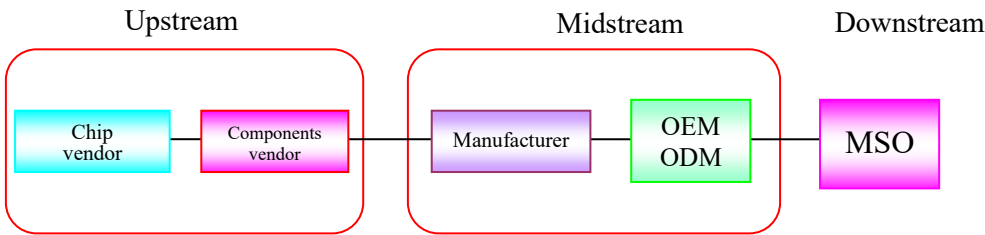
The global economy is sluggish in 2023, and the demand for SOHO routers in Taiwan is weak as well. The upstream supply chain has improved the delivery time of Wi-Fi wafers, and major manufacturers are actively launching new standard products such as Wi-Fi 6/6E. However, the visibility of OEM orders is not significant, and then it also tests the adaptability strategies of downstream brands and operators.

Although plans for infrastructure upgrading subsidies in various countries have helped to revive terminal demand, the actual market recovery rate is relatively slow, which has led operators to maintain a cautious attitude in product procurement. At the same time, the cooperation between operators and ODM suppliers has improved Wi-Fi specifications such as Mesh, security, and IoT features to enhance user stickiness. This has had a certain impact on traditional brand manufacturers.

Some operators adopt strategies such as developing products targeting specific ethnic groups (such as gaming/VR) and forming strategic partnerships with operators to cope with the situation. In addition, emerging router brands are constantly increasing. They all committed to creating a smart home ecosystem loop, making market competition increasingly fierce.

The supply chain is currently actively preparing to respond to the business opportunities of Wi-Fi 7. However, considering the cost structure and market affordability, meaningful Wi-Fi 7 shipments may not be available until after the second half of 2024. It is expected that the shipment volume of routers will significantly decline by about 15% in 2023, with negative growth particularly severe in the first half of the year due to inventory processing. The market will mainly focus on handling inventory of duplicate orders for Wi-Fi 6 throughout the year. Wi-Fi 7 becomes the main driving factor for consumer upgrades will depend on the degree of economic improvement and the promotion of new applications such as next-generation smartphones or low-cost VR devices.

2. Association between upstream, midstream, and downstream industry participants:



The role played by CastleNet in the broadband communication equipment industry is a midstream manufacturer of access end products. The upstream chip supplier provides the chip set, which is designed and produced by the manufacturer into various specifications to meet the needs of each market, and then provided to the equipment supplier for sale in the market. The main business model is OBM/ODM, providing operators with customized design and manufacturing services. The complete process includes proposal, design execution, test verification, acceptance, batch trial production and mass production shipment. With strong R&D and design capabilities and rich production experience, CastleNet minimizes the time of customers' products to the market and reduces product development costs.

3. Industry development trend

With the continuous improvement of network speed and bandwidth, operators will continue to carry out network construction, maintenance, and upgrades. It is expected to improve network performance, integrate resources and reduce costs by introducing technologies such as fixed-mobile convergence and virtualization.

According to ITU statistics, the global fixed broadband subscribers had reached 1.289 billion by the end of 2021. Cable Modem is second only to PON in access technology. Due to the influence of 4G/5G mobile technology, the growth of fixed network users will tend to be saturated in the future and it will transform to focus on improving fixed network speed and Wi-Fi access bandwidth.

Faced with the gradual upgrading of global DSLs to PON and FWA, global operators mainly rely on government subsidies to gradually increase the scale of broadband users, as the growth of fixed network users slows down. As of the second quarter of 2023, the global cable modem broadband users were approximately 2.16

billion, with North America remaining the largest market, accounting for about 60% of the global market, followed by Europe with 20%; Central and South America accounts for 10% of the third largest market. In 2023, the shipment volume of DOCSIS 3.1 CPE accounted for approximately 78% of the overall cable market.

In response to the continuous competition of PON, the demand for DOCSIS 3.1 CPE is also rising in Central and South America. The overall market is still dominated by products without wireless networks, but through the Wi-Fi extender that supports the mesh function, the overall deployment can be more complete.

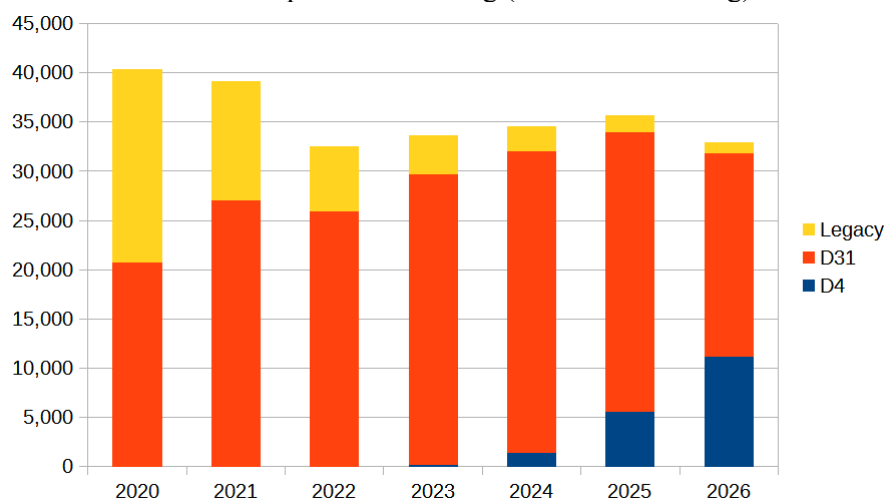
Since 2019, large operators in Europe and America started to adopt DOCSIS 3.1 terminal products. Facing the continuous upgrading of 10G PON equipment by telecom operators, operators have progressively improved Gbps network transmission services since the second half of 2022 and started two sets of DOCSIS 3.1 uplink and downlink signals.

At the same time, Comcast in the United States began trial operation of DOCSIS 4.0 in the fourth quarter of 2023, using the Broadcom FDX/ESD dual-use solution, while MaxLiner also launched a new generation chip that supports 1.8G spectrum expansion, at least adopted by Hitron and Askey. The two largest brand manufacturers in North America will merge, and that will provide Taiwan's Netcom factories with an opportunity to expand their market share.

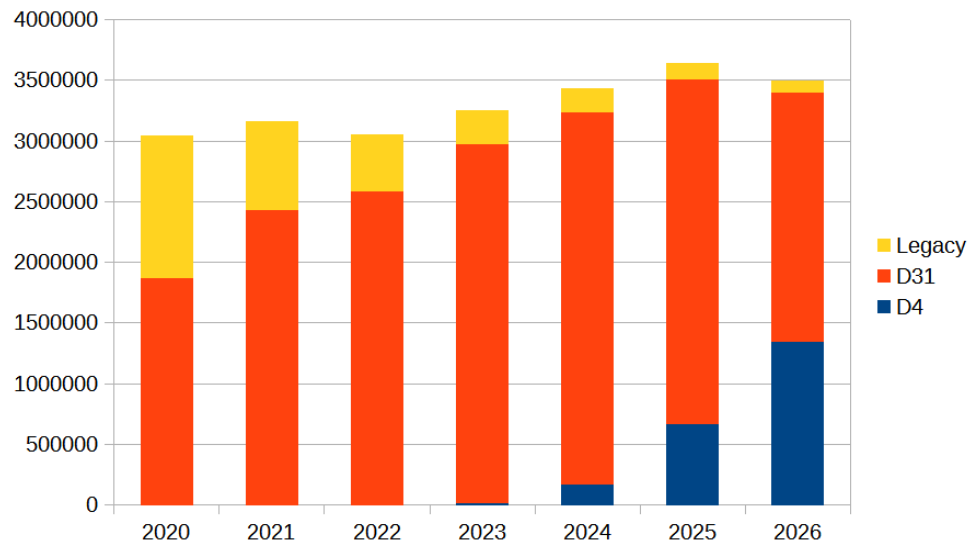
Although operators are actively pushing users to upgrade to new-generation technologies, cost and networking needs are still users' considerations, which will affect the popularity of new-standard terminal products. At this moment, the main driving force of DOCSIS 4.0 is to respond to the competition of 10G PON. The operators are facing 10G PON and FWA squeezing the market at the same time. DOCSIS 4.0 has the advantage of lower per-household upgrade costs compared to 10G PON, and greater capacity, speed, and stability advantages compared to FWA.

Looking ahead to the first half of 2024, due to interest rate hikes leading to conservative investment by operators, it may not be conducive to the shipment of the Cable modem CPE industry. Mature models such as DOCSIS 3.1 WIFI6 and 2-BOX WIFI6 are still mainstream shipping products. The main shipping models for DOCSIS 4.0 in the early stages may be those without Wi-Fi functionality. It is expected that the all-in-one model will only be introduced after the WIFI 7 market opens by the end of 2024 to 2025, and it is expected that although the shipment volume of Cable modems may slowly decline, the output value is still expected to continue to grow.

Worldwide shipment forecasting (internal forecasting)



Output value forecasting (internal forecasting)



Wireless network technology is moving towards the new WiFi 7 standard, and international chip manufacturers including Qualcomm, Broadcom, MediaTek, and others are launching WiFi 7 chips. Relevant network manufacturers and industry chains are also ready and are expected to become the main focus of shipments in 2024. The devices in the Wi-Fi market mainly include grid wireless routers, wireless access points, home gateways, and grid wireless extenders. It is expected that the wireless access point market will occupy the largest share of the Wi-Fi market in 2024, mainly because Wi-Fi 6/7 technology can expand the Wi-Fi range to add more access points to businesses and homes, and more and more devices are choosing Wi-Fi 6/7 to support dual-band Wi-Fi to connect multiple devices. However, the grid wireless router market is expected to grow at the highest compound annual growth rate.

In the post-epidemic era, the introduction of Industry 4.0 technology tools will become more common, and the degree of digitization of enterprises will increase. 5G and Wi-Fi are expected to play a complementary and synergistic effect in the manufacturing field. Although the Wi-Fi communication distance is short, it can resist interference and enhance physical penetration in the field of smart manufacturing. It can also reduce the cost of 5G distributed antennas and small base stations, while extending the communication range and improving the battery life of the equipment.

Looking ahead to the next generation of Wi-Fi 7, there are already companies such as MediaTek, Qualcomm, Broadcom, etc. laying out their plans in the market. Major companies of CES have also launched Wi-Fi 7 products in 2023. It is estimated that the application schedule of Wi-Fi 7 will start in 2023 Q3, and medium to high level retail models will be the dominant models. The operator is expected to ship 10G PON/DOCSIS 4.0 products with built-in Wi-Fi 7 when they are mature. The shipment volume is expected to increase between 2024 and 2025.

Overall, with the introduction of WiFi 7, wireless network technology will enter a new stage, and all parties are actively deploying and promoting WiFi 7 to meet the future needs of digitalization and intelligence. 2024 will be an important moment for the large-scale shipment of WiFi 7 products, bringing higher performance and wider application possibilities to the entire wireless communication field.

4. Product competition

(1) Cable CPE

As countries are continuing to promote broadband popularization, it is expected that there will be approximately 1.4 billion fixed-line broadband users worldwide in 2024. Among them, fiber users are expected to increase while DSL and Cable users are expected to decrease. From a regional perspective, the Asia-Pacific region currently accounts for more than half of the world's fixed broadband households; Cable is in the leading position in North America and Latin America. The Middle East, and Africa still support the use of DSL and LTE/5G, and fixed-line broadband users in Asia Pacific, led by mainland China, and Eastern Europe, are dominated by fiber.

Facing the competition with broadband technologies such as optical fiber, Cable Modem, and FWA (Fixed Wireless Access), and the slow integration of the next-generation technology G.fast, the number of global xDSL users continues to decline, and the number of users is expected to decline 6.5% from 200 million households in 2022 to 187 million households in 2024. In terms of regional markets, Europe is the largest market for DSL. However, driven by the acceleration of optical fibers by various operators in recent years, the number of DSL users has shown negative growth.

In Eastern Europe, fixed broadband connection speeds have risen steadily in recent years, with Hungary, Latvia, Lithuania, and Estonia topping the list. Fiber optic networks are ubiquitous in major cities, but many homes in remote areas still rely on traditional DSL and Cable that support relatively low internet speeds.

Cable broadband users in the United States account for 62.8% of the total. Additionally, DSL and fiber users combined account for about 31.8%. Growth of ultra-fast fixed broadband is accelerating in Latin America's five largest fixed broadband markets—Argentina, Mexico, Brazil, Chile, and Colombia—with top-tier products growing up to 10 times faster than the overall market in each country. However, these top services still represent a small percentage of total users in these markets.

As of the second quarter of 2023, the number of Cable broadband users in Latin America still exceeds 32.3 million, accounting for approximately 30% of the total broadband users, compared to approximately 68 million fiber optic users in 2023.

Taiwanese manufacturers account for the majority of the world's shipments, with the largest shipments being from Foxconn, Pegatron, and KinPo ODM, which are OEM to American, French, and Korean brand manufacturers. For their own brands or direct attacks, they include Sercomm, Hitron, CBN, Arcadyan, and others such as CastleNet and Askey. The market is relatively stable.

(2) Wi-Fi Router

As Wi-Fi 6 devices gradually dominate the market, Wi-Fi 6E devices are also actively pushing deployment. Although major device manufacturers launched Wi-Fi 6E routers in early 2022 and regulatory authorities opened up the necessary 6 GHz spectrum, the development of Wi-Fi 6E networks is still in its early stages. The 6 GHz Wi-Fi 6E is viewed as a transitional technology by the market. The mainstream in the market will still be 2.4/5G Wi-Fi 6 dual-band models, while the tri-band Wi-Fi 6E is still under observation due to market acceptance not reaching the expected level in 2024.

It is expected that the 6 GHz spectrum will become the main development platform for Wi-Fi 7 in the future. With the conclusion of the WRC-23 conference in the fourth quarter of 2023, corresponding regulations from various countries will be announced respectively, so that the specifications and certification schemes of Wi-Fi 7 will settle down.

In addition, cloud management of Wi-Fi will shift from brand-specific management specifications to open industry specifications, including TR369USP, EasyMesh, Opensync, and OpenWiFi. The challenges of complex network management and spectrum interference processing will drive an increasing demand for artificial intelligence/machine

learning capabilities. CastleNet has been committed to the research and development of open technology and the latest artificial intelligence cloud platform for many years and has obtained multiple WFA EasyMesh and Plume certifications in 2023, which helps CastleNet maintain its leading position in the fiercely competitive market.

5.1.3 Technology and R&D Overview

1. Technical Level and Research Development of Our Business

The main product of CastleNet is Cable CPE, which combines VoIP and wireless network technologies to provide telecom and cable TV operators with integrated services in fixed-line broadband network systems.

As for the new generation of DOCSIS 3.1 products, the company has achieved mature development technology, with ultra-high-speed bandwidth equipped with wired and wireless interfaces, supporting cloud services and home network device connection, and allowing operator customers to provide highly competitive high-end services of high quality to the end consumers. CastleNet also expands product lines such as Wi-Fi 6/6E mesh wireless routers and extenders. Therefore, operator customers can flexibly provide solutions with different interfaces according to different home networks, allowing customers to effectively manage and maintain the network equipment on the client side, and improve the user's satisfaction with the network environment. Developed products include: Wi-Fi 6 (dual-band and tri-band) mesh wireless routers, Wi-Fi 6 (dual-band and tri-band) mesh wireless extenders to increase indoor wireless signal coverage, DOCSIS 3.1 Wi-Fi 6 gateway, and DOCSIS 3.1 & 3.0 Cable Modem etc..

2. Research and Development Expenses over the past five years

Unit: NT\$ Thousands;

Item /Year	2019	2020	2021	2022	2023
R&D Expenses	67,532	70,679	93,665	117,989	131,876
Net Revenue	2,652,479	1,295,230	1,692,313	1,145,661	556,439
Ratio to net revenue%	2.55%	5.46%	5.53%	10.30%	23.70%
2024 annual R&D expenses NT\$129,224 (est.)(Please refer to page 116 of this annual report for future R&D plans)					

3. Technologies or products successfully developed in the last year

- (1) The DOCSIS 3.1 cable gateway.
- (2) Cloud management of Wi-Fi Wi-Fi 6 DOCSIS 3.1 cable gateway.
- (3) DOCSIS 3.0 and 3.1 status monitoring transponder used in CATV/HFC network power supply.
- (4) Wi-Fi 6/6E mesh wireless routers
- (5) Wi-Fi 6/6E mesh wireless extender

5.1.4 Long-term and Short-term Business Development Plan

1. Short-term Development Plan

- (1) Marketing strategy: continuing to develop existing customers and markets, and meeting customer needs with high-quality products. Providing customers with customized products in a timely manner so that the product design is more in line with the operator's profit-making and service needs.

- (2) Production quality improvement and cost reduction: improving product quality, introducing automation, reducing labor requirements, increasing unit production capacity, controlling production costs, and increasing profit margins.
- (3) Adjusting the proportion of product business, reducing the product business with a long development time, and increasing the shipment ratio of high value-added product lines.

2. Long-term Development Plan

- (1) Expanding products based on cable modems and system integration business, relying on proprietary development technology, and actively investing in highly integrated and high-value niche products to deepen product differentiation.
- (2) Developing new product lines, including 5G fixed wireless access-related products, exploring new market customers, and diversifying customer and regional risks, in order to obtain long-term stable orders and achieve annual growth goals.
- (3) Strengthening production and sales capabilities, expanding the operating scale, reducing operating costs to consolidate the market position, and increasing brand awareness and market share.
- (4) Fully leverage the Group's global manufacturing advantages, improving production technology and quality, and replacing manpower with automation to increase production capacity and controlling production costs to increase profit margins.

5.2 Market and Production and Market Overview

5.2.1 Market Analysis

1. Market share

The global market share of CastleNet products is about 1%, and the main markets are Turkey, South Korea, Japan, and Central and South America. In line with the market trend, CastleNet still keeps persevering with OBM as its main business model. With the high R&D energy and marketing experience, combined with cooperation with the local system integrator partners in various markets, CastleNet actively collaborate with system integration partners from various regions. At the same time, CastleNet is committed to exploring emerging markets to expand business opportunities and enhance product competitiveness, further enhancing the company's value.

At the moment, over 80% of the products shipped by CastleNet have wireless network functions, mainly high-end home routers. This integrated research and development, manufacturing, sales, and system integration business enables CastleNet to directly engage with end users and achieve direct sales compared to other competitors who only engage in contract manufacturing. Looking ahead to the future, CastleNet will continue to focus on product research and development and also working closely with customers to respond to market demand in more flexible way. The company will continuously enhance its innovation capabilities, provide customers with more valuable services, and pursue higher-quality products. With all the efforts, CastleNet will achieve continued growth in the future.

2. Future market supply, demand, and growth

Facing the wave of global digital transformation, the demand for advanced and multifunctional integrated terminal devices is becoming increasingly significant. With the rise of immersive applications (VR, AR), the demand for network bandwidth has also increased significantly. Only technologies with higher bandwidth can meet the increasingly complex needs of users.

With operators actively promoting fiber optic services, fiber optic has become the mainstream of fixed broadband technology, accounting for about 47% of the overall broadband user market share in 2022. On the other hand, DSL is facing compression of growth space. Under the trend of copper retirement in various countries, the number of Cable modem users shows a gradual decline in the coming years. However, existing operators continue to promote user service upgrades, mainly in North America. According to the IHS market report, the annual output value of Cable CPE is about 3.23 billion US dollars, with an annual shipment volume of 44 million units and an annual growth rate of 2% to 3%. The growth of the market comes from the continuous launch of various value-added services by MSO operators and telecommunications companies in the Cable CPE market, which continues to drive the demand for high-speed internet access, thereby driving the sustained and stable growth of Cable CPE output value.

However, with the merger of the two largest suppliers in North America in 2023 and only serving the needs of a few large customers, the market is becoming saturated. At the same time, this also means that customers will open up more market share to large Taiwanese manufacturers to avoid market monopolies. In the context of sector restructuring, the selection of small and medium-sized MSOs has decreased, which is in line with our company's policy of providing customized services to meet its traditional customized on-site needs.

According to a recent report from Dell'Oro Group, the backlog of wireless local area network (WLAN) orders exceeded expectations, resulting in a 4% year-on-year decrease in global revenue in the third quarter of 2023. After an unprecedented period of revenue expansion, suppliers are reporting that their orders are stabilizing or decreasing currently, and this slowdown is expected to continue for several quarters.

The next few quarters will pose a big challenge for WLAN suppliers. The demand-driven conditions will increase the unit prices. In such a market environment, only a few suppliers can achieve growth in WLAN revenue. With major manufacturers like Apple launching Wi-Fi 7, the demand for Wi-Fi 7 standard wireless routers and wireless grid extenders will increase in 2024. Considering the significant increase in the cost of new-generation products, solutions from Taiwanese manufacturers such as MediaTek and Realtek have the opportunity to enter large operators in Europe and America, becoming the second largest supplier. However, it is also necessary to pay attention to whether the overall quality of Taiwanese manufacturers' products can meet the particular demands of new customers and catch up with the professional experience of American industry practitioners who have been cultivating for a long time.

3. Competitive advantages

Based on customer needs, the company's marketing strategy is to conduct rapid product design and development, then manage the supply chain to effectively control costs. Therefore, it can gradually grow in the highly competitive communication and broadband telecommunications market and maintain a certain and increasing market share. The competitive advantages can be roughly divided into the following points:

(1) Professional talents to create high productivity

The company continuously recruits talents with rich experience in the field of network communication and strengthens R&D capabilities. Therefore, the company has become one of the Early Access Partners of international chip manufacturers and participated in the chip development process. Through this process of participation, the company can obtain the latest information on future products ahead of the competitors, invest in product development in advance, and seize the opportunity to launch new products.

(2) Continuous reduction of costs and increasing of profit margins

The company continuously improves production automation technology to reduce labor requirements and production costs, and seeks new alternative components to increase unit profitability.

(3) Strengthening the vertical integration of production, sales, and research

Through the integration of production, sales, and R&D, it can respond to customer needs in real-time, and improve quality and production efficiency, thereby shortening the delay of shipments and significantly increasing customer satisfaction.

4. The favorable and unfavorable factors of development prospect, and countermeasures

(1) Favorable factors:

(a) Various certification in different countries

The company's broadband cable modem products have successively passed the CableLabs DOCSIS 3.0/3.1 certification, which is helpful for market development and continuous maintenance of the leading edge of technology.

(b) Smooth marketing channels

The company provides various technical support on the product side and provides customers and distributors with the most convenient and complete services. In the future, it plans to set up regional offices to spread its marketing network and support and consultation centers all over the place.

(c) Mastery of key technologies

The company focuses on the development and resource investment of Cable Modem products, has accumulated many years of product design, research and development, integration, and manufacturing experience, and can effectively grasp the market pulse and technology trends. Excellent innovative design capabilities can provide products that meet customer needs promptly and bring higher added value to customers.

(d) A good cooperative relationship with upstream chip manufacturers

The company has established long-term strategic partnerships with upstream chip manufacturers it currently cooperates with. The upstream chip manufacturer provides not only a competitive chip price but also high-quality technical support services, making the company's products competitive in the long term and can compete with tier 1 brand manufacturers.

(e) Professional and stable management team

The operation and management team of the company are all senior professionals in the industry with years of accumulated technology and experience. They can effectively capture the pulse of product-related technology and industrial development, so they can respond to market changes at any time and maintain good competitiveness.

(f) Supplier restructuring releases more business opportunities

With the merger of the two biggest companies in the industry in 2023, suppliers underwent restructuring, releasing more business opportunities. With years of industry experience, the company actively strives for business opportunities to regulate supplier changes.

(2) Unfavorable factors and countermeasures

(a) Increased end-customer inventory leads to netcom group facing less-than-expected inventory de-stocking

The supply source of key chips was affected by the Sino-US trade conflict, coupled with the global shortage caused by COVID-19. Therefore, in order to solve the situation in 2022, active material preparation led to a high inventory level. In the

economic downturn of 2023, the company is under pressure to operate under inventory.

Countermeasures:

- ① Maintaining a good long-term relationship with suppliers and closely tracking the situation of customer inventory state. Striving to enhance sales after the demand recovery.
- ② Adopting various and diverse product designs to avoid excessive reliance on a single product, while actively developing new customers and application areas.
- ③ Continuously monitor the investment of global telecommunications operators and handle accounts and inventory management with caution to effectively reduce operational risks.
- ④ Actively expanding business in high growth markets such as India, the Middle East, and the East Asia Pacific.

(b) Inflationary raw materials, rising costs of supply chain restructuring, and rising labor costs

Countermeasures:

- ① For specific high-risk materials, carefully preparation of materials for safety stock to respond future certainty.
- ② Deepening of automation and replacing labor with machines to reduce labor cost.
- ③ Expanding the market size and accumulating more bargaining chips to alleviate the impact of rising raw materials and costs.
- ④ Introducing more alternative materials and suppliers to spread risks of the supply chain.

(c) Local production laws and patent wars. The protectionism and subsidy requirements from various countries that require a certain rate of local production. When there are obstacles for both China and the United States to enter the market, they usually use SEP patents to interfere with commercial activities. Risks such as geopolitical interference with taxation.

Countermeasures:

- ① Conduct professional evaluations to obtain reasonable patent licensing costs and reduce legal risks.
- ② Adhere to group compliance, improve production compliance, and reduce legal risks.
- ③ Use compliant external ODM products for sales to reduce the risk of production site restrictions.
- ④ Reduce the risk of unable to ship the entire machine by producing independent module products.

(d) Corporate social responsibility increases operating costs.

Countermeasures:

- ① For specific high-risk materials, carefully preparation of materials for safety stock to respond future certainty.
- ② Deepening of automation and replacing labor with machines to reduce labor cost.

(e) Corporate social responsibility increases operating costs.

Countermeasures:

- ① Collaborate with the group to obtain CSR certification and release ESG reports to demonstrate corporate social responsibility.
- ② Promote corporate social responsibility, care for employee well-being, and achieve long-term sustainable operation.

- (f) The attractiveness of the internet communication industry is not as good as that of the information industry. It's more difficult to attract the talent needed for AI transformation in the development and marketing of new generation products.

Countermeasures:

- ① Recruiting diverse and international talents to enhance innovation.
- ② Pay attention to diverse resources, and explore and cultivate more potential talents.
- ③ Undertake mergers and acquisitions and alliances to fill gaps in technology and channels, and achieve long-term development goals.

- (g) Intense market competition and low-end network products face competitive pressure.

Countermeasures:

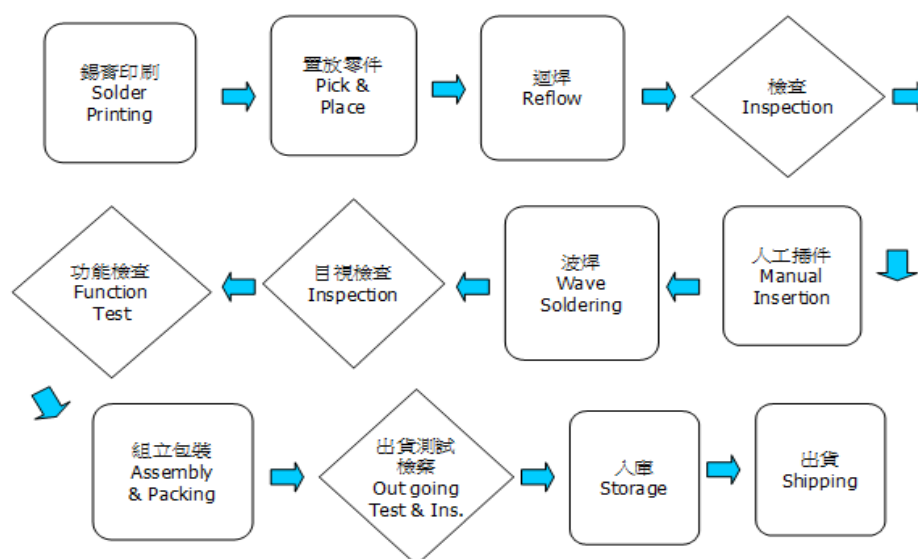
- ① Actively transitioning into advanced, efficient, and high-value-added products.
- ② Develop niche Netcom products with information security functions in Japan and the United States.
- ③ Expand cooperation with external ODM manufacturers, utilize the company's marketing channels and software advantages, and strengthen cooperation through outsourcing products to compensate for insufficient cost competition.

5.2.2 Important applications and production process of main products

1. Main product applications

Product category	Usage	Note
Broadband Cable CPE	Processing modulation and demodulation, analog/digital conversion, and equipment with modems, radio tuners, decoders/encoders, bridges, routers, network interface cards, and SNMP and Ethernet connections.	Providing Internet-related application services using CATV bi-directional coaxial cable.
WiFi Mesh Router System	Routers, extenders and remote device management software that support mesh wireless network functions to form a mesh wireless routing system.	Each base station can use the same SSID to directly connect and communicate, and automatically select the best path for packet transmission, without relying on physical network interconnection, greatly improving the deployment flexibility and connection quality of wireless networks, and can provide operators with more value-added services through remote device management software systems.

2. Production Process



5.2.3 Supply of Primary Raw Materials

Main Products	Main Supplier	Supply Status
Chip set	Broadcom	The uncertain demand in the cable modem market, and coupled with the panic orders in 2021, Broadcom suffered price war from competitors 's and face strong inventory pressure on general chips. In order to digest high inventory , Broadcom forced customers to pull in materials in 2023 . Therefore , how to balance the shipment and inventory level will be the main task in 2023 and for the coming 2024.
Niche DDR3 and Flash Memory	Samsung , Hynix, ESMT, , Naya, , MXIC, , GD, Winbond	The price of DDR3 & SLC Nand memory were recovered at the end of the year, and there is no longer a significant decline. But it is still lower than the price before Covid-19. Along with the price up of HBM DDR & 3D TLC nand , the consumer memory manufactures expected to rise price as well , but without the support of actual demand and the expand the capacity , it is not easy to control prices as HBM and 3D TL nand . Forecast 2024 will be up slowly.
Active Component IC	MPS, Diodes, M3TEK, TI	The overall demand is declining, coupled with the continuous shipments on the supply side, the inventory amount on the hands of agents remains high with high-cost . The inventory will continue to be digested until 2024. In addition, the Lead time has been returned to normal level in 2023 as 16~24

Main Products	Main Supplier	Supply Status
		weeks. But due to the large-scale expansion of production capacity in 2020 for matured wafer processes, it is expected that wafer fabs will face a price down pressure in 2024.
R.C.L Passive component	Samsung, YAGEO, Murata, UNIOHM, PSA	Supply smoothly in 2023 for consumer products for local brands such as Taiwan and China . But need to plan well for Japan brands or niche specification to avoid embarrass condition . Foresee 2024 market will not be optimistic.
Adaptor(Power Supply)	Moso, Atech OEM, Acbel, Sunny	The supply of standard products is stable and even can be squeezed lead time from 8~12 weeks to 4~6 weeks . It means the production utilization rate did not fulfill . The price negotiation space is much more than 2022 but still need to know if any specific components inside and well prepared.
PCB substrate	Hannstar Board, Elec&Eltek	PCB supplier expand production massively since 2021 and transfer factory to East and South area due to US & China trade barrier. Due to China inland demand dropped huge , supplier quotes are messy in order to get more orders. It's bloody marketing in 2023.
Housing	PMG, ShangHua	ABS raw material price went back to the level of 2020 and supply stable. Just well plan, and no reason will be shortage in 2023 and 2024. The cost will have competitiveness for end products.

5.2.4 Suppliers and Clients of Total Sales in Any of the Past Two Years

1. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ Thousand

Item	2022				2023				2024Q1			
	Supplier	Amount	Percentage of Total Net Purchases(%)	Relationship with Issuer	Supplier	Amount	Percentage of Total Net Purchases(%)	Relationship with Issuer	Supplier	Amount	Relationship with Issuer	Relationship with Issuer
1	CCET	961,574	62.97	Fellow subsidiary	Alltek	391,363	57.31	-	Alltek	125,862	85.24	-
2	Alltek	531,269	34.79	-	CCET	273,955	40.12	Fellow subsidiary	CCET	22,480	15.22	Fellow subsidiary
3	Others	34,140	2.24	-	Others	17,578	2.57	-	Others	-683	-0.46	-
	Net Purchases	1,526,983	100.00	-	Net Purchase	682, 896	100.00	-	Net Purchase	147,659	100.00	-

Note1: Suppliers are given serial numbers because either CTI is contractually obligated and cannot disclose the name of our supplier or the other party is a person without any affiliation to CTI.

Note2: Listed companies or companies with shares traded at the TWSE shall disclose any recent(as of the printing date of this Annual Report) financial reports or information signed or audited by a certified public accountant.

Description of Movement:

1. CCET is the main product OEM of the company. In 2023, since the revenue declined, the purchasing amount declined.
2. Alltek is a main chip supplier of the company. During the period before the pandemic, chip shortage occurred due to extended lead time for delivers from major network chip manufacturers. Besides, due to the non-cancellable and non-returnable order shipment policy, the selling speed was not matched.

2. Major Clients in the Last Two Calendar Years

Unit:NT\$ Thousnad

Item	2022				2023				2024Q1			
	Client	Amount	Percentage of Total Net Sales(%)	Relationship with Issuer	Client	Amount	Percentage of Total Net Sales	Relationship with Issuer	Client	Amount	Percentage of Total Net Sales(%)	Relationship with Issuer
1	F	397,869	34.73	None	I	298,920	53.72	None	A	35,894	59.96	None
2	I	347,964	30.37	None	J	104,705	18.82	None	J	16,250	27.14	None
3	A	151,327	13.21	None	C	50,080	9.00	None	L	2,123	3.55	None
	Others	248,501	21.69	-	Others	102,734	18.46	-	Others	5,598	9.35	-
	Net Sales	1,145,661	100.00	-	Net Sales	556,439	100.00	-	Net Sales	59,864	100.00	-

Note1: Clients are given serial numbers because either CTI is contractually obligated and cannot disclose the name of our client or the other party is a person without any affiliation to CTI.

Note2: Listed companies or companies with shares traded at the TWSE shall disclose any recent (as of the printing date of this Annual Report) Financial reports or information signed or audited by a certified public accountant.

Description of Movement: Mainly resulted from the impact of the difference of amount of operating revenue in the two periods given that the machine types with low gross profit were sold out and no longer took orders in the first half of 2022 and the progress of integrating orders for new and existing models from customers, in 2023.

5.2.5 Production Values in the Past Two Years

Unit: NT\$ Thousand/1,000 Units

Production Value	2022			2023		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Main Products						
Consumer Electronics	None (Note3)			None (Note3)		
Total	-	-	-	-	-	-

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account factors such as necessary shutdowns, holidays, etc.

Note 2: The company's production capacity is planned to be outsourced according to demand, and the production quantity is adjusted according to the changes in the combination of shipped models.

Note 3: Since 2021, the company has outsourced all products for processing, and the production capacity and value can be adjusted at any time according to the shipping demand.

5.2.6 Sales Values in the Last Two Years

Unit:NT\$ Thousand/1,000 Units

Production Value Main Products	Year	2022				2023			
		Domestic		Export		Domestic		Export	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Consumer Electronics		25	44,433	582	1,024,124	4	13,945	231	440,329
Consumer Electronics – Net balance of triangular trade		0	0	0	76,015	0	0	0	84,579
Other		0	0	0	1089	0	0	0	17,587
Total		25	44,433	582	1,101,228	4	13,945	231	542,494

5.3 The number of Employees during the Past Two Years and as to the Printing Date of the Annual Report:

Year		2022	2023	As of April 30 st , 2024
Number of Employees	Indirect Labor	86	91	88
	Direct Labor	0	0	0
	Total	86	91	88
Average Age		44.57	45.45	45.59
Average Seniority		8.45	8.80	9.16
Distribution of Education Backgrounds	PhD	0	0	1
	Masters	22	23	23
	Bachelors/Associates	60	64	60
	High School	4	4	4
	Below High School	0	0	0

5.4 Information on Environmental Protection Expenditure

1. The main production of the company has been outsourced to the overseas professional processing factories of the group, and the main function of our Taiwan base is the operation headquarter, which generally does not generate environmental pollution. For the most recent year and up to the date of publication of the annual report, there were no significant expenses incurred for environmental issues
2. The company's sales business runs all over the world, and the products produced meet the requirements of environmental protection:
 - (1) The company's products are exported to Europe, so they are required to comply with RoHS and WEEE related specifications.
 - (2) At present, the company has completed WEEE registration in many countries, including Germany and France, and has implemented the declaration according to relevant regulations on time.
 - (3) The company's products have been verified by a third-party verification company, and all meet the requirements of the RoHS environmental protection directive.
3. In the most recent year and up to the date of publication of the annual report, the losses suffered due to environmental pollution (including compensation and violation of environmental protection laws and regulations as a result of environmental protection audits, the date of punishment, the name of the punishment, the provisions of the violation, the content of the violation, and the content of the punishment should be listed), And disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

5.5 Relations between Labors and Employers

The company implements and monitors various employee welfare measures, further education, training, and retirement systems. We also sign labor agreements and have various measures to protect employee rights and interests.

5.5.1 Welfare measures and implementation status

1. Employee dividends
2. Bonus: Festival bonus, year-end bonus, operating performance bonus, project bonus, etc.
3. Gifts: gifts for three festivals, Labor Holiday gift (Cash), birthday gift (Cash), holiday gift
4. Insurance: Labor insurance, health insurance, pension provision, group insurance, medical subsidies for employees and dependents
5. Leisure: annual foreign and domestic tourism, departmental dinner, family day, Year-end party.
6. Activities: multi-society activities, festival celebrations, competitions

7. Subsidies: congratulatory gifts, employee/child education grants, disaster relief grants, condolences for injuries and illnesses
8. Facilities: gym, staff lounge, feeding/milk collection room
9. Others: maternity allowance, car parking allowance, annual employee health check, ground coffee and tea bag supply
10. Training development/complete education and training: new employee training, general training, professional training, seminars, lectures, etc.
11. Talent development: We invest in long-term cultivation of talents and provide a place to learn and work happily with peace of mind, plus a smooth promotion channel so that all employees can grow and develop.

5.5.2 Employee education, training, and implementation status

Talent is the first step of the strategy, and education and training is the most important work for accumulating excellent human capital. Before enterprises provide education and training, it is even more necessary to analyze the needs of education and training to clarify the needs of the organization, the needs of the work itself and individual workers, and to invest resources in the right place.

In order to enable employees' personal career planning and work performance to continue to grow and develop, CastleNet provides and maximizes the synergy of employees through systematic education and training.

Y2023	Internal Training hours	External Training hours	Total hours	Total number of people	Education and Training Costs (NT\$1,000)
Q1	39.5	12.0	129.5	181.0	66
Q2	121.0	8.0	144.0	273.0	
Q3	157.0	19.0	232.5	408.5	
Q4	66.5	36.0	77.5	180.0	
Annual	384.0	75.0	583.5	1042.5	66

In FY112 (2023), the education and training program was carried out according to the needs of the departments, with internal education and training as well as external courses covering management, human resources, labor safety, marketing, R&D, finance, auditing, and the addition of a new group digital online course including core functions, tool skills, quality courses, legal wisdom, trend lectures, green lectures, etc.

CastleNet's 2024 education and training related plans for employees:

1. According to the future development direction of the company and the research and development needs of each unit, we will carry out education and training at the technical level, from participating in external training and then transferring the knowledge to relevant internal colleagues or inviting external lecturers to the

company for sharing and lecturing, so as to expand the development of different technical levels.

2. Combining the group's resources, we plan training courses with a high degree of homogeneity and provide opportunities for colleagues across business units to exchange with each other in order to achieve the purpose of teaching and learning.

5.5.3 Retirement System and Implementation Status.

1. In accordance with the law, since July 1, 2005, the Company made monthly contributions of 6% of monthly wages to the individual pension accounts of the Labor Insurance Bureau for new employees and existing employees who have chosen to apply the new pension regulations; At the same time, the Company continues to contribute the appropriate amount of retirement reserve to the Bank of Taiwan in accordance with the pension benefit standard of the old pension plan for the former employees who have chosen the old pension plan and the former employees who have chosen the new pension plan.
2. For colleagues who are assigned by the organization and transferred to related companies, their seniority will be renewed to provide them with more protection so as to achieve the purpose of group talent circulation.
3. When an employee retires, the service unit will hold a warm retirement farewell party, inviting colleagues and supervisors to gather together to give unlimited retirement blessings.

5.5.4 Labor-capital agreement and the protection of employees' rights and interests.

The company's operating goals can only be achieved by the joint efforts of both labor and management. The company has always dealt with the problems of labor and management based on the business philosophy of coexistence and common prosperity of labor and management, and attaches great importance to the opinions of employees. Employees are allowed to fully express their problems in life and work at any time through formal or informal communication channels of the company. Regular labor-management meetings are held to maintain the smooth communication channels between labor and management.

5.5.5 Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report: None.

5.6 Information security management

5.6.1 Organizational Structure

In order to strengthen the information security management of the company, the Sustainable Development Committee is responsible for organizing a cross-departmental professional team to set up an "Information Security Team", which is responsible for the planning and implementation of the information security

system, formulation of regulations, regular reviews and internal control audits, and at least once a year, and reports to the board of directors at least once a year.

5.6.2 Information security management policy

In order to ensure the confidentiality, integrity and availability of information, the reliability of information equipment and network systems, and colleagues' awareness of information security, and ensure that the above resources are protected from any interference, destruction, intrusion, or any adverse effect, behaviours and attempts. the company formulated the information security management policy that covers the following:

1. Information Security Policy
2. Information Security Organizations
3. Personnel safety management and education and training
4. Information Asset Management
5. System Access Control
6. Cryptography
7. Physical and Environmental Security
8. Operational Safety
9. Network Security
10. Application system development and maintenance security
11. Response and handling of information security incidents
12. Outsourced operation management
13. Business continuity management
14. Datacom safety compliance audit

5.6.3 Concrete management plans

1. Centralization of firewall messages and visualization of threats.
2. Scan vulnerabilities of important host computers and implement irregular scanning of major threats and vulnerabilities.
3. Prevention of email Advanced Persistent Threat (APT).
4. Regular employee information security promotion and training.
5. Email social engineering drill.
6. Application for joining "Taiwan Computer Emergency Response Team/Coordination Center" (TWCERT/CC) to realize the joint defense of information security data.
7. Employees' self-evaluation of instructions for information security.

5.6.4 Implementation results of information security

1. The company attaches great importance to information security. In addition to improving the reliability of information equipment and network systems, it also provides education and training to new employees. The information department also conducts security awareness campaigns and prevention of malicious email social engineering campaigns from time to time on weekdays, and implements in the promotion of employee information security education and training. The "Information Security Team" is responsible for tracking and strengthening the information security operations of various departments, and reminding all employees to pay attention to the awareness of information security and business secret protection. The implementation status is as follows:

- (1) Email social engineering drills were implemented, and phishing email templates were used for all-staff testing. The pass rate reached 95.34%, surpassing the predetermined target. Information security was continually publicized.
 - (2) Email APT was prevented, and malicious file emails and malicious URL emails were blocked, which accounted for 3.1% of the total number of incoming emails.
 - (3) Vulnerabilities of important host computers were scanned, irregular scanning of major threats and vulnerabilities were implemented, and timely repair and reinforcement protection measures were taken.
 - (4) All the employees completed classified education and training of information security and information secrets. To improve the overall awareness of information security, 12 times' EDM and information security video publicity were conducted, together with 4 times of information security training courses.
 - (5) A firewall event and record analysis platform was adopted, to summarize information and centrally analyze messages across devices, improve the timeliness of real-time reporting of events, and lower the information security risks.
2. In order to make the company's information system operate normally, in addition to establishing an off-site data backup mechanism and storing the backup media in off-site locations, the company also strengthens simulation tests and emergency response drills in the computer room to reduce system interruptions that may be caused by natural disasters without warning and human negligence. risk. In addition, for hardware and software equipment, the company carries out risk assessment, improvement assessment or effectiveness improvement assessment according to the actual use situation and needs to ensure that the overall information system maintains the normal operation of the company.
 3. Information security management policy was formulated in 2021.
 4. The "Information Security Team" of the Sustainable Development Committee was established in 2022 and reports to the Board of Directors on the operation at least once a year.
 5. In response to the COVID-19 epidemic from 2021 to 2022, when adopting the work-from-home mechanism, a high-security SSL-VPN connection and connection confirmation mechanism was used to strengthen information system services and network connection security management for employees to work remotely.

5.6.5 List the losses, possible impacts and countermeasures of major information security incidents in the most recent year and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the facts that cannot be reasonably estimated shall be stated: None.

5.7 Major Contracts

Type	Counterparty	Contract Period	Primary Content	Restrictions
Property Rental	LianCheng International Inc.	2020.03.01~2024.12.31	The office area of leasing office building	None
Financial Derivatives	SPI	2019.12.27~2024.12.26	Purchase Convertible Bond	None

VI. Financial Statments

6.1 Five-year Condensed Financial Statements

6.1.1 Five-year Condensed Balance Sheet and Incom statements(Consolidated)-IFRS

Condensed Balance Sheet(Consolidated)-IFRS

Unit:NT\$ thousands

Year Item		Five-year Financial Summary					As of March 31 st , 2024 reviewed by CPAs
		2019	2020	2021	2022	2023	
Current Assets		1,348,299	991,458	1,204,244	1,236,283	2,769,664	2,703,898
Property, Plant and Equipment		264,898	22,044	29,368	23,766	16,189	16,066
Intangible Assets		1,413	1,544	446	2,307	903	454
Other Assets		1,520,634	1,520,886	1,490,373	1,492,030	43,647	48,050
Total Assets		3,135,244	2,535,932	2,724,431	2,754,386	2,830,403	2,768,468
Current Liabilities	Before Distribution	1,156,813	531,023	862,227	875,190	891,285	814,291
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Noncurrent Liabilities		1,680	21,860	19,828	11,046	26,396	31,079
Total Liabilities	Before Distribution	1,158,493	552,883	882,055	886,236	917,681	845,370
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Equity Attributable to Shareholders of the Parent		1,976,751	1,983,049	1,842,376	1,868,150	1,912,722	1,923,098
Capital Stock		1,886,180	1,886,180	1,886,180	1,886,180	1,916,350	1,926,305
Capital Surplus		356,456	127,610	130,696	136,511	145,763	148,010
Retained Earnings	Before Distribution	(217,433)	14,017	(129,430)	(110,696)	(105,011)	(108,449)
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Others		(48,452)	(44,758)	(45,070)	(43,845)	(44,380)	(42,768)
Treasury Stock		0	0	0	0	0	0
Non-controlling Equity		0	0	0	0	0	0
Total Equity	Before Distribution	1,976,751	1,983,049	1,842,376	1,868,150	1,912,722	1,923,098
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution

Note: Cosolidated financial statements for Q1, 2024 have been reviewed by CPAs.

Condensed Statement of Comprehensive Income (Consolidated)-IFRS

Unit:NT\$ thousands

Year Item	Five-year Financial Summary					2024 Q1 (Note)
	2019	2020	2021	2022	2023	
Operation Revenue	2,652,479	1,295,230	1,692,313	1,145,661	556,439	59,865
Gross Profit	167,630	95,731	20,314	172,126	111,054	5,914
Operating Income(Loss)	26,358	(65,515)	(155,607)	(23,542)	(100,819)	(34,956)
Non-operating Income and Expenses	(3,858)	58,006	5,041	39,848	107,544	31,518
Income(Loss) before Income Tax	22,500	(7,509)	(150,566)	16,306	6,725	(3,438)
Income(Loss) from continuing Operations Before Income Tax	21,810	(7,509)	(150,566)	16,306	6,725	(3,438)
Loss from Discontinued Division	0	0	0	0	0	0
Net Income(Loss)	21,810	(7,509)	(150,566)	16,306	6,725	(3,438)
Other Comprehensive Income (Net of Income Tax)	(12,015)	6,251	1,855	3,653	(1,575)	1,612
Total Comprehensive Income(Loss)	9,795	(1,258)	(148,711)	19,959	5,150	(1,826)
Net Income(Loss) Attributable to Shareholders of the Parent	21,810	(7,509)	(150,566)	16,306	6,725	(3,438)
Net Income(Loss) Attributable to Noncontrolling Interests	0	0	0	0	0	0
Total Comprehensive Income(Loss) Attributable to Shareholders of the Parent	9,795	(1,258)	(148,711)	19,959	5,150	(1,826)
Total Comprehensive Income(Loss) Attributable to Noncontrolling Interests	0	0	0	0	0	0
Earnings Per Share(NT\$)	0.23	(0.04)	(0.80)	0.09	0.04	(0.02)

Note: Consolidated financial statements for Q1, 2024 have been reviewed by CPAs.

6.1.2 Individual Condensed Balance Sheet and Income statements-IFRS

Individual Condensed Balance Sheet- IFRS

Unit:NT\$ thousands

Year Item		Five-year Financial Summary(Note1)					2024 Q1
		2019	2020	2021	2022	2023	
Current Assets		1,309,172	715,446	1,164,327	1,195,513	2,728,249	N/A
Propert, Plant and Equipment		64,177	22,044	29,368	23,766	16,189	
Intangible Assets		767	1,042	446	2,307	903	
Other Assets		1,759,505	1,796,104	1,529,900	1,532,324	84,561	
Total Assets		3,133,621	2,534,636	2,724,041	2,753,910	2,829,902	
Current Liabilities	Before Distribution	1,155,190	529,727	861,837	874,714	890,784	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Noncurrent Liabilities		1,680	21,860	19,828	11,046	26,396	
Total Liabilities	Before Distribution	1,156,870	551,587	881,665	885,760	917,180	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Capital Stock		1,886,180	1,886,180	1,886,180	1,886,180	1,916,350	
Capital Surplus		356,456	127,610	130,696	136,511	145,763	
Retained Earnings	Before Distribution	(217,433)	14,017	(129,430)	(110,696)	(105,011)	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Other		(48,452)	(44,758)	(45,070)	(43,845)	(44,380)	
Treasury Stock		0	0	0	0	0	
Non-controlling Equity		0	0	0	0	0	
Total Equity	Before Distribution	1,976,751	1,983,049	1,842,376	1,868,150	1,912,722	
	After Distribution	Undistribution	Undistribtuion	Undistribution	Undistribution	Undistribution	

Individual Condensed Statement of Comprehensive Income- IFRS

Unit:NT\$ thousnads

Year Item	Five-year Financial Summary					2024 Q1
	2019	2020	2021	2022	2023	
Operating Revenue	2,652,461	1,295,149	1,692,313	1,145,661	556,439	N/A
Gross Profit	164,631	95,362	20,314	172,126	111,054	
Operating Income(Loss)	46,733	(48,018)	(149,446)	(23,077)	(100,633)	
Non-operating Income and Expenses	(24,233)	40,509	(1,120)	39,383	107,358	
Income(Loss) before Income Tax	22,500	(7,509)	(150,566)	16,306	6,725	
Income(Loss) from Continuing Operations Before Income Tax	21,810	(7,509)	(150,566)	16,306	6,725	
Loss from Discontinued Division	0	0	0	0	0	
Net Income(Loss)	21,810	(7,509)	(150,566)	16,306	6,725	
Other Comprehensive Income(Net of Income Tax)	(12,015)	6,251	1,855	3,653	(1,575)	
Total Comprehensive Income (Loss)	9,795	(1,258)	(148,711)	19,959	5,150	
Earnings Per Share(NT\$)	0.23	(0.04)	(0.80)	0.09	0.04	

6.1.3 Auditors and Audit Opinions over the past Five Years

Year	Auditor Firm	Auditor	Audit Opinion
2019	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2020	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2021	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2022	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2023 Q1	PWC Taiwan	Chang, Shu-Chiung and Wu, Han-Chi	An Unqualified Opinion
2023 Q2~Q4	PWC Taiwan	Wu, Jen-Chieh and Chang, Shu-Chiung	An Unqualified Opinion

Replacement of CPAs in the last five years:

Date of replacement	Upon expiration, the new ones will start from the first quarter of 2023 and from the second quarter of 2023.
Reason for replacement and explanation	According to the letter No. 23000763 issued by the PwC Taiwan, in accordance with the rotation of accountants as stipulated by the law, the auditing accountants of the financial statements will be changed from HSU, SHENG-CHUNG and WU, HAN-CHI to CHANG, SHU-CHIUNG and WU, HAN-CHI with effect from the first quarter of 2023. In addition, due to the retirement of WU, HAN-CHI, the auditor of the financial statements will be changed from CHANG, SHU-CHIUNG and WU, HAN-CHI to WU, JEN-CHIEH and CHANG, SHU-CHIUNG with effect from the second quarter of 2023 in accordance with the internal adjustment of the accounting firm.
The statement is that the appointor or accountant terminates or does not accept the appointment	Not applicable.
Opinions on audit reports other than unqualified opinions issued within the last two years and the reasons for them	
Any disagreement with the issuer	
Other disclosures (those that should be disclosed in Article 10, Paragraph 6, Items 1(d) to 1(g) of this Code)	

6.2 Five-year Financial Analysis

6.2.1 Consolidated Financial Analysis- IFRS

Year		Five-Year Financial Analysis					2024 Q1
Item		2019	2020	2021	2022	2023	(Note1)
Capital Structure Analysis(%)	Debt Ratio	36.95	21.80	32.38	32.18	32.42	30.54
	Long-term Fund to Property, Plant and Equipment Ratio	746.87	9,059.55	6,330.72	7,883.74	11842.07	11985.91
Liquidity Analysis (%)	Current Ratio	116.55	186.71	139.67	141.26	310.75	332.06
	Quick Ratio	101.94	177.52	105.03	73.20	224.10	220.56
	Times Interest Earned	11.94	-8.85	-209.29	7.28	1.73	-0.01
Operating Performance Analysis	Accounts Receivable Turnover(times)	3.36	2.13	3.20	2.34	3.01	2.13
	Average Collection Days	108	172	113	155	121	171
	Inventory Turnover(times)	13.47	9.62	10.03	2.32	0.68	0.27
	Accounts Payable Turnover(times)	2.73	1.61	2.8	1.54	1.30	1.89
	Average Inventory Turnover Days	27	38	36	157	537	1352
	Properties, Plants and Equipment Turnover(times)	10.01	58.76	65.83	3.12	27.85	14.90
	Total Assets Turnover(times)	0.85	0.51	0.64	0.42	0.20	0.09
Profitability Analysis	Return on Assets(%)	1.01	-0.24	-5.70	0.67	0.50	-0.10
	Return on Equity(%)	1.70	-0.38	-7.87	0.88	0.36	-0.72
	Pre-tax Net Income to Paid-in Capital Ratio (%) (Note7)	1.19	-0.40	-7.98	0.86	0.35	-0.71
	Net Income Ratio (%)	0.82	-0.58	-8.90	1.42	1.21	-5.74
	Earnings Per Share(NT\$)	0.23	-0.04	-0.80	0.09	0.04	-0.07
Cash Flow	Cash Flow Ratio(%)	18.10	14.23	0	0	0	0
	Cash Flow Adequacy Ratio(%)	4.56	87.83	76.22	49.84	38.69	10.41
	Cash Reinvestment Ratio(%)	10.83	3.74	0	0	0	0
Leverage	Operating Leverage	2.81	0.59	0.90	0.27	0.84	0.14
	Financial Leverage	1.08	0.99	1.00	0.90	0.92	1.09

Cause of financial ratio change in the most recent two years. (Analysis is not required for changes in increase or decrease less than 20%.)

- Increase in long-term fund to property, plant and equipment ratio: In 2023, employees executed the conversion of employee stock option certificates to new shares. As a result, the share capital increased, while the annual net profit before tax and the deferred income tax liabilities for the increase in the fair value of convertible corporate bonds were increased. As a result, a total of equity and non-current liability amount were increased.
- The increase in debt repaying ability: The derivative product, convertible corporate bond, is to expire on December 26, 2024. Therefore, the non-current assets was listed as current assets, resulted in current assets rising.
- Decrease in operating performance, profitability and cash flow adequacy ratio and increase in operating leverage:
 - Inventories rising: During the period before the pandemic, chip shortage occurred due to extended lead time for delivery from major network chip manufacturers. Besides, due to the non-cancellable and non-returnable (NCNR) order shipment policy, the selling speed was not matched, and the inventory rised.
 - Revenue Decline: Mainly resulted from the impact of the difference of amount of operating revenue in the two periods given that the machine types with low gross profit were sold out and no longer took orders in the first half of 2022 and the progress of integrating orders for new and existing models from customers, in 2023.

Note 1: Financial statements on March 31, 2024 have been reviewed by CPAs.

Note 2: IFRS-based formulas used for the Financial Analysis as Page 144.

6.2.2 Individual Financial Analysis-IFRS

Year Item		Five-Year Financial Analysis					2024 Q1	
		2019	2020	2021	2022	2023		
Capital Structure Analysis(%)	Debt Ratio	36.92	21.76	32.37	32.16	32.41	N/A	
	Long-term Fund to Property, Plant and Equipment Ratio	3082.77	9059.55	6330.75	7883.74	11842.07		
Liquidity Analysis(%)	Current Ratio	113.33	135.06	135.10	136.67	306.28		
	Quick Ratio	98.74	127.24	100.46	68.59	219.59		
	Times Interest Earned	11.94	-8.85	-209.29	7.28	1.73		
Operating Performance Analysis	Accounts Receivable Turnover(times)	3.51	2.12	3.20	2.34	3.01		
	Average Collection Days	104	172	114	156	121		
	Inventory Turnover(times)	11.31	9.62	10.03	2.32	0.68		
	Accounts Payable Turnover(times)	2.78	1.61	2.80	1.54	1.30		
	Average Inventory Turnover Days	32	38	36	157	537		
	Properties, Plants and Equipment Turnover(times)	36.94	30.04	65.83	43.12	27.85		
	Total Assets Turnover(times)	1.14	0.46	0.64	0.42	0.20		
	Profitability Analysis	Return on Assets(%)	1.01	-0.24	-5.7	0.67		0.50
Return on Equity(%)		1.70	-0.38	-7.87	0.88	0.36		
Pre-tax Net Income to Paid-in Capital Ratio(Note7)		1.19	-0.40	-7.98	0.86	0.35		
Net Income Ratio(%)		0.82	-0.58	-8.90	1.42	1.21		
Earnings Per Share(NT\$)		0.23	-0.04	-0.80	0.09	0.04		
Cash Flow	Cash Flow Ratio(%)	17.13	17.38	0	0	0		
	Cash Flow Adequacy Ratio(%)	43.29	76.44	50.60	37.90	39.38		
	Cash Reinvestment Ratio(%)	9.79	4.55	0	0	0		
Leverage	Operating Leverage	1.83	0.58	0.90	0.26	0.84		
	Financial Leverage	1.05	0.98	1.00	0.90	0.92		
Cause of financial ratio change in the most recent two years. (Analysis is not required for changes in increase or decrease less than 20%.)								
Please refer to the description of “6.2.1 Consolidated Financial Analysis- IFRS” on the page 142.								

Note: IFRS-based formulas used for the Financial Analysis as Page 144.

■ IFRS-based formulas used for the Financial Analysis:

1. Capital Structure Analysis

- (1) Debt = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equip = (Total Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Account Receivable (including Accounts Receivable and Notes Receivable from Operations) Turnover = Net Sales / Balance of Accounts Receivable (including Accounts Receivable and Notes Receivable from Operations)
- (2) Average Collection Days = 365 / Accounts Receivable Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Accounts Payable (including Accounts Payable and Notes Payable from Operations) Turnover = Cost of Sales / Average Balance of Accounts Payable (including Accounts Payable and Notes Payable from Operations)
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

- (1) Return on Assets = [Net Income + Interest Expense \times (1 – Effective Tax Rate)] / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 1)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditure, Inventory Additions, and Cash Dividend
- (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities – Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 2)

6. Leverage

- (1) Operating Leverage = (Net Sales – Variable Cost) / Income from Operations (Note 3).
- (2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

6.3 Audit Committees' Review Report

Audit Committee's Review Report

The 2023 Consolidated and Parent company only Financial Statements of the Company prepared by the Board have been audited by CPAs WU, JEN-CHIEH and CHANG, SHU-CHIUNG of PricewaterhouseCoopers(PwC) Taiwan. These financial statements, along with the business report and deficit Compensation proposal, have been reviewed by us, as the audit committee of the Company. We deem that there are no discrepancies. Therefore, this report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for approval.

Sincerely,

CastleNet Technology Inc.

2024 Annual General Shareholders' Meeting

Convener of the Audit Committee: Sheng-Haur, Hsu

March 11th, 2024

6.4 Latest Consolidate Financial Statements and Auditor’s Report.

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing 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 matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

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

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.

3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(11) for the accounting policies on valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2023, the inventories and allowance for valuation loss amounted to NT\$749,015 thousand and NT\$40,292 thousand, respectively.

The Group is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Group measures inventories at the lower of cost and net realisable value. Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.

2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Financial assets at fair value through profit or loss

Description

Refer to Note 4(7) for the accounting policies on financial assets at fair value through profit or loss and Note 6(2) for the details of financial assets at fair value through profit or loss. As of December 31, 2023, the balance of financial assets at fair value through profit or loss - current amounted to NT\$1,550,470 thousand, constituting 55% of the consolidated total assets. As the current financial assets at fair value through profit or loss accounted for a significant portion of the consolidated financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Group used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of current financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CastleNet Technology Inc. as at and for the years ended December 31, 2023 and 2022.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

PricewaterhouseCoopers, Taiwan

March 11, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 338,008	12	\$ 257,754	9
1110	Current financial assets at fair value	6(2)				
	through profit or loss		1,550,470	55	-	-
1170	Accounts receivable, net	6(3)	99,659	4	269,286	10
1200	Other receivables	7	9,213	-	113,563	4
130X	Inventory	6(4)	708,723	25	555,233	20
1479	Other current assets	8	63,591	2	40,447	2
11XX	Total current assets		2,769,664	98	1,236,283	45
Non-current assets						
1510	Non-current financial assets at fair	6(2)				
	value through profit or loss		-	-	1,468,178	53
1600	Property, plant and equipment	6(5)	16,189	1	23,766	1
1755	Right-of-use assets	6(6)	9,460	-	5,073	-
1780	Intangible assets		903	-	2,307	-
1840	Deferred income tax assets		22,005	1	5,547	-
1920	Guarantee deposits paid		1,479	-	818	-
1990	Other non-current assets	6(10)	10,703	-	12,414	1
15XX	Total non-current assets		60,739	2	1,518,103	55
1XXX	Total assets		\$ 2,830,403	100	\$ 2,754,386	100

(Continued)

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

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(7)	\$	430,000	15	\$	255,000	9
2110	Short-term notes and bills payable	6(8)		100,000	4		-	-
2130	Current contract liabilities	6(15)		4,191	-		11,289	1
2170	Accounts payable			96,056	3		140,894	5
2180	Accounts payable - related parties	7		44,087	2		403,476	15
2200	Other payables	6(9)		62,622	2		52,412	2
2220	Other payables - related parties	7		142,778	5		8,280	-
2280	Current lease liabilities			7,472	-		2,816	-
2399	Other current liabilities			4,079	-		1,023	-
21XX	Total current liabilities			891,285	31		875,190	32
Non-current liabilities								
2570	Deferred income tax liabilities			22,005	1		5,547	-
2580	Non-current lease liabilities			2,120	-		2,510	-
2600	Other non-current liabilities			2,271	-		2,989	-
25XX	Total non-current liabilities			26,396	1		11,046	-
2XXX	Total Liabilities			917,681	32		886,236	32
Equity								
Equity attributable to owners of parent								
	Share capital	6(12)						
3110	Common stock			1,908,905	68		1,886,180	69
3140	Advance receipts for share capital			7,445	-		-	-
	Capital surplus	6(13)						
3200	Capital surplus			145,763	5		136,511	5
	Retained earnings	6(14)						
3310	Legal reserve			18,969	1		18,969	1
3350	Accumulated deficit		(	123,980)	(4)	(	129,665)	(5)
	Other equity interest							
3400	Other equity interest		(	44,380)	(2)	(	43,845)	(2)
31XX	Equity attributable to owners of the parent			1,912,722	68		1,868,150	68
3XXX	Total equity			1,912,722	68		1,868,150	68
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	2,830,403	100	\$	2,754,386	100

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15)		\$ 556,439	100	\$ 1,145,661	100
5000 Operating costs	6(4) and 7		(445,385)	(80)	(973,535)	(85)
5950 Operating margin			<u>111,054</u>	<u>20</u>	<u>172,126</u>	<u>15</u>
Operating expenses	6(17) and 7					
6100 Selling expenses			(20,651)	(4)	(19,295)	(2)
6200 General and administrative expenses			(59,346)	(10)	(58,384)	(5)
6300 Research and development expenses			(131,876)	(24)	(117,989)	(10)
6000 Total operating expenses			(211,873)	(38)	(195,668)	(17)
6900 Operating loss			(100,819)	(18)	(23,542)	(2)
Non-operating income and expenses						
7100 Interest income			5,248	1	1,047	-
7010 Other income			2,408	-	2,919	-
7020 Other gains and losses	6(16)		109,080	20	38,478	4
7050 Finance costs	6(6)(7)(8)		(9,192)	(2)	(2,596)	-
7000 Total non-operating revenue and expenses			<u>107,544</u>	<u>19</u>	<u>39,848</u>	<u>4</u>
7900 Profit before income tax			<u>6,725</u>	<u>1</u>	<u>16,306</u>	<u>2</u>
7950 Income tax expense	6(19)		-	-	-	-
8200 Profit for the period			<u>\$ 6,725</u>	<u>1</u>	<u>\$ 16,306</u>	<u>2</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial (losses) gains on defined benefit plans	6(10)		(\$ 1,040)	-	\$ 2,428	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			(535)	-	1,225	-
8300 Other comprehensive (loss) income for the period, net of tax			(\$ 1,575)	-	\$ 3,653	-
8500 Total comprehensive income for the period			<u>\$ 5,150</u>	<u>1</u>	<u>\$ 19,959</u>	<u>2</u>
Profit (loss), attributable to:						
8610 Owners of the parent			<u>\$ 6,725</u>	<u>1</u>	<u>\$ 16,306</u>	<u>2</u>
Comprehensive income (loss) attributable to:						
8710 Owners of the parent			<u>\$ 5,150</u>	<u>1</u>	<u>\$ 19,959</u>	<u>2</u>
Earnings per share (in dollars)	6(20)					
9750 Basic earnings per share			<u>\$ 0.04</u>		<u>\$ 0.09</u>	
9850 Diluted earnings per share			<u>\$ 0.03</u>		<u>\$ 0.09</u>	

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

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

		Equity attributable to owners of the parent					Other Equity Interest Financial statements translation differences of foreign operations	Total equity
		Capital		Retained Earnings				
Notes		Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Accumulated deficit		
<u>Year ended December 31, 2022</u>								
		\$ 1,886,180	\$ -	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
		-	-	-	-	16,306	-	16,306
		-	-	-	-	2,428	1,225	3,653
		-	-	-	-	18,734	1,225	19,959
Share-based payments	6(11)(13)	-	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(13)	-	-	131	-	-	-	131
Balance at December 31, 2022		<u>\$ 1,886,180</u>	<u>\$ -</u>	<u>\$ 136,511</u>	<u>\$ 18,969</u>	<u>(\$ 129,665)</u>	<u>(\$ 43,845)</u>	<u>\$ 1,868,150</u>
<u>Year ended December 31, 2023</u>								
		\$ 1,886,180	\$ -	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150
		-	-	-	-	6,725	-	6,725
		-	-	-	-	(1,040)	(535)	(1,575)
		-	-	-	-	5,685	(535)	5,150
Share-based payments	6(11)(13)	-	-	2,188	-	-	-	2,188
Exercise of employee share options	6(12)(13)	22,725	7,445	7,089	-	-	-	37,259
Overdue dividends reclaimed by shareholders	6(13)	-	-	(25)	-	-	-	(25)
Balance at December 31, 2023		<u>\$ 1,908,905</u>	<u>\$ 7,445</u>	<u>\$ 145,763</u>	<u>\$ 18,969</u>	<u>(\$ 123,980)</u>	<u>(\$ 44,380)</u>	<u>\$ 1,912,722</u>

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

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

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,725	\$ 16,306
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	14,601	16,018
Amortization	6(17)	1,777	1,069
Gain on expected credit impairment	12(2)	(183)	(85)
Employee share options	6(11)	2,188	5,684
Interest income		(5,248)	(1,047)
Interest expense		9,192	2,596
Loss on disposal of property, plant and equipment		6	-
Gain on financial assets at fair value through profit or loss	6(16)	(108,387)	(39,093)
Cost of provisions		2,271	3,353
Liabilities transferred to income		-	(2,751)
Impairment loss for replacement assets	6(5)	12,904	-
Gain on insurance compensation	6(5)	(17,880)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		169,810	439,545
Other receivables		105,768	(180)
Inventory		(153,490)	(295,620)
Other current assets		(23,144)	(5,219)
Other non-current assets		671	(797)
Changes in operating liabilities			
Current contract liabilities		(7,098)	(8,913)
Accounts payable		(44,838)	116,781
Accounts payable - related parties		(359,389)	(291,103)
Other payables (including related parties)		144,869	5,298
Other current liabilities		67	(59)
Other non-current liabilities		-	(5,581)
Cash outflow generated from operations		(248,808)	(43,798)
Interest paid		(8,829)	(2,246)
Income taxes received		9	12
Income taxes paid		(390)	(77)
Net cash flows used in operating activities		(258,018)	(46,109)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in receivables from raw materials purchases on behalf of others		-	(64,793)
Acquisition of property, plant and equipment	6(21)	(15,509)	(9,115)
Acquisition of property, plant and equipment's insurance compensation	6(5)	17,880	-
Disposal of property, plant and equipment		42	-
Acquisition of intangible assets		(373)	(2,930)
(Increase) decrease in guarantee deposits paid		(661)	13,946
Interest received		30,306	27,249
Net cash flows from (used in) investing activities		31,685	(35,643)

(Continued)

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

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		\$ 881,737	\$ 450,000
Repayments of short-term borrowings		(706,737)	(261,000)
Increase in short-term notes and bills payable		200,000	-
Repayments of short-term notes and bills payable		(100,000)	-
Repayment of lease liabilities		(5,112)	(3,105)
Overdue dividends unclaimed by shareholders	6(13)	-	131
Overdue dividends reclaimed by shareholders	6(13)	(25)	-
Exercise of employee share options	6(12)	37,259	-
Net cash flows from financing activities		307,122	186,026
Effect of exchange rate changes		(535)	1,225
Net increase in cash and cash equivalents		80,254	105,499
Cash and cash equivalents at beginning of year		257,754	152,255
Cash and cash equivalents at end of year	6(1)	\$ 338,008	\$ 257,754

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

CastleNet Technology Inc. (the “Company”) was incorporated as a company limited by shares on June 26, 1998 and obtained its Business Registration Certificate on August 26, 1998. In addition, the Company’s stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in the manufacturing and selling of consumer electronics products such as broadband communications and digital home entertainment.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2023	December 31, 2022
CastleNet Technology Inc.	CastleNet Technology (BVI) Inc.	Investment holdings	100	100
CastleNet Technology (BVI) Inc.	CastleNet Technology Inc.- Kunshan	Manufacture and design of broadband communication products such as modem	100	100

For the subsidiaries listed in the Company's consolidated financial reports for 2023 and 2022, their financial reports were audited by independent auditors.

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

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

E. Restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

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

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Testing equipment	2 ~ 8 years
Molding equipment	2 years
Implements equipment	3 ~ 6 years
Other equipment	2 ~ 6 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

(16) Borrowings

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

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(21) Provisions

Provisions (including warranties.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the

balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(25) Share capital

Ordinary shares are classified as equity.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. The Group sells a range of consumer electronics products such as broadband communications and digital home entertainments. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- C. The Group's obligation to provide a repair for some faulty products under the standard warranty terms is recognised as a provision.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

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

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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

- (a) The Group is primarily responsible for the provision of goods or services;
- (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

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

Refer to Note 6(4) for the carrying amounts of inventories as of December 31, 2023 and 2022.

- B. Financial assets—The fair value of financial assets at fair value through profit or loss - non-current
- The fair value of financial assets at fair value through profit or loss - non-current held by the Group is determined considering market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these financial assets. Refer to Note 12(3) for the financial instruments fair value information. Refer to Note 6(2) for the carrying amounts of non-current financial assets at fair value through profit or loss as of December 31, 2023 and 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 213	\$ 211
Checking accounts and demand deposits	267,809	35,339
Time deposits	34,986	222,204
Repo bonds	35,000	-
	<u>\$ 338,008</u>	<u>\$ 257,754</u>

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

B. The Group's demand deposits pledged to others as collateral had been transferred to "other current asset". Refer to Note 8 for details.

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

	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ 1,334,996	\$ -
Valuation adjustment	215,474	-
	<u>1,550,470</u>	<u>-</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ -	\$ 1,361,091
Valuation adjustment	-	107,087
	<u>-</u>	<u>1,468,178</u>
	<u>\$ 1,550,470</u>	<u>\$ 1,468,178</u>

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

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

		December 31, 2023	
Financial instruments	Contract amount (notional principal)	Contract period	
Non-current items:			
Convertible bonds	KRW 54,990,000	2019.12.27~2024.12.26	
		December 31, 2022	
Financial instruments	Contract amount (notional principal)	Contract period	
Non-current items:			
Convertible bonds	KRW 54,990,000	2019.12.27~2024.12.26	

- C. On December 27, 2019, the Group acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Group has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share at expiration date. As of December 31, 2023, the relevant financial assets transferred to financial assets at fair value through profit or loss - current that the maturity date is less than one year.
- D. The interest received during the years ended December 31, 2022 and 2021 at the agreed coupon rate was \$26,095 and \$26,297, respectively.
- E. The movements of the Company's financial assets measured at fair value through profit or loss are provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 1,027
Accounts receivable	99,746	268,529
Less: Allowance for uncollectible accounts (	87)	(270)
	<u>\$ 99,659</u>	<u>\$ 269,286</u>

- A. The aging analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023	December 31, 2022
	Accounts receivable	Accounts receivable
Not past due	\$ 78,230	\$ 208,283
Up to 90 days	21,516	61,273
	<u>\$ 99,746</u>	<u>\$ 269,556</u>

- B. Accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$709,101.
- C. The Group has no notes and accounts receivable pledged to others.
- D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 717,300	(\$ 38,110)	\$ 679,190
Work in progress	722	(722)	-
Finished goods	30,993	(1,460)	29,533
	<u>\$ 749,015</u>	<u>\$ (40,292)</u>	<u>\$ 708,723</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 378,002	(\$ 4,918)	\$ 373,084
Work in progress	722	(722)	-
Finished goods	187,824	(5,675)	182,149
	<u>\$ 566,548</u>	<u>(\$ 11,315)</u>	<u>\$ 555,233</u>

The cost of inventories recognised as expense for the three-month and nine-month periods ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 416,409	\$ 972,050
Valuation loss	28,976	1,485
	<u>\$ 445,385</u>	<u>\$ 973,535</u>

(5) Property, plant and equipment

	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
<u>At January 1, 2023</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>2023</u>					
Opening net book amount as at January 1	\$ 12,619	\$ 2,969	\$ 4,899	\$ 3,279	\$ 23,766
Additions	14,258	-	2	725	14,985
Disposals	-	-	-	(48)	(48)
Impairment loss from disaster replacement	(12,904)	-	-	-	(12,904)
Depreciation charge	(3,800)	(2,849)	(1,604)	(1,357)	(9,610)
Closing net book amount as at December 31	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>
<u>At December 31, 2023</u>					
Cost	\$ 36,606	\$ 827	\$ 6,708	\$ 6,251	\$ 50,392
Accumulated depreciation and impairment	(26,433)	(707)	(3,411)	(3,652)	(34,203)
	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>

	<u>Test equipment</u>	<u>Molding equipment</u>	<u>Implements equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>					
Cost	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,486	\$ 61,973
Accumulated depreciation and impairment	(26,458)	(3,383)	(463)	(2,301)	(32,605)
	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,185</u>	<u>\$ 29,368</u>
<u>2022</u>					
Opening net book amount as at January 1	\$ 12,404	\$ 8,015	\$ 4,764	\$ 4,185	\$ 29,368
Additions	7,945	869	1,620	838	11,272
Disposals	(3,495)	-	(19)	(319)	(3,833)
Depreciation charge	(4,235)	(5,915)	(1,466)	(1,425)	(13,041)
Closing net book amount as at December 31	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>At December 31, 2022</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>

- A. The Group has no property, plant and equipment pledged to others as collateral for borrowings.
has no property, plant and equipment pledged to others as collateral for borrowings.
- B. In second half of 2022, the Group experienced a laboratory fire accident that led to the destruction of certain property, plant and equipment. In 2023, insurance compensation totaling \$17,880 was received for the affected property, plant and equipment. The replacements were assessed based on their recoverable amount, resulting in the recognition of an impairment loss of \$12,904 for replacement assets related to equipment.

(6) Leasing arrangements — lessee

- A. The Group leases various assets including test equipment, buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.

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

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Buildings, office and warehouse	\$ 5,735	\$ 5,073
Test equipment	3,725	-
	<u>\$ 9,460</u>	<u>\$ 5,073</u>
	Year ended December 31, 2023	Year ended December 31, 2022
	Depreciation charge	Depreciation charge
Buildings, office and warehouse	\$ 4,652	\$ 2,977
Test equipment	339	-
	<u>\$ 4,991</u>	<u>\$ 2,977</u>

D. For the the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$9,378 and \$0, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 145	\$ 136
Expense on short-term lease contracts	4,802	1,674
Expense on leases of low-value assets	144	546

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$10,203 and \$5,461, respectively.

(7) Short-term borrowings

Type of borrowings	December 31, 2023	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	\$ 86,000	2023/2/10~2024/2/9	2.25%	None
"	50,000	2023/10/20~2024/4/17	2.19%	"
"	50,000	2023/11/3~2024/1/3	2.68%	"
"	44,000	2023/5/31~2024/5/31	2.25%	"
"	40,000	2023/1/13~2024/1/12	2.18%	"
"	40,000	2023/11/17~2024/2/16	2.41%	"
"	35,000	2023/12/26~2024/12/26	2.10%	"
"	30,000	2023/11/17~2024/5/15	2.19%	"
"	25,000	2023/2/10~2024/2/9	2.22%	"
"	20,000	2023/8/30~2024/2/26	2.48%	"
"	10,000	2023/11/3~2024/2/2	2.41%	"
	<u>\$ 430,000</u>			

Type of borrowings	December 31, 2022	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	\$ 66,000	2022/7/14~2023/1/14	2.00%	None
"	64,000	2022/10/14~2023/4/14	2.00%	"
"	50,000	2022/12/9~2023/1/9	2.35%	"
"	50,000	2022/10/26~2023/4/24	1.87%	"
"	25,000	2022/10/11~2023/4/9	2.10%	"
	<u>\$ 255,000</u>			

Interest expense recognised in profit or loss amounted to \$8,268 and \$2,453 for the years ended December 31, 2023 and 2022, respectively.

(8) Short-term notes and bills payable

Type of borrowings	December 31, 2023	Borrowing period	Interest rate	Collateral
Commercial paper	\$ 50,000	2023/10/13~2024/1/11	2.22%	None
"	50,000	2023/12/6~2024/3/5	2.22%	"
	<u>\$ 100,000</u>			

A. As of December 31, the Group has no short-term notes and bills payable.

B. Interest expense recognised in profit or loss amounted to \$764 for the years ended December 31, 2023.

(9) Other accounts payables

	December 31, 2023	December 31, 2022
Wages and bonuses payable	\$ 32,009	\$ 29,048
Payable on service fees	4,730	4,606
Payable on certification fees	3,988	174
Payable on machinery and equipment	3,942	4,466
Payable on spare parts	3,768	831
Others	14,185	13,287
	<u>\$ 62,622</u>	<u>\$ 52,412</u>

(10) Pensions

A. Defined benefit plans

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan,

the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 9,737	\$ 9,227
Fair value of plan assets	(20,440)	(20,808)
Net defined benefit liability		
(shown as other non-current assets)	(\$ 10,703)	(\$ 11,581)

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
<u>2023</u>			
At January 1	\$ 9,228	\$ 20,809	(\$ 11,581)
Interest expense (income)	<u>128</u>	<u>290</u>	<u>(162)</u>
	<u>9,356</u>	<u>21,099</u>	<u>(11,743)</u>
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	164	(164)
Change in financial assumptions	95	-	95
Experience adjustments	<u>1,109</u>	<u>-</u>	<u>1,109</u>
	<u>1,204</u>	<u>164</u>	<u>1,040</u>
Pension fund contribution	(823)	(823)	-
At December 31	<u>\$ 9,737</u>	<u>\$ 20,440</u>	<u>(\$ 10,703)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
At January 1	\$ 12,062	\$ 21,146	(\$ 9,084)
Interest expense (income)	<u>90</u>	<u>159</u>	<u>(69)</u>
	<u>12,152</u>	<u>21,305</u>	<u>(9,153)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,629	(1,629)
Change in financial assumptions	(590)	-	(590)
Experience adjustments	<u>(209)</u>	<u>-</u>	<u>(209)</u>
	<u>(799)</u>	<u>1,629</u>	<u>(2,428)</u>
Pension fund contribution	<u>(2,125)</u>	<u>(2,125)</u>	<u>-</u>
At December 31	<u>\$ 9,228</u>	<u>\$ 20,809</u>	<u>(\$ 11,581)</u>

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

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

	Year ended December 31, 2023	Year ended December 31, 2022
Discount rate	1.30%	1.40%
Future salary increases	4.50%	4.50%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	\$ 241	(\$ 249)	(\$ 237)	\$ 230
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 231	(\$ 239)	(\$ 226)	\$ 220

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$0.
- (h) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,273
1-5 year(s)		2,018
5-10 years		2,111
Over 10 years		1,740
	\$	<u>7,142</u>

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$4,829 and \$4,273, respectively.

(11) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: Employee stock options are 50% vested after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	8,615	\$ 12.13	9,075	\$ 12.13
Options exercised	(3,017)	12.35	-	-
Options forfeited	(1,143)	-	(460)	-
Options outstanding at December 31	<u>4,455</u>	<u>\$ 12.10</u>	<u>8,615</u>	<u>\$ 12.13</u>
Options exercisable at December 31	<u>3,720</u>	<u>\$ 12.30</u>	<u>5,136</u>	<u>\$ 12.43</u>

C. The expiry date and exercise price of stock options outstanding at the balance sheet date are as follows:

		December 31, 2023		December 31, 2022	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2019.8.30	2026.8.29	2,918	\$ 12.60	5,819	\$ 12.60
2020.12.25	2027.12.24	847	11.45	1,544	11.45
2021.11.24	2028.11.23	690	10.80	1,252	10.80

D. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	\$ 13.60	\$ 12.60	39.979~ 41.061%	3.25~ 4.375	-	0.522 ~ 0.543%	\$ 4.01~ 4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~ 46.311%	3.25~ 4.375	-	0.177 ~ 0.197%	3.73~ 4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~ 4.08

E. For the years ended December 31, 2023 and 2022, the compensation cost arising from employee stock options amounted to \$2,310 and \$7,064, of which \$482 and \$1,380, respectively, pertain to share-based payments paid to the employees of the parent company; and \$1,828 and \$5,684, respectively, pertain to compensation costs paid to the employees of the Company.

F. On June 8, 2023, the Company's parent company transferred treasury shares to employees of its subordinate companies, of which the number of shares granted to the employees of the Company was 154 thousand shares at an exercise price of \$11.71 (in dollars) per share. For the year ended December 31, 2023, the Company's compensation costs arising from the aforementioned share-based payment agreement amounted to \$360.

(12) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was \$1,916,350 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares (include advance receipts for share capital) outstanding are as follows:

	2023 No. of shares (in thousands)	2022 No. of shares (in thousands)
January 1	188,618	188,618
Exercise of employee share options	3,017	-
December 31	191,635	188,618

- B. For the year ended December 31, 2023, the Company exercise 3,017 thousand shares of employee share options and paid \$37,259 to the Company. As of December 31, 2023, there was 745 thousand shares that amount \$7,445 which had not been registered, listed " Advance receipts for share capital ".
- C. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of \$13.44 (in dollars) per share. The amount of capital raised through the private placement was \$1,377,600, which had been registered. The ordinary shares raised through the private placement must follow the Securities and Exchange Act that they will be able to issue and offer publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(13) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.
- C. Movements in the capital surplus are as follows:

	2023			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,028	\$ 31,557	\$ 2,926	\$ 136,511
Share-based payments	(482)	2,670	-	2,188
Employee stock options forfeited	2,652	(2,652)	-	-
Exercise of employee share options	19,582	(12,493)	-	7,089
Overdue dividends reclaimed by shareholders	-	-	(25)	(25)
At December 31	<u>\$ 123,780</u>	<u>\$ 19,082</u>	<u>\$ 2,901</u>	<u>\$ 145,763</u>

	2022			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,340	\$ 25,561	\$ 2,795	\$ 130,696
Share-based payments	(1,380)	7,064	-	5,684
Employee stock options forfeited	1,068	(1,068)	-	-
Overdue dividends unclaimed by shareholders	-	-	131	131
At December 31	<u>\$ 102,028</u>	<u>\$ 31,557</u>	<u>\$ 2,926</u>	<u>\$ 136,511</u>

(14) Retained earnings (accumulated deficit)

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.
- B. If the Company distributed all or partial of appropriate dividend and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-third of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On May 30, 2023, the shareholders at their annual meeting approved the deficit compensation for 2022. Since the Company had an accumulated deficit, there was no distributable retained earnings. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 9, 2023.

F. On March 11, 2024, the Board of Directors resolved not to distribute earnings for the year of 2023, since the Company had an accumulated deficit..

Information on the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(15) Operating revenue

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 556,439	\$ 1,145,661

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31,	
	2023	2022
Revenue from external customer contracts		
America	\$ 341,505	\$ 369,572
Asia	209,965	751,296
Europe	4,969	24,785
Oceania	-	8
	\$ 556,439	\$ 1,145,661

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities:			
Contract liability			
– unearned revenue	\$ 4,191	\$ 11,289	\$ 20,202

C. Revenue recognised that was included in the contract liability balance at the beginning of the period

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 7,098	\$ 10,331

(16) Other gains and losses

	Year ended December 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 108,387	\$ 39,093
Foreign exchange gains (losses)	1,068	(615)
Others	(375)	-
	<u>\$ 109,080</u>	<u>\$ 38,478</u>

(17) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense	\$ 139,094	\$ 130,588
Depreciation charges (Note)	14,601	16,018
Amortisation charges on intangible assets	1,777	1,069
	<u>\$ 155,472</u>	<u>\$ 147,675</u>

Note: Including depreciation charges on property, plant and equipment and right-of-use assets.

(18) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	\$ 122,267	\$ 115,399
Labour and health insurance fees	9,140	7,859
Pension costs	4,667	4,205
Other personnel expenses	3,020	3,125
	<u>\$ 139,094</u>	<u>\$ 130,588</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees and not be higher than 2% for directors and supervisors. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.
- B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was estimated and accrued for the years ended December 31, 2023 and 2022.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	\$ -	\$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 1,345	\$ 3,261
Expenses disallowed by tax regulation	(250)	92
Temporary differences not recognised as deferred tax assets	5,663	(1,382)
Taxable loss not recognised as deferred tax assets	9,700	588
Change in assessment of realisation of deferred tax assets	(16,458)	(2,559)
Income tax expense	\$ -	\$ -

C. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ -	2027
2018 Assessed	75,299	75,299	61,525	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
2023 Estimated	49,686	49,686	49,686	2033
	<u>\$ 421,059</u>	<u>\$ 396,032</u>	<u>\$ 286,005</u>	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 68,518	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
	<u>\$ 371,373</u>	<u>\$ 346,346</u>	<u>\$ 318,611</u>	

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 41,379</u>	<u>\$ 13,063</u>

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(20) Earnings per share

Year ended December 31, 2023			
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 6,725</u>	<u>189,650</u>	<u>\$ 0.04</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	6,725	189,650	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>3,651</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 6,725</u>	<u>193,301</u>	<u>\$ 0.03</u>
Year ended December 31, 2022			
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,306</u>	<u>188,618</u>	<u>\$ 0.09</u>

(21) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 14,985	\$ 11,272
Add: Opening balance of payable on equipment	4,466	2,309
Less: Ending balance of payable on equipment	(3,942)	(4,466)
Cash paid during the period	<u>\$ 15,509</u>	<u>\$ 9,115</u>

(22) Changes in liabilities from financing activities

For the year ended 2023 and 2022, liabilities from financing activities include, short-term borrowings, short-term notes and bills payable and lease liabilities. Please refer to the changes of consolidated statements of cash flows.

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 67.82% of the Company's shares.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company

(3) Significant related party transactions

A. Purchases:

	Year ended December 31,	
	2023	2022
Sister company		
-Cal-Comp Electronics (Thailand) Public Company Limited	\$ 273,955	\$ 961,574
Other related company	3,589	-
	<u>\$ 277,544</u>	<u>\$ 961,574</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Group makes purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

B. Operating expense:

	Year ended December 31,	
	2023	2022
Human support service fee:		
Sister company		
-Cal-Comp Electronics & Communications Co., Ltd.	\$ 4,215	\$ 4,742

C. Other receivables:

	December 31, 2023	December 31, 2022
Receivables from raw materials		
purchases on behalf of others:		
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	\$ 1,358	\$ 109,365

Other receivables arise mainly from raw materials purchases on behalf of others and are due 45 days after the date of delivery. The receivables are non-interest bearing.

D. Payables to related parties:

	December 31, 2023	December 31, 2022
Accounts payable:		
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	\$ 44,087	\$ 403,476
	44,087	403,476
Other payables — receipts under custody:		
Sister company		
-Cal-Comp Electronics (Thailand) Public	\$ 140,801	\$ -
Company Limited		
Other accounts payable-other:		
Parent company	80	3
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	1,123	7,491
-Other	774	786
	142,778	8,280
	\$ 186,865	\$ 411,756

(a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.

(b) Receivables and payables arising from purchases on behalf of related parties were offset as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities,

and the net amounts were \$3,723,765 and \$5,135,814 as of December 31, 2023 and 2022, respectively, and only the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities. As of December 31, 2023, the Group received payment of purchasing agent and not yet paid to sister company amounted to \$140,801 (listed in other payables - related parties).

E. Lease transactions — lessee

(a) The Group leases test equipment from parent company. Rental contracts are typically made for periods 2 years. Rents are paid at the end of every months.

(b) Acquisition of right-of-use assets:

	Year ended December 31,	
	2023	2022
Parent company	\$ 14	\$ -

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2023	December 31, 2022
Parent company	\$ 4,572	\$ -

(ii) Interest expense

	Year ended December 31,	
	2023	2022
Parent company	\$ 4,940	\$ -

(4) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 21,445	\$ 21,512
Post-employment benefits	216	216
	\$ 21,661	\$ 21,728

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Pledged demand deposits (shown as other current assets)	\$ 12,033	\$ 5,006	Collateral for bank borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Due to the Group's procurement business needs, a promissory note guarantee contract was signed with an amount of US\$1,200,000 on February 2024, and the accounts listed in guarantee notes deposited and guarantee notes payable. one.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximize shareholders' equity by maintaining an optimal capital structure. The Group's key management examines the capital structure which comprise the cost of capital and related risk. In order to maintain the capital structure, the Group may pay dividends, issue new shares, repurchase stock and increase or repay debt.

(2) Financial instruments

A. Financial instruments by category

For information and amounts related to the Group's financial assets, which comprise financial assets at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other payables (including related parties)), financial assets at fair value through profit or loss and lease liabilities, refer to the consolidated balance sheets and Note 8.

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group financial position and financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023					
	currency amount (In thousands)	rate	Book value (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 10,726	30.74	\$ 329,717	1%	\$ 3,297
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 9,609	30.74	\$ 295,381	1%	\$ 2,954
December 31, 2022					
	Foreign currency amount (In thousands)	rate	Book value (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 15,645	30.71	\$ 480,458	1%	\$ 4,805
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 18,293	30.71	\$ 561,778	1%	\$ 5,618

- iii. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Group amounted to \$1,068 of profits and \$615 of losses for the years ended December 31, 2023 and 2022, respectively.

(b) Price risk

The Group's investments in equity securities comprise hybrid instruments issued by the foreign enterprise. The prices of hybrid instruments would change due to the change of the future value of investee companies. If the prices of these hybrid instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$15,505 and \$14,682, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value interest rate risk

The short-term loans for short-term capital revolving requirements are mostly at floating rates, however, the major risks can be offset by the cash position at floating rates.

(d) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Group applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.
- iv. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Group does not expect any significant default possibility of accounts receivable.
- v. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
<u>At December 31, 2023</u>			
Expected loss rate	0.0872%	0.0872%	
Total book value	\$ 78,230	\$ 21,516	\$ 99,746
Loss allowance	(\$ 68)	(\$ 19)	(\$ 87)
	Not past due	Up to 90 days	Total
<u>At December 31, 2022</u>			
Expected loss rate	0.10%	0.10%	
Total book value	\$ 208,283	\$ 61,273	\$ 269,556
Loss allowance	(\$ 209)	(\$ 61)	(\$ 270)

- vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 270	\$ 355
Provision for impairment	(183)	(85)
At December 31	<u>\$ 87</u>	<u>\$ 270</u>

(e) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions. As of March 31, 2024, the Group's unused credit lines amounted to \$129,000.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

As of December 31, 2023 and 2022, the Group's non-derivative financial liabilities (including short-term borrowings, accounts payable, accounts payable to related parties and other payables) will expire within 1 year.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 7,584	\$ 2,136	\$ 9,720
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 2,893	\$ 2,533	\$ 5,426

(4) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

- B. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties) and other payables (including related parties), are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022, is as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,550,470	\$ 1,550,470
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,468,178	\$ 1,468,178

- (b) The fair values of convertible bonds as of December 31, 2023 and 2022 were measured using the binomial model (one of the lattice models). The main assumptions used are as follows:

	<u>Fair value at December 31, 2023</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,550,470	0.99 years	3.36%	41.67%
	<u>Fair value at December 31, 2022</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,468,178	1.99 years	3.79%	43.26%

- D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	Hybrid instrument	Hybrid instrument
At January 1	\$ 1,468,178	\$ 1,455,382
Gains recognised in profit or loss	108,387	39,093
Interest received	(26,095)	(26,297)
At December 31	<u>\$ 1,550,470</u>	<u>\$ 1,468,178</u>

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. The Group's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	<u>\$ 1,550,470</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 13.74% 20%	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	<u>\$ 1,468,178</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 13.62% 20%	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used by external valuer to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2023		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 15,505	(\$ 15,505)
		December 31, 2022		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,682	(\$ 14,682)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Reconciliation for segment income (loss)

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. No reconciliation is needed as the Group's reportable segments income (loss) is the income (loss) before tax.

(3) Information on products and services

Revenues from external customers are as follows:

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Consumer Electronics	\$ 538,853	\$ 1,144,572
Service revenue	17,586	1,089
	<u>\$ 556,439</u>	<u>\$ 1,145,661</u>

The Group derives revenue from the transfer of goods and services at a point in time.

(4) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is disclosed in Note 6(14).

(5) Major customer information

Major customer information for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
		Percentage		Percentage
Client	Revenue	of operating revenue (%)	Revenue	of operating revenue (%)
Client I	\$ 298,920	54%	\$ 347,964	30%
Client J	104,705	19%	76,015	7%
Client A	24,155	4%	151,327	13%
Client F	-	0%	397,869	35%
	<u>\$ 427,780</u>	<u>77%</u>	<u>\$ 973,175</u>	<u>85%</u>

Castlenet Technology Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Castlenet Technology Inc.	SPI. Convertible Bond	None	Non-current financial assets at fair value through profit or loss	-	\$ 1,550,470	-	\$ 1,550,470	

Castlenet Technology Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote (Note)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
			Purchases	\$							
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	273,955	40%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	(\$ 44,087)	31%	Note

Note: The abovementioned accounts payable to related parties are mainly comprised of the balance of accounts payable for purchasing finished goods from sister companies.

Castlenet Technology Inc. and Subsidiaries
Information on investees
For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2023			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
									the six-month period ended December 31, 2023	for the six-month period ended December 31, 2023	
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	\$ 302,692	\$ 302,692	8,708	100	\$ 40,914	\$ 1,155	\$ 1,155	

Castlenet Technology Inc. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2023

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended December, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income (loss) of investee for the six-month period ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sales of self-produced products	\$ 230,513 USD 7,500	2	\$ 230,513 USD 7,500	\$ -	\$ -	\$ 230,513 USD 7,500	\$ 975	100	\$ 975	\$ 33,575	\$ -
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
CastleNet Technology Inc. - Kunshan	\$ 230,513	\$ 230,513	\$ 1,147,633									

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 3: The investment income (loss) was recognised based on the financial statements reviewed by independent auditors for the three-month period ended June 30, 2023.

Castlenet Technology Inc. and Subsidiaries

Major shareholders information

December 31, 2023

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Kinpo Electronics, Inc.	129,959	67.82%

6.5 Latest Individual Financial Statements and Auditor’s Report.

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of CastleNet Technology Inc. (the “Company”) as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The Company is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

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

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.

3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(10) for the accounting policies on valuation of inventories, Note 5 for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2023, the inventories and allowance for valuation loss amounted to NT\$749,015 thousand and NT\$40,292 thousand, respectively.

The Company is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Company measures inventories at the lower of cost and net realisable value; Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.

2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Financial assets at fair value through profit or loss

Description

Refer to Note 4(6) for the accounting policies on financial assets at fair value through profit or loss and Note 6(2) for the details of financial assets at fair value through profit or loss. As of December 31, 2023, the balance of current financial assets at fair value through profit or loss amounted to NT\$1,550,470 thousand, constituting 55% of the parent company only total assets. As the current financial assets at fair value through profit or loss accounted for a significant portion of the parent company only financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Company used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers, Taiwan

March 11, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 297,870	11	\$ 217,151	8
1110	Current financial assets at fair value	6(2)				
	through profit or loss		1,550,470	55	-	-
1170	Accounts receivable, net	6(3) and 7	99,659	3	269,286	10
1200	Other receivables	7	8,083	-	113,542	4
130X	Inventory	6(4)	708,723	25	555,233	20
1479	Other current assets	8	63,444	2	40,301	1
11XX	Total current assets		2,728,249	96	1,195,513	43
Non-current assets						
1510	Non-current financial assets at fair	6(2)				
	value through profit or loss		-	-	1,468,178	53
1550	Investments accounted for under	6(5)				
	equity method		40,914	2	40,294	2
1600	Property, plant and equipment	6(6)	16,189	1	23,766	1
1755	Right-of-use assets	6(7)	9,460	-	5,073	-
1780	Intangible assets		903	-	2,307	-
1840	Deferred income tax assets	6(20)	22,005	1	5,547	-
1920	Guarantee deposits paid		1,479	-	818	-
1990	Other non-current assets	6(11)	10,703	-	12,414	1
15XX	Total non-current assets		101,653	4	1,558,397	57
1XXX	Total assets		\$ 2,829,902	100	\$ 2,753,910	100

(Continued)

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8)	\$	430,000	15	\$	255,000	9
2110	Short-term notes and bills payable	6(9)		100,000	4		-	-
2130	Current contract liabilities	6(16)		4,191	-		11,289	1
2170	Accounts payable			96,056	3		140,894	5
2180	Accounts payable - related parties	7		44,087	2		403,476	15
2200	Other payables	6(10)		62,121	2		51,936	2
2220	Other payables - related parties	7		142,778	5		8,280	-
2280	Current lease liabilities			7,472	-		2,816	-
2399	Other current liabilities			4,079	-		1,023	-
21XX	Total current liabilities			890,784	31		874,714	32
Non-current liabilities								
2570	Deferred income tax liabilities	6(20)		22,005	1		5,547	-
2580	Non-current lease liabilities			2,120	-		2,510	-
2600	Other non-current liabilities			2,271	-		2,989	-
25XX	Total non-current liabilities			26,396	1		11,046	-
2XXX	Total liabilities			917,180	32		885,760	32
Equity								
Share capital		6(13)						
3110	Common stock			1,908,905	68		1,886,180	69
3140	Advance receipts for share capital			7,445	-		-	-
Capital surplus		6(14)						
3200	Capital surplus			145,763	5		136,511	5
Retained earnings		6(15)						
3310	Legal reserve			18,969	1		18,969	1
3350	Accumulated deficit		(	123,980)	(4)	(	129,665)	(5)
Other equity interest								
3400	Other equity interest		(	44,380)	(2)	(	43,845)	(2)
3XXX	Total equity			1,912,722	68		1,868,150	68
Significant events after the balance sheet date		11						
3X2X	Total liabilities and equity		\$	2,829,902	100	\$	2,753,910	100

The accompanying notes are an integral part of these parent company only financial statements.

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16)		\$ 556,439	100	\$ 1,145,661	100
5000 Operating costs	6(4) and 7		(445,385)	(80)	(973,535)	(85)
5900 Operating margin			<u>111,054</u>	<u>20</u>	<u>172,126</u>	<u>15</u>
Operating expenses	6(18) and 7					
6100 Selling expenses			(20,651)	(4)	(19,295)	(2)
6200 General and administrative expenses			(59,161)	(10)	(57,919)	(5)
6300 Research and development expenses			(131,875)	(24)	(117,989)	(10)
6000 Total operating expenses			(211,687)	(38)	(195,203)	(17)
6900 Operating loss			(100,633)	(18)	(23,077)	(2)
Non-operating income and expenses						
7100 Interest income			3,943	1	991	-
7010 Other income			2,408	-	2,918	-
7020 Other gains and losses	6(17)		109,044	20	38,528	4
7050 Finance costs	6(7)(8)(9)		(9,192)	(2)	(2,596)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net			<u>1,155</u>	<u>-</u>	<u>(458)</u>	<u>-</u>
7000 Total non-operating income and expenses			<u>107,358</u>	<u>19</u>	<u>39,383</u>	<u>4</u>
7900 Profit before income tax			<u>6,725</u>	<u>1</u>	<u>16,306</u>	<u>2</u>
7950 Income tax expense	6(20)		-	-	-	-
8200 Profit for the year			<u>\$ 6,725</u>	<u>1</u>	<u>\$ 16,306</u>	<u>2</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial (losses) gains on defined benefit plan	6(11)		(\$ 1,040)	-	\$ 2,428	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			(535)	-	1,225	-
8300 Other comprehensive (loss) income for the year, net of tax			(\$ 1,575)	-	\$ 3,653	-
8500 Total comprehensive income for the year			<u>\$ 5,150</u>	<u>1</u>	<u>\$ 19,959</u>	<u>2</u>
Earnings per share (in dollars)						
9750 Basic earnings per share	6(21)		<u>\$ 0.04</u>		<u>\$ 0.09</u>	
9850 Diluted earnings per share			<u>\$ 0.03</u>		<u>\$ 0.09</u>	

The accompanying notes are an integral part of these parent company only financial statements.

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Capital			Retained Earnings		Other Equity Interest	
		Share capital -	Advance			Accumulated	Financial statements	
Notes		common stock	receipts for	Capital surplus	Legal reserve	deficit	translation differences	Total equity
			share capital				of foreign operations	
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 1,886,180	\$ -	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	-	18,734	1,225	19,959
Share-based payments	6(12)(14)	-	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(14)	-	-	131	-	-	-	131
Balance at December 31, 2022		<u>\$ 1,886,180</u>	<u>\$ -</u>	<u>\$ 136,511</u>	<u>\$ 18,969</u>	<u>(\$ 129,665)</u>	<u>(\$ 43,845)</u>	<u>\$ 1,868,150</u>
<u>Year ended December 31, 2023</u>								
Balance at January 1, 2023		\$ 1,886,180	\$ -	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150
Profit for the year		-	-	-	-	6,725	-	6,725
Other comprehensive loss		-	-	-	-	(1,040)	(535)	(1,575)
Total comprehensive income (loss)		-	-	-	-	5,685	(535)	5,150
Share-based payments	6(12)(14)	-	-	2,188	-	-	-	2,188
Exercise of employee share options	6(13)(14)	22,725	7,445	7,089	-	-	-	37,259
Overdue dividends reclaimed by shareholders	6(14)	-	-	(25)	-	-	-	(25)
Balance at December 31, 2023		\$ 1,908,905	\$ 7,445	\$ 145,763	\$ 18,969	(\$ 123,980)	(\$ 44,380)	\$ 1,912,722

The accompanying notes are an integral part of these parent company only financial statements.

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,725	\$ 16,306
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(18)	14,601	16,018
Amortization	6(18)	1,777	1,069
Gain on expected credit impairment	12(2)	(183)	(85)
Employee share options	6(12)	2,188	5,684
Interest income		(3,943)	(991)
Interest expense		9,192	2,596
Share of (profit) loss of subsidiaries accounted for under equity method		(1,155)	458
Gain on financial assets at fair value through profit or loss	6(17)	(108,387)	(39,093)
Loss on disposal of property, plant and equipment		6	-
Cost of provisions		2,271	3,353
Liabilities transferred to income		-	(2,751)
Gain on insurance compensation	6(6)	(17,880)	-
Impairment loss for replacement assets	6(6)	12,904	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		169,810	439,545
Other receivables		105,768	(180)
Inventory		(153,490)	(295,620)
Other current assets		(23,143)	(5,210)
Other non-current assets		671	(797)
Changes in operating liabilities			
Current contract liabilities		(7,098)	(8,913)
Accounts payable		(44,838)	116,781
Accounts payable - related parties		(359,389)	(291,103)
Other payables (including related parties)		144,844	5,212
Other current liabilities		67	(59)
Other non-current liabilities		-	(5,581)
Cash outflow generated from operations		(248,682)	(43,361)
Interest paid		(8,829)	(2,246)
Income taxes received		9	12
Income taxes paid		(390)	(77)
Net cash flows used in operating activities		(257,892)	(45,672)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in receivables from raw material purchases on behalf of others		-	(64,793)
Acquisition of property, plant and equipment	6(22)	(15,509)	(9,115)
Acquisition of property, plant and equipment's insurance compensation	6(6)	17,880	-
Disposal of property, plant and equipment		42	-
Acquisition of intangible assets		(373)	(2,930)
(Increase) decrease in guarantee deposits paid		(661)	13,946
Interest received		30,110	27,213
Net cash flows from (used in) investing activities		31,489	(35,679)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		881,737	450,000
Repayments of short-term borrowings		(706,737)	(261,000)
Increase in short-term notes and bills payable		200,000	-
Repayments of short-term notes and bills payable		(100,000)	-
Repayment of lease principal		(5,112)	(3,105)
Overdue dividends unclaimed by shareholders	6(14)	-	131
Overdue dividends reclaimed by shareholders	6(14)	(25)	-
Exercise of employee share options	6(13)	37,259	-
Net cash flows from financing activities		307,122	186,026
Net increase in cash and cash equivalents		80,719	104,675
Cash and cash equivalents at beginning of year		217,151	112,476
Cash and cash equivalents at end of year	6(1)	\$ 297,870	\$ 217,151

The accompanying notes are an integral part of these parent company only financial statements.

CASTLENET TECHNOLOGY INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

CastleNet Technology Inc. (the “Company”) was incorporated as a company limited by shares on June 26, 1998 and obtained Business Registration Certificate on August 26, 1998. In addition, the Company’s stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in manufacturing and selling consumer electronics products such as broadband communications and digital home entertainment.

2. The Date of Authorisation for Issuance of the Parent Company Only Financial Statements and Procedures for Authorisation

The parent company only financial statements were authorised for issuance by the Board of Directors on March 11, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Rules Governing the Preparation of Financial Statements by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollar, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the Company entities arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

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

(11) Investments accounted for using equity method – subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Company continues to recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) and other comprehensive income of the current period in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(12) Property, plant and equipment

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

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Testing equipment	2 ~ 8	years
Molding	2	years
Implements equipment	3 ~ 6	years
Other equipment	2 ~ 6	years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 3 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Non-hedging and embedded derivatives

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

- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(21) Provisions

Provisions (including warranties.) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation

is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

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

(23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(25) Share capital

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

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. The Company sells a range of consumer electronics products such as broadband communications and digital home entertainments. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- C. The Company's obligation to provide a repair for some faulty products under the standard warranty terms is recognised as a provision.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the good or service before it is provided to a customer include the following:

- (a) The Company is primarily responsible for the provision of goods or services;
- (b) The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

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

Refer to Note 6(4) for the carrying amounts of inventories as of December 31, 2023.

B. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of financial assets at fair value through profit or loss held by the Company is determined considering market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these financial assets. Please refer to Note 12(3) for the financial instruments fair value information.

Refer to Note 6(2) for the carrying amounts of current financial assets at fair value through profit or loss as of December 31, 2023 .

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 185	\$ 181
Checking accounts and demand deposits	262,685	30,238
Time deposits	-	186,732
Repo bonds	35,000	-
	<u>\$ 297,870</u>	<u>\$ 217,151</u>

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

B. The Company's demand deposits pledged to others as collateral had been transferred to "other current asset". Refer to Note 8 for details.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ 1,334,996	\$ -
Valuation adjustment	215,474	-
	<u>\$ 1,550,470</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ -	\$ 1,361,091
Valuation adjustment	-	107,087
	<u>\$ -</u>	<u>\$ 1,468,178</u>

A. The Company has no financial assets at fair value through profit or loss pledged to others.

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

December 31, 2023			
Financial instruments	Contract amount (notional principal)		Contract period
Current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26
December 31, 2022			
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

- C. On December 27, 2019, the Company acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Company has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share at expiration date. As of December 31, 2023, the relevant financial assets transferred to financial assets at fair value through profit or loss - current that the maturity date is less than one year.

- D. The interest received during the years ended December 31, 2023 and 2022 at the agreed coupon rate was \$26,095 and \$26,297, respectively.

- E. The movements of the Company's financial assets measured at fair value through profit or loss is provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 1,027
Accounts receivable	99,746	268,529
Less: Allowance for uncollectible accounts	(87)	(270)
	<u>\$ 99,659</u>	<u>\$ 269,286</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 78,230	\$ 208,283
Up to 90 days	21,516	61,273
	<u>\$ 99,746</u>	<u>\$ 269,556</u>

The above ageing analysis was based on past due date.

B. Accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables (including notes receivable) from contracts with customers amounted to \$709,101.

C. The Company has no notes and accounts receivable pledged to others.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 717,300	(\$ 38,110)	\$ 679,190
Work in progress	722	(722)	-
Finished goods	30,993	(1,460)	29,533
	<u>\$ 749,015</u>	<u>(\$ 40,292)</u>	<u>\$ 708,723</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 378,002	(\$ 4,918)	\$ 373,084
Work in progress	722	(722)	-
Finished goods	187,824	(5,675)	182,149
	<u>\$ 566,548</u>	<u>(\$ 11,315)</u>	<u>\$ 555,233</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 416,409	\$ 972,050
Valuation loss	28,976	1,485
	<u>\$ 445,385</u>	<u>\$ 973,535</u>

(5) Investments accounted for under the equity method

	December 31, 2023	December 31, 2022
Subsidiaries:		
Castlenet Technology (BVI) Inc.	<u>\$ 40,914</u>	<u>\$ 40,294</u>

A. Refer to Note 4(3) in the consolidated financial statements for the years ended December 31, 2023 for the information on the Company's subsidiaries.

B. Refer to Note 13 for the information on the Company's subsidiaries in Mainland China.

C. The Board of Directors of the Company during its meeting on March 9, 2022 resolved the liquidation of the Company's subsidiaries, Castlenet Technology (BVI) Inc. and CastleNet Technology Inc. – Kunshan.

(6) Property, plant and equipment

	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
<u>At January 1, 2023</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>2023</u>					
Opening net book amount as at January 1	\$ 12,619	\$ 2,969	\$ 4,899	\$ 3,279	\$ 23,766
Additions	14,258	-	2	725	14,985
Disposals	-	-	-	(48)	(48)
Impairment loss from disaster replacement	(12,904)	-	-	-	(12,904)
Depreciation charge	(3,800)	(2,849)	(1,604)	(1,357)	(9,610)
Closing net book amount as at December 31	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>
<u>At December 31, 2023</u>					
Cost	\$ 36,606	\$ 827	\$ 6,708	\$ 6,251	\$ 50,392
Accumulated depreciation and impairment	(26,433)	(707)	(3,411)	(3,652)	(34,203)
	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>
	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
<u>At January 1, 2022</u>					
Cost	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,486	\$ 61,973
Accumulated depreciation and impairment	(26,458)	(3,383)	(463)	(2,301)	(32,605)
	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,185</u>	<u>\$ 29,368</u>
<u>2022</u>					
Opening net book amount as at January 1	\$ 12,404	\$ 8,015	\$ 4,764	\$ 4,185	\$ 29,368
Additions	7,945	869	1,620	838	11,272
Disposals	(3,495)	-	(19)	(319)	(3,833)
Depreciation charge	(4,235)	(5,915)	(1,466)	(1,425)	(13,041)
Closing net book amount as at December 31	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>At December 31, 2022</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>

- A. The Company has no property, plant and equipment pledged to others as collateral for borrowings.
- B. In second half of 2022, the Company experienced a laboratory fire accident that led to the destruction of certain property, plant and equipment. In 2023, insurance compensation totaling \$17,880 was received for the affected property, plant and equipment. The replacements were assessed based on their recoverable amount, resulting in the recognition of an impairment loss of \$12,904 for replacement assets related to equipment.

(7) Leasing arrangements — lessee

- A. The Company leases various assets including test equipment, buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings, office and warehouse	\$ 5,735	\$ 5,073
Test equipment	3,725	-
	<u>\$ 9,460</u>	<u>\$ 5,073</u>
	Year ended	Year ended
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings, office and warehouse	\$ 4,652	\$ 2,977
Test equipment	339	-
	<u>\$ 4,991</u>	<u>\$ 2,977</u>

- D. For the years ended December 31, 2023 and 2022, there additions to right-of-use assets were \$9,378 and \$0, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended	Year ended
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 145	\$ 136
Expense on short-term lease contracts	4,802	1,674
Expense on leases of low-value assets	144	546

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$ 10,203 and \$5,461, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2023	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	\$ 86,000	2023/2/10~2024/2/9	2.25%	None
"	50,000	2023/10/20~2024/4/17	2.19%	"
"	50,000	2023/11/3~2024/1/3	2.68%	"
"	44,000	2023/5/31~2024/5/31	2.25%	"
"	40,000	2023/1/13~2024/1/12	2.18%	"
"	40,000	2023/11/17~2024/2/16	2.41%	"
"	35,000	2023/12/26~2024/12/26	2.10%	"
"	30,000	2023/11/17~2024/5/15	2.19%	"
"	25,000	2023/2/10~2024/2/9	2.22%	"
"	20,000	2023/8/30~2024/2/26	2.48%	"
"	10,000	2023/11/3~2024/2/2	2.41%	"
	<u>\$ 430,000</u>			
Type of borrowings	December 31, 2022	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	\$ 66,000	2022/7/14~2023/1/14	2.00%	None
"	64,000	2022/10/14~2023/4/14	2.00%	"
"	50,000	2022/12/9~2023/1/9	2.35%	"
"	50,000	2022/10/26~2023/4/24	1.87%	"
"	25,000	2022/10/11~2023/4/9	2.10%	"
	<u>\$ 255,000</u>			

Interest expense recognised in profit or loss amounted to \$ \$8,268 and \$2,453 for the years ended December 31, 2023 and 2022, respectively.

(9) Short-term notes and bills payable

Type	December 31, 2023	Period	Interest rate	Collateral
Commercial paper	\$ 50,000	2023/10/13~2024/1/11	2.22%	None
"	50,000	2023/12/6~2024/3/5	2.22%	"
	<u>\$ 100,000</u>			

A. As of December 31, the Company has no short-term notes and bills payable.

B. Interest expense recognised in profit or loss amounted to \$764 for the years ended December 31, 2023.

(10) Other payables

	December 31, 2023	December 31, 2022
Wages and bonuses payable	\$ 32,009	\$ 29,048
Payable on service fees	4,228	4,299
Payable on certification fees	3,988	174
Payable on machinery and equipment	3,942	4,466
Payable on spare parts	3,768	831
Others	14,186	13,118
	<u>\$ 62,121</u>	<u>\$ 51,936</u>

(11) Pensions

A. Defined benefit plans

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

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 9,737	\$ 9,227
Fair value of plan assets	(20,440)	(20,808)
Net defined benefit liability		
(shown as other non-current assets, others)	(\$ 10,703)	(\$ 11,581)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2023</u>			
At January 1	\$ 9,228	\$ 20,809	(\$ 11,581)
Interest expense (income)	128	290	(162)
	<u>9,356</u>	<u>21,099</u>	<u>(11,743)</u>
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	164	(164)
Change in financial assumptions	95	-	95
Experience adjustments	1,109	-	1,109
	<u>1,204</u>	<u>164</u>	<u>1,040</u>
Pension fund contribution	(823)	(823)	-
At December 31	<u>\$ 9,737</u>	<u>\$ 20,440</u>	<u>(\$ 10,703)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
At January 1	\$ 12,062	\$ 21,146	(\$ 9,084)
Interest expense (income)	<u>90</u>	<u>159</u>	<u>(69)</u>
	<u>12,152</u>	<u>21,305</u>	<u>(9,153)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,629	(1,629)
Change in financial assumptions	(590)	-	(590)
Experience adjustments	<u>(209)</u>	<u>-</u>	<u>(209)</u>
	<u>(799)</u>	<u>1,629</u>	<u>(2,428)</u>
Pension fund contribution	<u>(2,125)</u>	<u>(2,125)</u>	<u>-</u>
At December 31	<u>\$ 9,228</u>	<u>\$ 20,809</u>	<u>(\$ 11,581)</u>

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

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

	Year ended December 31, 2023	Year ended December 31, 2022
Discount rate	1.30%	1.40%
Future salary increases	4.50%	4.50%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	\$ 241	(\$ 249)	(\$ 237)	\$ 230
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 231	(\$ 239)	(\$ 226)	\$ 220

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$0.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,273
1-5 year(s)		2,018
5-10 years		2,111
Over 10 years		1,740
	\$	<u>7,142</u>

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$ 4,829 and \$4,273, respectively.

(12) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: Employee stock options are 50% vested after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	8,615	\$ 12.13	9,075	\$ 12.13
Options exercised	(3,017)	12.35	-	-
Options forfeited	(1,143)	-	(460)	-
Options outstanding at December 31	<u>4,455</u>	<u>\$ 12.10</u>	<u>8,615</u>	<u>\$ 12.13</u>
Options exercisable at December 31	<u>3,720</u>	<u>\$ 12.30</u>	<u>5,136</u>	<u>\$ 12.43</u>

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2023		December 31, 2022	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2019.08.30	2026.08.29	2,918	\$ 12.60	5,819	\$ 12.60
2020.12.25	2027.12.24	847	11.45	1,544	11.45
2021.11.24	2028.11.23	690	10.80	1,252	10.80

D. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	\$13.60	\$12.60	39.979~ 41.061%	3.25~ 4.375	- 0.543%	0.522 ~	\$ 4.01~ 4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~ 46.311%	3.25~ 4.375	- 0.197%	0.177 ~	3.73~ 4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~ 4.08

E. For the years ended December 31, 2023 and 2022, the compensation cost arising from employee stock options amounted to \$2,310 and \$7,064, of which \$482 and \$1,380, respectively, pertain to share-based payments paid to the employees of the parent company, and \$1,828 and \$5,684, respectively, pertain to the compensation costs paid to the employees of the Company.

F. On June 8, 2023, the Company's parent company transferred treasury shares to employees of its subordinate companies, and the number of shares granted to the employees of the Company was 154 thousand shares at an exercise price of \$11.71 (in dollars) per share. For the year ended December 31, 2023, the Company's compensation costs arising from the aforementioned share-based payment agreement amounted to \$360.

(13) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock and the paid-in capital was \$1,916,350 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares (include advance receipts for share capital) outstanding are as follows:

	2023 No. of shares (in thousands)	2022 No. of shares (in thousands)
January 1, 2023	188,618	188,618
Employee stock options exercised	3,017	-
December 31, 2023	191,635	188,618

B. For the year ended December 31, 2023, the Company exercise 3,017 thousand shares of employee share options and paid \$37,259 to the Company. As of December 31, 2023, there was 745 thousand shares that amount \$7,445 which had not been registered, listed "Advance receipts for share capital".

C. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of \$13.44 (in dollars) per share. The amount of capital raised through the private placement was \$1,377,600, which had been registered. The ordinary shares raised through the private placement must follow the Securities and Exchange Act that they will be able to issue and offer publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(14) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.
- C. Movements in the capital surplus are as follows:

2023				
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,028	\$ 31,557	\$ 2,926	\$ 136,511
Share-based payments	(482)	2,670	-	2,188
Employee stock options forfeited	2,652	(2,652)	-	-
Employee stock options exercised	19,582	(12,493)		7,089
Overdue dividends reclaimed by shareholders	-	-	(25)	(25)
At December 31	<u>\$ 123,780</u>	<u>\$ 19,082</u>	<u>\$ 2,901</u>	<u>\$ 145,763</u>
2022				
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,340	\$ 25,561	\$ 2,795	\$ 130,696
Share-based payments	(1,380)	7,064	-	5,684
Employee stock options forfeited	1,068	(1,068)	-	-
Overdue dividends unclaimed by shareholders	-	-	131	131
At December 31	<u>\$ 102,028</u>	<u>\$ 31,557</u>	<u>\$ 2,926</u>	<u>\$ 136,511</u>

(15) Retained earnings (accumulated deficit)

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.
- B. If the Company distributed all or partial of appropriated dividends and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On May 10, 2023, the shareholders at their annual meeting approved the proposal not to distribute earnings for the year of 2022, since the Company had an accumulated deficit. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 8, 2023.
- F. On March 11, 2024, the Board of Directors resolved not to distribute earnings for the year of 2023, since the Company had an accumulated deficit.

Information on the appropriation of the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(16) Operating revenue

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 556,439	\$ 1,145,661

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31,	
	2023	2022
Revenue from external customer contracts		
America	\$ 341,505	\$ 369,572
Asia	209,965	751,296
Europe	4,969	24,785
Oceania	-	8
	\$ 556,439	\$ 1,145,661

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities:			
Contract liability – unearned revenue	\$ 4,191	\$ 11,289	\$ 20,202

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 7,098	\$ 10,331

(17) Other gains and losses

	Year ended December 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 108,387	\$ 39,093
Foreign exchange gains (losses)	1,032 (	565)
Others	(375)	-
	\$ 109,044	\$ 38,528

(18) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense	\$ 139,094	\$ 130,588
Depreciation charges (Note)	14,601	16,018
Amortisation charges on intangible assets	1,777	1,069
	<u>\$ 155,472</u>	<u>\$ 147,675</u>

Note: Including depreciation charges on property, plant and equipment and right-of-use assets.

(19) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	\$ 122,267	\$ 115,399
Labour and health insurance fees	9,140	7,859
Pension costs	4,667	4,205
Other personnel expenses	3,020	3,125
	<u>\$ 139,094</u>	<u>\$ 130,588</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and not be higher than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.
- B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2023 and 2022.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2023	2022
Current tax:		
Prior year income tax estimation	\$ -	\$ -
Total current tax	<u>\$ -</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on (loss) profit		
before tax and statutory tax rate	\$ 1,345	\$ 3,261
Expenses disallowed by tax regulation	(250)	92
Temporary differences not recognised as deferred tax assets	5,663	(1,382)
Taxable loss not recognised as deferred tax assets	9,700	588
Change in assessment of realisation of deferred tax assets	(16,458)	(2,559)
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

C. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ -	2027
2018 Assessed	75,299	75,299	61,525	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
2023 Estimated	49,686	49,686	49,686	2033
	<u>\$ 421,059</u>	<u>\$ 396,032</u>	<u>\$ 286,005</u>	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 68,518	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
	<u>\$ 371,373</u>	<u>\$ 346,346</u>	<u>\$ 318,611</u>	

D. As of December 31, 2023 and 2022, deferred tax liabilities as a result of temporary differences - unrealised exchange gain and deferred tax assets as a result of tax losses are amounted to \$22,005 and \$5,547, respectively.

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 41,379	\$ 13,063

F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(21) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,725	189,650	\$ 0.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,725	189,650	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	3,651	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,725	\$ 193,301	\$ 0.03
Year ended December 31, 2022			
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,306	188,618	\$ 0.09

(22) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 14,985	\$ 11,272
Add: Opening balance of payable on equipment	4,466	2,309
Less: Ending balance of payable on equipment	(3,942)	(4,466)
Cash paid during the year	\$ 15,509	\$ 9,115

(23) Changes in liabilities from financing activities

For the year ended 2023 and 2022, liabilities from financing activities include, short-term borrowings, short-term notes and bills payable and lease liabilities. Please refer to the changes of consolidated statements of cash flows.

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 67.82% of the Company's shares.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company

(3) Significant related party transactions

A. Purchases

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 273,955	\$ 961,574
Other related company	3,589	-
	<u>\$ 277,544</u>	<u>\$ 961,574</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Company makes purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

B. Operating expense

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Human support service fee:		
Sister company		
-Cal-Comp Electronics &		
Communications Co., Ltd.	<u>\$ 4,215</u>	<u>\$ 4,742</u>

C. Other receivables

	December 31, 2023	December 31, 2022
Receivables from raw material purchases on behalf of others:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 1,358	\$ 109,365

Other receivables arise mainly from raw materials purchases on behalf of others and are due 45 days after the date of delivery. The receivables are non-interest bearing.

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 44,087	\$ 403,476
Other payables — receipts under custody:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 140,801	\$ -
Other payables — other:		
Parent company	80	3
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	1,123	7,491
-Others	774	786
	<u>142,778</u>	<u>8,280</u>
	<u>\$ 186,865</u>	<u>\$ 411,756</u>

- (a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.
- (b) Receivables and payables arising from purchases on behalf of related parties amounted to \$3,723,765 and \$5,135,814, respectively, and only the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities. As of December 31, 2023, the Company received payment of purchasing agent and not yet paid to sister company amounted to \$140,801 (listed in other payables - related parties).

E. Leasing arrangements — lessee

(a) The Company leases test equipment from parent company. Rental contracts are typically made for periods 2 years. Rents are paid at the end of every months.

(b) Acquisition of right-of-use assets

	December 31, 2023	December 31, 2022
Parent company	\$ 4,940	\$ -

(c) Lease liabilities

i. Outstanding balance:

	December 31, 2023	December 31, 2022
Parent company	\$ 4,572	\$ -

ii. Interest expense

	December 31, 2023	December 31, 2022
Parent company	\$ 14	\$ -

(4) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 21,445	\$ 21,512
Post-employment benefits	216	216
	<u>\$ 21,661</u>	<u>\$ 21,728</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Pledged demand deposits (shown as other current assets)	\$ 12,033	\$ 5,006	Collateral for bank borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies:

None.

(2) Commitments:

None.

10. Significant Disaster Loss:

None.

11. Significant Events after the Balance Sheet Date

Due to the Company's procurement business needs, a promissory note guarantee contract was signed with an amount of US\$1,200,000 on February 2024, and the accounts listed in guarantee notes deposited and guarantee notes payable.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximize shareholders' equity by maintaining an optimal capital structure.

The Company's key management examines the capital structure which comprise the cost of capital and related risk. In order to maintain the capital structure, the Company may pay dividends, issue new shares, repurchase stock and increase or repay debt.

(2) Financial instruments

A. Financial instruments by category

For information and amounts related to the Company's financial assets, which comprise financial assets at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other payables (including related parties)), financial assets at fair value through profit or loss and lease liabilities, refer to the parent company only balance sheets and Note 8.

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Company financial position and financial performance.

Risk management is carried out by the Company's treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023				
	Foreign currency (In thousands)	rate	Book (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$	10,726	30.74	\$ 329,717	1% \$ 3,297
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$	9,609	30.74	\$ 295,381	1% \$ 2,954
	December 31, 2023				
	Foreign currency (In thousands)	rate	Book (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$	15,645	30.71	\$ 480,458	1% \$ 4,805
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$	18,293	30.71	\$ 561,778	1% \$ 5,618

- iii. The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Company amounted to \$1,032 of profits and \$565 of losses, for the years ended December 31, 2023 and 2022, respectively.

(b) Price risk

The Company's investments in equity securities comprise hybrid instrument issued by the foreign enterprise. The prices of hybrid instrument would change due to the change of the future value of investee companies. If the prices of these hybrid instrument had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$15,505 and \$14,682, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no effect on the profit after tax during 2023 and 2022.

(d) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Company applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.
- iv. The Company uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Company does not expect any significant default possibility of accounts receivable.
- v. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
<u>At December 31, 2023</u>			
Expected loss rate	0.0872%	0.0872%	
Total book value	\$ 78,230	\$ 21,516	\$ 99,746
Loss allowance	(\$ 68)	(\$ 19)	(\$ 87)

At December 31, 2022

Expected loss rate	0.10%	0.10%	
Total book value	\$ 208,283	\$ 61,273	\$ 269,556
Loss allowance	(\$ 209)	(\$ 61)	(\$ 270)

vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
At January 1	\$ 270	\$ 355
Reversal of impairment loss	(183)	(85)
At December 31	<u>\$ 87</u>	<u>\$ 270</u>

(e) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions. As of March 31, 2024, the Company's unused credit lines amounted to \$129,000.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

As of December 31, 2023 and 2022, the Company's non-derivative financial liabilities (including short-term borrowings, accounts payable (including related parties) and other payables (including related parties) and other payables) will expire within 1 year.

<u>December 31, 2023</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 7,584	\$ 2,136	\$ 9,720
<u>December 31, 2022</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	<u>\$ 2,893</u>	<u>\$ 2,533</u>	<u>\$ 5,426</u>

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

B. The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 is as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550,470</u>	<u>\$ 1,550,470</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,468,178</u>	<u>\$ 1,468,178</u>

(b) The fair values of convertible bonds as of December 31, 2023 and 2022 were measured using the binomial model (one of the lattice models) and lattice model, respectively. The main assumptions used were as follows:

	Fair value at December 31, 2023	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	\$ 1,550,470	0.99 years	3.36%	41.67%
	Fair value at December 31, 2022	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	\$ 1,468,178	1.99 years	3.79%	43.26%

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	2022
	Hybrid instrument	Hybrid instrument
At January 1	\$ 1,468,178	\$ 1,455,382
Gains recognised in profit or loss	108,387	39,093
Interest received	(26,095)	(26,297)
At December 31	\$ 1,550,470	\$ 1,468,178

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. The Company's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	\$ 1,550,470	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	13.74% 20.00%	- The higher the long-term income before taxes, the higher the fair value; The higher weighted average cost of capital, the lower the fair value. The higher the lack of marketability discount, the lower the fair value.

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	\$ 1,468,178	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	13.62% 20%	- The higher the long-term income before taxes, the higher the fair value; The higher weighted average cost of capital, the lower the fair value. The higher the lack of marketability discount, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used by external valuer to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				December 31, 2023	
				Recognised in profit or loss	
				Favourable	Unfavourable
	Input	Change		change	change
Financial assets	Long-term income before taxes				
Hybrid instrument	Weighted average cost of capital	±1%	\$ 15,505	(\$ 15,505)	
				December 31, 2022	
				Recognised in profit or loss	
				Favourable	Unfavourable
	Input	Change		change	change
Financial assets	Long-term income before taxes				
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,682	(\$ 14,682)	

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to table 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. Segment Information

None.

Castlenet Technology Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Castlenet Technology Inc.	SPI. Convertible Bond	None	Current financial assets at fair value through profit or loss	-	\$ 1,550,470	-	\$ 1,550,470	

Castlenet Technology Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2023

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			Footnote (Note)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	\$ 273,955	40%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	(\$ 44,087)	31%	Note

Note: The abovementioned accounts payable to related parties mainly pertain to accounts payable for purchases of finished goods from sister companies.

Castlenet Technology Inc.
Information on investees
For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss)	Investment profit (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				December 31, 2023	December 31, 2022				the year ended	the year ended	
									December 31, 2023	December 31, 2023	
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	\$ 302,692	\$ 302,692	8,708	100	\$ 40,914	\$ 1,155	\$ 1,155	

Castlenet Technology Inc.
Information on investments in Mainland China
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income (loss) of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment profit (loss) recognised by the Company for the year ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sell selfproduced products	\$ 230,513 USD 7,500	2	\$ 230,513 USD 7,500	\$ -	\$ -	\$ 230,513 USD 7,500	\$ 975	100	\$ 975	\$ 33,575	\$ -
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
CastleNet Technology Inc. - Kunshan	\$ 230,513	\$ 230,513	\$ 1,147,633									

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 3: The investment income (loss) was recognised based on the financial statements audited by independent auditors for the year ended December 31, 2022.

Castlenet Technology Inc.
Major shareholders information
December 31, 2023

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Kinpo Electronics, Inc.	129,959	67.82%

6.6 Financial difficulties incurred by the company or its affiliated companies in the recent year up to the date of the publication of this annual report: None.

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

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	2023/12/31		2022/12/31		Compared with the end of last year	
	Amounts	%	Amounts	%	Amounts	%
Assets						
Current assets	\$2,769,664	98	\$1,236,283	45	\$1,533,381	124
Non-current financial assets at fair value through profit or loss	0	0	1,468,178	53	(1,468,178)	(100)
Property, plant and equipment	16,189	1	23,766	1	(7,577)	(32)
Right-of-use assets	9,460	0	5,073	0	4,387	86
Other non-current assets	35,090	1	21,086	1	14,004	66
Total assets	\$2,830,403	100	\$2,754,386	100	\$76,017	3
Liabilities and equity						
Current liabilities	891,285	31	875,190	32	16,095	2
Total non-current liabilities	26,396	1	11,046	0	15,350	139
Total liabilities	917,681	32	886,236	32	31,445	4
Share capital	1,916,350	68	1,886,180	69	30,170	2
Capital surplus	145,763	5	136,511	5	9,252	7
Retained earnings	(105,011)	(3)	(110,696)	(4)	5,685	5
Other equity interest	(44,380)	(2)	(43,845)	(2)	(535)	(1)
Total equity	1,912,722	68	1,868,150	68	44,572	2
Total liabilities and equity	\$2,830,403	100	\$2,754,386	100	\$76,017	3

Changes in major items:

- 1.The financial assets of the company measured at fair value through profit or loss (convertible corporate bonds) will expire on December 26, 2024 as agreed, and the financial assets will be transformed from non-current assets to current assets, resulting in current assets rising.
- 2.For other non-current assets and other liabilities payable increasing, mainly relevant deferred income tax liabilities are estimated according to the unrealized interests of convertible corporate bonds measured at fair value in 2023. Also, equal-amount deferred tax income is estimated in consideration of the deductible tax of accumulated losses in tax declaration.
- 3.The increase in right-of-use assets was mainly resulted from the lease extension of offices needed by the increased R&D personnel.

7.2 Analysis of Financial Performance

7.2.1 Analysis of Financial Performance last 2 years

Unit:NT\$ thousands

Item	2023		2022		Compared with last year	
	Amounts	%	Amounts	%	Amounts	%
Operating revenue	\$556,439	100	\$1,145,661	100	(589,222)	(51)
Operating costs	(445,385)	(80)	(973,535)	(85)	528,150	(54)
Gross profit from operations	111,054	20	172,126	15	(61,072)	(35)
Operating expenses	(211,873)	(38)	(195,668)	(17)	(16,205)	8
Net operating loss	(100,819)	(18)	(23,542)	(2)	(77,277)	(328)
Non-operating income and expenses	107,544	19	39,848	3	67,696	170
Profit before tax	6,725	1	16,306	1	(9,581)	(59)
Tax expense (income)	0	0	0	0	0	0
Profit	\$6,725	1	\$16,306	1	(9,581)	(59)

Changes in major items:

1. Revenue Decline: Mainly resulted from the impact of the difference of amount of operating revenue in the two periods given that the machine types with low gross profit were sold out and no longer took orders in the first half of 2022 and the progress of integrating orders for new and existing models from customers, in 2023.
2. The increase in non-operating income was mainly resulted from the increase in the income from unrealized financial assets measured at fair value through profit or loss.
3. Since the operating revenue was lower than that in the same period last year, the net profit before tax decreased compared with that in the same period last year.

7.2.2 Forecast sales for the next year, forecast basis, and reasons for continuous growth or decline:

1. Forecast sales for the next year and forecast basis.

Product	Forecast Sales(Unit/k)	Forecast Basis
Consumer Electronics	396	The estimate is calculated based on previous year's sales and market demand in 2024.

2. Potential impact: The requirement for working capital has increased.

3. Response Plan:

In addition to the existing capital support, if there is a requirement for additional funds, we will expand the bank's credit line in a timely manner or raise capital through capital increase and other financial instruments to meet future operational growth requirements.

7.3 Analysis of Cash Flow

7.3.1 Analysis of cash flow change in the Last Two years

Item \ Year	2022	2023	Variance (%)
Cash flow ratio (%)	0.00	0.00	0.00
Cash flow adequacy ratio (%)	49.84	38.69	-22.37
Cash flow reinvestmentratio(%)	0.00	0.00	0.00
Analysis of cash flow change of the year: As for cash flows from operating activities, due to the decrease in operating revenue and continual purchasing due to NCNR policy adopted by the main chip manufacturer, besides, due to the non-cancellable and non-returnable order shipment policy, the selling speed was not matched, the cash flow adequacy ratio decreased compared with that in the same period last year.			

7.3.2 Improvement plan for Liquidity shortfall: None.

7.3.3 Cash flow projection for nex year

Unit:NT\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash From Operating Activities over the Year (2)	Net Cash Used over the Year (3)	Anticipated Cash Surplus (Deficit) (1)+(2)-(3)	Remed for Liquidity Shortfall	
				Investment Plans	Financing Plans
338,008	66,000	33,000	371,008	-	-

7.4 Major Capital Expenditure Items and Impact on Finance and Business in the Recent Year

7.4.1 Major Capital Expenditure: None.

7.4.2 Impact of Major Capital Expenditure: None.

7.5 Reinvestment policy in the most recent year, main reasons for profit or loss, improvement plan and investment plan for the coming year

Please refer to the basic information of each affiliated company on page 273 of this annual report for the companies to which the Company has transferred investments in recent years and their major business items. It is expected that there will be no new investment plan in the next year.

7.6 Risk Management and Analysis

7.6.1 Organization and Policies of Risk Management:

1. The company's sustainable development committee selects members according to the functions and professional fields of each department to set up a "risk management team", which is responsible for the identification of various risk factors, so as to identify the relevant risks that may affect the sustainable development of the enterprise, and select the risk management category. Based on this, management policies are formulated and implemented and reported to the board of directors at least once a year.
2. The company has formulated "Risk Management Measures" to establish a risk warning system for risks that may endanger the company's operations, production and shipments, raw material supply, employee and asset safety, information

security, etc., and to minimize the possible impact of risk occurrence through the implementation of risk control in the internal control system.

7.6.2 Risk Associated with Interest rate and Exchange rate fluctuation, and Inflation

1. Interest Rate: In addition to keeping close contact with financial institutions to keep abreast of current interest rate changes, the company will also refer to domestic and foreign economic trend research reports and observe fluctuations in domestic and foreign benchmark market interest rates to adjust the funding operation in a timely manner.
2. Exchange Rate: The company's products are mainly exported. In order to reduce the impact of exchange rate changes on revenue and profit, the specific measures taken are as follows:
 - (1) When the business unit makes quotations to customers, it should consider the possible impact of exchange rate changes, and adopt a relatively stable and conservative exchange rate as the basis for quotation to protect the company's reasonable profits.
 - (2) In addition to the natural hedging effect of foreign currency-denominated purchases and sales, the remaining foreign currency portion will be exchanged in a timely manner with reference to relevant exchange rate market information and future trends to reduce foreign currency risks.
 - (3) The company collects relevant information on exchange rate changes at any time, fully grasps the changes in the foreign exchange market, and adjusts the foreign currency asset-liability ratio in real time, so as to reduce the impact of exchange rate fluctuations.
 - (4) Any foreign exchange operations (pre-purchase of foreign exchange, pre-sale of foreign exchange, foreign exchange, etc.) are only to avoid the exchange risk in operation, and the company does not engage in any speculative transactions.
3. Inflation: The impact of inflation on the company's operations in 2023 came from a significant devaluation of local currencies and global inflation effects, which led to a reduction in customer orders and shipments. For related countermeasures, please refer to pages 1-2 of this annual report. However, the Company will still pay attention to changes in the relevant economic environment and changes in market conditions to respond accordingly.

7.6.3 Risks Associated with High-Risk/High-Leveraged Investment; Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

1. High-risk and High-leveraged Investments: None.
2. Financings provided to others: None.
3. Endorsements/guarantees: None.
4. Policies of Financial Derivative Transactions:

The company is engaged in the trading of derivative financial products. Except for the projects approved by the board of directors, the main purpose is to avoid risks. The trading products are mainly used to avoid the risks generated by the company's business operations. The currency held must be the same as the currency used for actual import and export of the company. The foreign currency demand of the transaction is in line with the foreign currency receivables and payables of the company as a whole, so as to reduce the overall foreign exchange risk of the company.

7.6.4 Future Research & Development Projects and Corresponding Budget: Please refer to Page 116 and Page 122.

7.6.5 Risk Associated with Changes in Government Policies and Regulatory Environment

In consideration of the carbon emission inventory of enterprises emphasized in recent years and the trend of extra payment of carbon fee in the international community, the company has already joined several related organization platforms and established a Sustainable Development Committee to benefit carbon emission inventory and establishment of reduction plan, and comply with customers' policies. Furthermore, we require relevant suppliers to coordinate.

The company pays attention to the changes in important policies and laws at home and abroad that may affect its finance and business operation at any time, and assesses their impact. The changes in important policies and laws at home and abroad in recent years didn't have a material impact on the company's finance and business operation.

7.6.6 Risks Associated with Change in Technology and Industry

The fixed network industry becomes increasingly mature. With the rise of optical fiber and the intense competition in the field of wireless broadband, the customer's product structure has been altered. The new WiFi products are complicated and costly, affecting customers' introduction schedule.

The decision-making on 6GHz WRC23 has resulted in market fragmentation. Therefore, the company has introduced new optical fiber product line. Due to the operating cost, wireless broadband can hardly compete with wired broadband. Through cooperation with relevant suppliers, the company has realized the economic

scale of wireless broadband products. Also, the company continues to optimize the existing WiFi product structure and wait for the reduction of the cost of the new-generation WiFi. As for 6GHz, the company collaborates with suppliers to achieve the economic scale of wireless broadband.

The company continues to strengthen the lineup of R&D teams, develop and sell diversified products, and pay attention to industry changes and market demands at any time to maintain the company's competitiveness.

7.6.7 Risks Associated with the Impact of Change in Corporate Image on Crisis Management

The company operates with a prudent attitude and has a good corporate image. If there is an incident that threatens the corporate image, it will be promptly handled by the management team.

7.6.8 Risks Associated with Mergers and Acquisition: None.

7.6.9 Risks Associated with Facility Expansion: None.

7.6.10 Risks Associated with Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The telecom operators in Asia have already switched the cable service to FTTH service. The demand for cable data terminal demands no longer exists, which seriously affects the shipments of cable data terminal devices of CastleNet Technology in Asia; as for the continual demand from the central and south America, an effect of centralization of sales has been formed, which also brings certain risks. CastleNet Technology has prudently evaluated and established relevant response measures. Below are the risks faced in the centralization of sales and possible response measures:

1. Customer risk: Relying on a very few major customers may result in business fluctuation. A huge impact may be imposed on our revenue for losing such customers.
 - Response measures: The company has already developed new customers and new markets in a diversified way. It actively develops and participates in the bid projects of operators in other regions (especially Europe) to establish favorable customer relations and provide high-quality services, thus increasing customer stickiness. Also, the company joins hands with customers to establish business strategies in response to local market changes. At the same time, it actively strives for more competitive prices from original chip manufacturers, to acquire orders from different customers.
2. Product risk: The sales are centralized on a few products or services, and market changes may impose a material impact on the business.

- Response measures: The company implements diversified product development and expands new product developments to optical fiber terminal products (GPON & XGS PON) and FWA (fixed Wireless Aggregator), to lower its reliance on single-cable data terminal products. The company pays close attention to market trends and adjusts product portfolios at any time.
3. Supply chain risk: If a problem occurs to any process of the supply chain (including raw materials, machines, equipment, etc.), production and delivery may be affected, and consequently customer requirements cannot be satisfied, which will affect the corporate operation.
- Response measures: The company sets up a stable supply chain, establishes long-term partnership with reliable suppliers, and considers the use of backup suppliers, to cope with possible supply interruption. The company's supply chain risk response plans are as follows:
 - (1). Changes and uncertainties of external supply chain
 - Response measures: Market survey, supplier decentralization, and ecosystem alliance.
 - (2). Order demand exceeding the plan
 - Response measures: AI prediction and long-term contracts, limited supply, and optimized distribution.
 - (3). Insufficient production capacity
 - Response measures: Enlargement of factory production capacity, overtime, increase of short-term manpower, and decentralization of manufacturing sites.
 - (4). Imbalance between supply and demand due to external natural and man-made disasters
 - Response measures: Reduction of product materials, selection of mainstream materials, and 2nd source alternative materials.
 - (5). Procurement and material expedition plan
 - Response measures: Definite reporting process, mobilization of all staff members, frequent coordination, and material allocation in the spot market.
4. Geographical risk: The sales are concentrated in specific regions, and regional economic or political changes may have a negative impact on the business.

- Response measures: Adopt the measures mentioned above, develop new markets and new customers in a diversified way, and expand business to other regions or countries, to lower geographic risk. Learn about and comply with regulations and political environments in different regions.

5. Financial risk: Relying on a certain market or customer too much may result in a financial risk, including delay in payments or default.

- Response measures: Regularly evaluate customers' credit status, and establish reasonable financial reserves to cope with uncertainties.

7.6.11 Risks Associated with Sales of Significant Numbers of Shares by Directors or Major Shareholders with 10% Ownership or More: None.

7.6.12 Risks Associated with Change in Management: None.

7.6.13 Major ongoing lawsuits, non-lawsuit or administrative lawsuit caused by Company, Directors, Supervisors, or Major stockholders with holdings over 10%: None.

7.6.14 Other Major Risks: Please refer to Pages 80-82 and Pages 134-136.

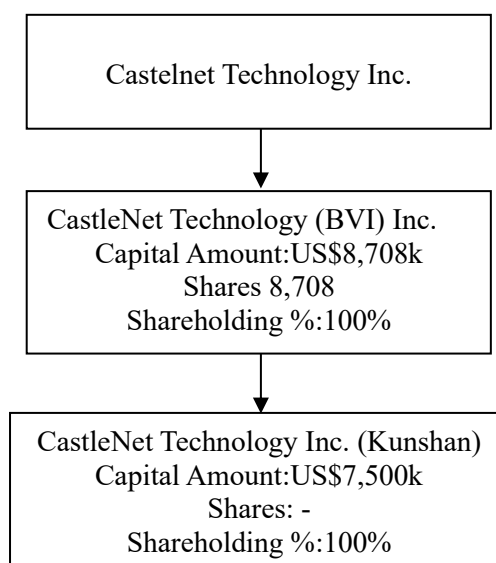
7.7 Other Matters of Materiality: None.

VIII. Affiliates Information and Other Special Items

8.1 Affiliates Information

8.1.1 Consolidated Business Report of Affiliates Company

1. Affiliates Company of Castelnat Technology Inc.



2. Information of Affiliated Companies

Unit: US thousand dollar

Company	Date of Incorporation	Address	Capital Amount	Major Business Activities
CastleNet Technology (BVI) Inc.	90.02	Trust Net Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD8,708	Investment, Holding and Product sales.
CastleNet Technology Inc. (Kunshan)	92.03	No.889, Zuchongzhi Middle Road, Bacheng Town, Kunshan City, Jiangsu	USD7,500	Production and design of broadband network products such as modems and sales of self-produced products.

3. Information on the same shareholders of those who are presumed to have control and affiliation: None.

4. Industries covered by the overall business of affiliated companies: Production and sales of consumer electronic products such as network communications.

5.Information of Directors, Supervisors, and Presidents of Affiliated Companies

Company	Title	Name/Representative	Shareholding	
			Shares	%
CastleNet Technology (BVI) Inc.	Director	Castlente Technology Inc. Reprecentative: Yu, Chian-Huei	8,708	100%
	Director	Kinpo Electronics Inc Reprecentative: Chen, Wei-Chang		
CastleNet Technology Inc. (Kunshan)	Director	CastleNet Technology (BVI) Inc. Reprecentative: Chen, Wei-Chang, Huang, Yu-Hui, Shiau, Ching-Hwa	-	100%
	Supervisor	Wu, Li-Mei		
	President	Huang, Yu-Hui		

6.Operational Highlights of Affiliated Companies

Date: December 31, 2023

Unit: USD thousand, RMB thousand

Company	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (after tax)	EPS(NT\$) (after tax)
CastleNet Technology (BVI) Inc.	USD 8,708	USD 1,331	USD 0	USD 1,331	USD 32	USD 30	USD 37	-
CastleNet Technology Inc. (Kunshan)	RMB 56,470	RMB 7,853	RMB 116	RMB 7,737	RMB 0	RMB -33	RMB 222	-

8.1.2 Consolidate Financial Statements: Please refer to Pages 146-204.

8.1.3Affiliated Companies Report: None.

8.2 Private Placement of Securities in the Most Recent Year: None.

8.3 Company Share Held or Disposted by Subsidiaries in the Most Recent Year: None.

8.4 Other necessary matters to be supplemented and explained: None.

9. If any event, which has a material impact on shareholders' rights and interests or securities prices as prescribed in Article 36-3-2 of the Securities and Exchange Act, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such matters shall be listed in clarity: None.

CastleNet Technology Inc.

Chairman: Chang, Ying