

KING SHING INDUSTRIAL CO., LTD.

2023

ANNUAL REPORT

Printed on May 27, 2024

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

Annual report inquiry website : <http://mops.twse.com.tw>

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4. The recent annual financial report's certified public accountant's name, firm name, address, website, and telephone number

Firm Name : PwC Taiwan

Accountant Names : Accountant Lin,Se-Kai 、 Accountant Lin,Chun-Yao

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5. The names of the trading venues for the listing and trading of overseas securities, as well as the methods to inquire about information on these overseas securities : None.

6. Company website : <https://www.kingshing.com>

KING SHING INDUSTRIAL CO., LTD.

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I 、Letter to Shareholders

1.1 Business Report :

Unit : NT\$ thousand

Item	2023	2022	Difference(%)
Operating revenue	1,033,173	940,201	10%
Operating costs	729,082	682,407	7%
Operating profit - gross	304,091	257,794	18%
Operational expenses	156,079	149,571	4%
Operating profit	148,012	108,223	37%
Non-operating Income and Expenses	16,727	46,401	-64%
Profit before income tax	164,739	154,624	7%
Income Tax Expense	38,726	35,223	10%
Net income for the period	126,013	119,401	6%

1.2 Financial Structure and Profitability :

Analysis Items		2023	2022	Difference (%)
Financial Structure	Debt-to-Asset Ratio (%)	19.70	30.73	-36%
	Long-Term Funding to Fixed Assets Ratio (%)	174.16	144.26	21%
Profit ability	Return on Assets (ROA) (%)	6.92	7.15	-3%
	Return on Equity (ROE) (%)	8.92	10.06	-11%
	Pre-Tax Net Income to Paid-up Capital Ratio (%)	27.46	30.21	-9%
	Net Profit Margin (%)	12.20	12.70	-4%
	Earnings Per Share (EPS) (NTD)	2.36	2.33	1%

1.3 Development Overview :

Our company was established in March of the 78th year of the Republic of China (1989), initially specializing in the trading of automotive components. Over the years, we have evolved into a comprehensive leader with capabilities in research and development, manufacturing, and sales. Our main products include automotive cooling fans, blowers, and brushless variable frequency motors.

Our core operating philosophy is to diligently pursue excellence, engage in continuous innovation, and dedicate ourselves to solving various heat dissipation issues. We consistently enhance our research and development capabilities, invest in new production equipment to meet market demands, and adhere to a quality policy of prioritizing quality, customer satisfaction, and continuous improvement. We have sequentially obtained international quality certifications such as ISO9001, ISO14001, and IATF16949, establishing ourselves as a critical supplier of automotive components known for rigorous management, comprehensive processes, excellent quality, and a complete product range. Our products are sold through distribution channels spanning all five continents, and we have been at the forefront of our industry in launching high-quality products, providing swift and comprehensive services to our customers.

1.3.1 Product Diversification, Already Covering Products for Mainstream Brand Vehicle Series

Our company primarily specializes in the sale of cooling fan products, including those for engine cooling and air conditioning systems, predominantly used in the automotive sector. Our product line encompasses various sedan and light-duty truck models from globally renowned automobile manufacturers, as well as popular and high market-share vehicle series and models. In order to meet the trends and market demands of the automotive industry, we continuously expand our product range to provide a greater selection of high-quality products.

In comparison to the market demands of car manufacturers and system factories, the aftermarket focuses more on the completeness of product offerings rather than the scale of individual items. To address this, our company offers a flexible ordering system with a wide variety of products, adjusting production and delivery schedules according to demand. Customers can place short- to medium-term orders based on market and inventory planning, while adjustments are made to product quality and compatibility to accommodate market changes.

1.3.2 Self-developed and designed products

In the aftermarket maintenance market, our company provides a variety of cooling fans and blowers for different vehicle models. While maintaining the specifications and characteristics of original equipment manufacturer (OEM) products, our research and development team integrates and summarizes data and specifications from various vehicle models during the product development stage. This enables us to design products with compatibility and commonality, avoiding patent infringement and ensuring performance and efficiency consistent with various OEMs. Additionally, it allows for the streamlining of production processes for a large number of product variations and modularization of product lines to achieve optimal production efficiency and resource allocation. Drawing on over 30 years of development and manufacturing experience, our company excels in flexibly adapting product designs and modifications according to customer needs.

1.3.3 One-stop production process

At the outset of product design, our company completes tasks ranging from product drawings to mold design within the R&D department. Subsequently, our subsidiary in Thailand provides a comprehensive production process, encompassing early-stage mold manufacturing, plastic injection molding, metal stamping, motor production, and final product assembly, as well as cardboard box production for packaging, all conducted in-house. In response to urgent orders from customers, we can promptly and flexibly adjust production schedules. With an exceptionally high level of in-house production, our company maintains control over product quality and delivery schedules.

1.3.4 Over 20 years of extensive operations in Thailand, with outstanding management efficiency at our Thai factory

In 2005, our company established its primary production base, a subsidiary in Thailand, which has since demonstrated a high level of efficiency in local production processes and capacity management. The subsidiary has maintained a strong collaboration with the

Taiwan headquarters in terms of product production, allowing for smooth operations in mold development, production, assembly, and final packaging and shipment.

Located in Chonburi Province, our Thai subsidiary is situated in a cluster of renowned automotive manufacturers and suppliers in Asia, including those from China, Japan, and Taiwan. Its proximity to the automotive component supply chain and the presence of major car manufacturers have facilitated our company's development of OEM business. In recent years, amid the heightened trade tensions between China and the United States, our Thai facility stands to benefit from the shift in production orders from China, leveraging its distinct geographical advantage.

1.4 Business Strategy :

In recent years, the global spread of the novel coronavirus disease (COVID-19) has had widespread effects. While our country has effectively controlled the epidemic and has now fully reopened, we still face challenges such as global central bank interest rate hikes and rising inflation. Taiwan is situated on the front lines of geopolitical tensions with China and also faces the challenge of global supply chain restructuring. Fortunately, our subsidiary, Thailand Jin Xing, is located in the "Eastern Economic Corridor" of Thailand, boasting a complete production process and supply chain. Moreover, the local political and economic environment is favorable to foreign investment, allowing us to navigate these challenges successfully. Currently, major car manufacturers and their supply chains are establishing facilities in Thailand, forming clusters of automotive component manufacturing. Leveraging these advantageous geographical conditions, our company is well-positioned to market globally.

Furthermore, as precision and quality requirements in the automotive maintenance market continue to rise, we have strengthened our quality and management measures to ensure the competitiveness of our products.

1.4.1 Strengthening managerial functions :

To ensure the effective implementation of company policies, assessing the performance of each department is crucial. This involves enhancing system management efficiency and establishing various operational processes. These efforts are aimed at achieving comprehensive quality management, eliminating internal waste, and enhancing our ability to earn management wealth.

1.4.2 Quality Control :

Establishing a comprehensive quality control process involves quality inspection and control from raw material procurement to production, aiming to reduce internal defect rates and external complaint rates. This ensures the stability of product and service quality, thereby enhancing customer satisfaction, solidifying the loyalty of existing customers, and fostering long-term positive relationships. Additionally, strengthening the training of production operators and quality control personnel equips them with strong quality awareness and skills.

1.4.3 Supply Chain Management :

Enhanced supplier management involves fostering strong collaborative relationships with suppliers, demanding adherence to high-quality standards, and establishing a supplier evaluation mechanism to ensure the consistent and reliable quality of components and materials provided by suppliers.

1.4.4 Expanding into New Markets :

We maintain a strong interaction with Tier 1 suppliers, aiming to become their preferred partners. In response to the automotive industry's trend towards intelligence and electrification, we continuously collaborate with customers to meet their evolving technological requirements. This involves timely development and design of various products to sustain growth momentum and expand operational scale.

1.4.5 Initial Public Offering (IPO) :

In response to the expansion of our business operations, our company has initiated an IPO (Initial Public Offering) project, aiming to successfully attract external funds and strategic investors while bringing in professional managers to enhance our company's expertise and financial strength. We believe that this move will lay a solid foundation for our long-term development and facilitate further expansion of our market footprint. Furthermore, we are committed to upholding a high level of transparency and integrity throughout the IPO process, ensuring that all shareholders and potential investors fully understand our company's operational status and development vision. We pledge that the funds raised will be prioritized for technological innovation and product development to strengthen our competitive advantage and continuously enhance shareholder value. Additionally, our company will actively engage in ESG (Environmental, Social, and Governance) initiatives to give back to society. We will support environmental protection, education, and community development activities, striving to be a socially responsible enterprise with a positive impact on society. Through these measures, we aim not only to achieve our financial goals but also to bring long-term positive effects to society.

1.5 Looking to the Future :

1.5.1 Short-term Development Plan

- A. Our company has been developing brushless DC motors and Lin Bus communication protocol technology for many years. In response to the market's demand for new models of gasoline, hybrid, and electric vehicles, we have progressively updated our products to brushless motor fans. Therefore, our company will intensify efforts to develop and promote this type of product.
- B. Building upon the solid business foundation of our existing aftermarket (AM) radiator fan repair market, our company is horizontally expanding into different vehicle types, such as refrigerated trucks, logistics vehicles, trucks, and tour buses. We are also actively developing Original Equipment (OE) and Original Equipment Supplier (OES) markets to maximize the benefits of our invested resources and accumulated experience.

1.5.2 Long-term Development Plan

- A. The European Commission has mandated a 55% reduction in carbon dioxide emissions for new vehicle sales starting from 2030 compared to 2021 levels, with all new vehicle sales being carbon-neutral by 2035. This policy aims to achieve comprehensive sales of electric vehicles. Therefore, our company will accelerate the research, development, and manufacturing of electric vehicle products. Simultaneously, we will comprehensively enhance the precision of our technology and production processes. We will also expand our range of cooling products for various electric vehicle brands to increase our product coverage in the electric vehicle market and meet the growing market demand.
- B. We are actively collaborating with automobile manufacturers (OEM/ODM) or system factories to assess the potential for manufacturing or applying other electric vehicle components. This initiative aims to expand our business scope.
- C. We are strategically positioning ourselves in the global market to diversify our revenue sources between North America and Europe. This involves effectively adjusting production plans, schedules, and operational cycles. Additionally, we are actively adjusting our product structure, introducing more advanced technologies and materials to meet market demand. This enhances our company's added value in the supply chain, laying the foundation for future growth and sustainable operation.
- D. In our future development, we will adhere to the concept of sustainable development and actively promote green energy and carbon management programs. Our Thailand factory has already adopted green energy sources such as solar power and has completed carbon footprint assessments, successfully obtaining ISO14064-1 certification. This not only demonstrates our commitment to environmental protection but also enhances our corporate image. Currently, our Taiwan factory is undergoing carbon footprint assessments and implementing solar power projects. We aim to complete and implement further decarbonization plans as soon as possible. Through these initiatives, we are dedicated to building a more environmentally friendly, innovative, and responsible corporate image and ensuring our leading position in future competition.

Chairman and President : SHIH, CHUN-CHIN

II · Company Introduction

2.1 Establishment Date

March 28, 1989

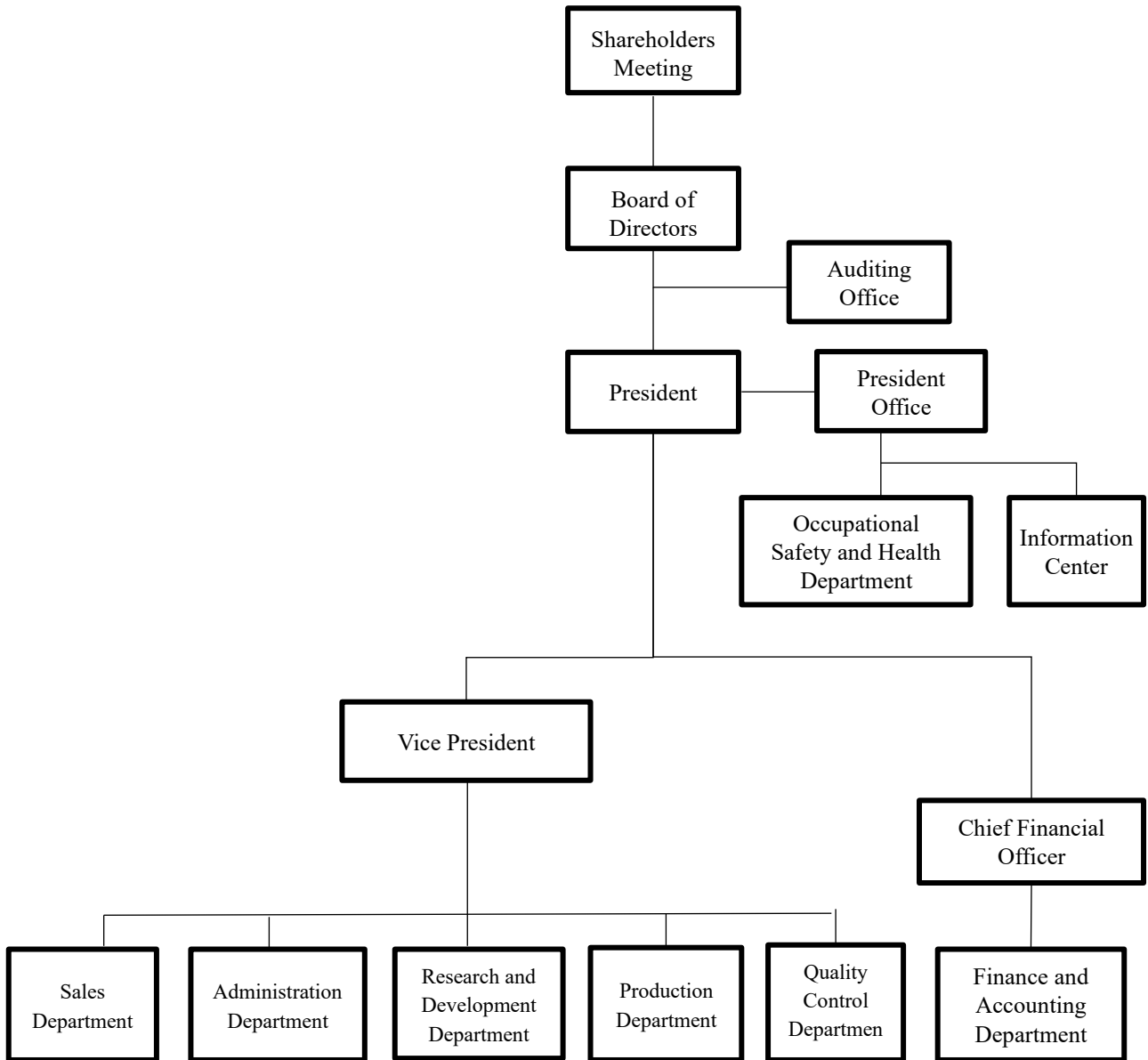
2.2 Company Evolution or Company History

Date	Key Events
March, 1989	The Ministry of Economic Affairs approved the establishment of "Jin Shin Enterprise Co., Ltd." with a paid-in capital of NT\$1,500 million.
January, 2000	Obtained ISO9001 Quality Management System certification.
February, 2007	Obtained ISO/TS16949 Automotive Quality Management System certification.
November, 2008	Renamed as King Shing Industry Ltd.
November, 2009	Converted into King Shing Industry Co., Ltd., a "stock" limited company.
September, 2010	Conducted a cash capital increase of NT\$198,500 million, accumulating a paid-in capital of NT\$200,000 million.
March, 2012	Obtained ISO14001 Environmental Management System standard certification.
February, 2013	Relocated to No. 3, Gongye 1st Road, Yongfeng Village, Pingzhen City, Taoyuan County.
July, 2013	Conducted another cash capital increase of NT\$100,000 million, accumulating a paid-in capital of NT\$300,000 million.
April, 2018	<ul style="list-style-type: none"> Obtained OHSAS18001 Occupational Health and Safety Management System certification. Upgraded TS16949 to IATF16949, a global automotive industry quality management system verification. Developed brushless blower for automotive cold and warm air delivery.
May, 2019	Developed communication protocol brushless blower for automotive cold and warm air delivery.
June, 2020	Developed communication protocol brushless fan assembly for automotive cooling systems.
May, 2021	Fully implemented SAP ERP (Enterprise Resource Planning) system from Germany.
July, 2021	【KING SHING AUTOMOBILE PARTS Co., Ltd. - Thailand】 became a wholly-owned subsidiary.
September, 2021	Upgraded OHSAS18001 to ISO45001 Occupational Health and Safety Management System certification.
October, 2021	Conducted another capital increase of NT\$211,860 million, accumulating a paid-in capital of NT\$511,860 million.
July, 2022	Developed automatic testing platform for controller module fan assembly.
January, 2023	Installed solar panels on the roof of the Thailand plant, implementing renewable energy carbon reduction projects.
August, 2023	The Thailand plant obtained ISO14064-1 greenhouse gas inventory certification and joined the RE100 renewable energy initiative.
September, 2023	Developed Sensor Less brushless motor products covering electric vehicle applications.
October, 2023	Issued new shares through employee stock options for NT\$59,140 million, accumulating a paid-in capital of NT\$571,000 million.
November, 2023	The Taiwan plant initiated ISO14064-1 greenhouse gas inventory certification operations.
November, 2023	Conducted another capital increase of NT\$29,000 million, accumulating a paid-in capital of NT\$600,000 million.
December, 2023	Effective December 19, 2023, the supplemental public offering declaration took effect.
March, 2024	Effective March 13, 2024, the over-the-counter (OTC) listing declaration took effect.

III · Corporate Governance Report

3.1 Organizational System

3.1.1 Organizational Structure



3.1.2 The main business of each department is as follows

Department	Job Responsibilities
Auditing Office	<ul style="list-style-type: none"> • Planning, implementation, and execution of the internal control system. • Inspection and sampling of the internal audit system, coordination with external audit operations. • Implementation of various systems to enhance operational performance.
President Office	<ul style="list-style-type: none"> • Strategic management, business analysis, investment planning, and information security affairs. • Formulation of operational strategy policies for the entire group.
Occupational Safety and Health Department	<ul style="list-style-type: none"> • Planning and supervision of labor safety and health in all departments, as well as inspection of occupational safety and health facilities. • Investigation and analysis in the event of occupational accidents, providing relevant information and recommendations to management.
Information Center	<ul style="list-style-type: none"> • Maintenance and management of information systems, SAP ERP. • Establishment and management of information security systems. • Procurement, use, and maintenance of hardware and software.
Sales Department	<ul style="list-style-type: none"> • Market research, business segmentation, sales channels, layout strategies, and promotion. • Maintenance of customer relationships, tracking of needs, confirmation of credit conditions, quotas, and accounts. • Operations such as product quoting, orders, and shipments, handling of complaints, and comprehensive customer feedback.
Finance and Accounting Department	<ul style="list-style-type: none"> • Establishment of accounting systems, production of financial statements, and management of fund utilization. • Management and analysis of costs and expenses, as well as budget management and control. • Management and analysis of taxation and transfer pricing. • Maintenance of investor relations and speaking systems. • Administration of affairs such as board of directors, shareholders' meetings.
Administration Department	<ul style="list-style-type: none"> • Formulation of personnel management systems, employee data management, recruitment, salary management, performance evaluation, planning of education and training, employee benefits, and labor disputes. • Comparison and evaluation of domestic and foreign raw materials and equipment, assessment of supplier quality, environmental impact, supply capacity, and delivery time follow-up. • Maintenance management of fire safety and asset equipment.
Research and Development Department	<ul style="list-style-type: none"> • Collection, establishment, and management of product specification research, functional improvement, and development data. • Assistance in improving processes and operations in the manufacturing department. • Technical support for product application technology, application analysis, and handling of customer complaints. • Control and modification of design drawings.
Production Department	<ul style="list-style-type: none"> • Planning and coordination of production and sales plans, establishment of production standard operating procedures. • Planning and control of raw material consumption, warehouse management, etc.
Quality Control Department	<ul style="list-style-type: none"> • TQM (Total Quality Management) Material Incoming, Outgoing, and Finished Product Inspection • Review of customer specification requirements, product quality evaluation, and assistance with customer complaints. • Handling of quality abnormalities, conducting root cause analysis and corrective/preventive actions. • Maintenance of quality systems such as IATF 16949, ISO 9001, ISO, supplier, and customer audits. • Implementation of QA (Quality Assurance) management, planning of education and training.

3.2 Information on directors, supervisors, President, Vice President, Junior VP, and officers of departments and branches

3.2.1 Director and Supervisors Information

1. Director and Supervisors Information :

April 30, 2024; Unit: Thousand shares; %

Title	Nationality or Place of Registration	Name	Gender/ Age	Date elected	Term of Office	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Current shareholding of spouse and minor children		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the Second degree of kinship who are officers, directors, or supervisors of the Company			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Chairman (note1)	R.O.C	Shih, Chun-Chin	Male 61~70	2024/2/5	3years	2009/10/30	9,683	16.14	8,624	14.37	—	—	11,383	18.97	College of Management, National United University EMBA, National Taipei University of Technology	President, King Shing Industrial Co., Ltd The Chairman concurrently serving as the President., King Shing Automobile Parts Co., Ltd. Chairman, QLAO ZHONG INVESTMENT CO., LTD. Chairman, YONG GUANG INVESTMENT CO., LTD.	Director	Shih,Meng-Chin	Father and Daughter	—
																	Supervisors	Hsieh,Yu-Yun	Spouse	—
																	Deputy General Manager	Shih,Meng-Hsin	Father and Daughter	—
Director	R.O.C	Ku, Chi-Hui	Male 51~60	2024/2/5	3years	2009/10/30	7,500	12.50	7,500	12.50	—	—	3,723	6.21	Department of Electronic Engineering, St. John's University	Deputy Manager, King Shing Industrial Co., Ltd Chairman, CHU YUN CO., LTD.	Director	Shao,Zhong-Ping	Spouses of Sisters	—
	Supervisors	Ku,Ying-Chen	Siblings	—																
	R.O.C	Legal Representative : CHU YUN CO., LTD.	—	2024/2/5	3years	2024/2/5	3,723	6.21	3,723	6.21	—	—	—	—	—	—	—	—	—	—
Director	R.O.C	Shih, Meng-Chin	Female 31~40	2024/2/5	3years	2009/10/30	560	0.93	1,237	2.06	—	—	590	0.98	Department of Finance and Taxation, Aletheia University EMBA, National Taipei University of Technology	Vice President, King Shing Industrial Co., Ltd Chairman, YING YI INVESTMENT CO., LTD.	Chairman	Shih,Chun-Chin	Father and Daughter	—
																	Supervisors	Ku,Ying-Chen	Siblings	—
																	Deputy General Manager	Shih,Meng-Hsin	Sister and Brother	—
	R.O.C	Legal Representative : QLAO ZHONG INVESTMENT CO., LTD.	—	2024/2/5	3years	2024/2/5	11,233	18.72	11,033	18.39	—	—	—	—	—	—	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender/ Age	Date elected	Term of Office	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Current shareholding of spouse and minor children		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the Second degree of kinship who are officers, directors, or supervisors of the Company			Remarks	
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship		
Director	R.O.C	Shao, Zhong-Ping	Male 51~60	2024/2/5	3years	2009/10/30	—	—	—	—	7,500	12.50	3,870	6.45	Department of Applied Mathematics , Fu Jen Catholic University Institute of Mathematics, Fu Jen Catholic University Institute of Information Assistant, Academia Sinica Computer Center Technician and Adjunct Lecturer, Huaan University Adjunct Lecturer, National Hsinchu University of Education Adjunct Lecturer, Tungnan University	Chairman, SHENG JI CHANG INTERNATIONAL CO., LTD.	Director	Ku,Chi-Hui	Spouse's Brother	—	
	R.O.C	Legal Representative : SHENG JI CHANG INTERNATIONAL CO., LTD.	—	2024/2/5	3years	2024/2/5	3,870	6.45	3,870	6.45	—	—	—	—	—	—	—	—	—	—	—
Director	R.O.C	LIU, Yen-Ti	Male 51~60	2024/2/5	3years	2023/8/11	—	—	—	—	—	—	150	0.25	Department of Business Administration, Chaoyang University of Technology The Chairman concurrently serving as the President., Cryomax Cooling System Corp.	The Chairman concurrently serving as the President., Cryomax Cooling System Corp. Director, Shi-Yuan Investment Company President, Cryomax U.S.A. Inc. Director, Crohan Internation Ltd. Director, Cryomax Internation Ltd. Director, Coolmax-way Auto Parts Co., Ltd. Director, Nanjing Cryomax Auto Parts Co., Ltd.	—	—	—	—	—
	R.O.C	Legal Representative : JIN JIE INVESTMENT CO., LTD.	—	2024/2/5	3years	2024/2/5	150	0.25	150	0.25	—	—	—	—	—	—	—	—	—	—	—
Independent Director	R.O.C	Liu, Teng-Fa	Male 71~80	2024/2/5	3years	2024/2/5	—	—	—	—	—	—	—	—	Institute of Accounting, Soochow University	Certified Public Accountant (CPA), Yuguan Certified Public Accountants Co., Ltd. Supervisor, Eco Energy Corporation Director, Guangkai Corporation Limited Supervisor, Mingqu Energy Engineering Co., Ltd. Director, Guangxin Investment Co., Ltd. Director, Guangyi Development Enterprise Co., Ltd. Director, Oumin Enterprise Co., Ltd.	—	—	—	—	—
Independent Director	R.O.C	Tsai, Jung-Fa	Male 51~60	2024/2/5	3years	2024/2/5	—	—	—	—	—	—	—	—	Doctor of Information Management, National Chiao Tung University Master of Information Management, National Chiao Tung University Department of Computer Science, Tunghai University	Professor, National Taipei University of Technology, Taipei Tech Independent Director, Rayzher Industrial Co.,Ltd.	—	—	—	—	—
Independent Director	R.O.C	Wang, Chi-Chuan	Male 61~70	2024/2/5	3years	2024/2/5	—	—	—	—	—	—	—	—	Doctor of Mechanical Engineering, National Chiao Tung University Master of Mechanical Engineering, National Chiao Tung University Bachelor of Mechanical Engineering, National Chiao Tung University Senior Researcher, Industrial Technology Research Institute Institute of Energy and Environment	Professor, National Yang Ming Chiao Tung University Independent Director, Cryomax Cooling System Corp. Independent Director, Bestec Power Electronics Co., Ltd.	—	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender/ Age	Date elected	Term of Office	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Current shareholding of spouse and minor children		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the Second degree of kinship who are officers, directors, or supervisors of the Company			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Independent Director	R.O.C	Chiu, Kuo-Wang	Male 61~70	2024/2/5	3years	2024/2/5	—	—	—	—	—	—	—	—	Department of Law, Fu Jen Catholic University Managing Attorney, Kuo-Wang Law Firm	—	—	—	—	—
Director	R.O.C	Shih,Meng-Hsin	Female 31~40	2023/4/20	note2	2023/4/20	—	—	—	—	—	—	—	—	Master of Arts in Art Museum and Gallery Studies of University of Leicester Taipei University of Technology-EMBA	KING SHING AUTOMOBILE PARTS Co., Ltd.- Deputy General Manager YING ZHU INVESTMENT CO., LTD. - Chairman	Chairman	Shih,Chun-Chin	Father and daughter	—
																	Director	Shih,Meng-Chin	Sister	—
																	Supervisors	Hsieh,Yu-Yun	Mother and daughter	—
Supervisors	R.O.C	Hsieh,Yu-Yun	Female 61~70	2022/7/29	note3	2022/7/29	—	—	—	—	—	—	—	—	Xiaoyang Commerce and Industry Yangxing (Co., Ltd.) soei boots co., ltd.	QLAO ZHONG INVESTMENT CO., LTD. - Supervisors YONG GUANG INVESTMENT CO., LTD. - Supervisors	Chairman	Shih,Chun-Chin	Spouse	—
																	Director	Shih,Meng-Chin	Mother and daughter	—
																	Deputy General Manager	Shih,Meng-Hsin	Mother and daughter	—
Supervisors	R.O.C	Yu,Chia-Kai	Male 31~40	2023/8/11	note3	2023/8/11	—	—	—	—	—	—	—	Penghu University of Science and Technology -Master of Service Administration honglu co., ltd.-Special Assistant	—	—	—	—	—	
Supervisors	R.O.C	Ku,Ying-Chen	Female 51~60	2023/4/20	note2	2023/4/20	—	—	—	—	—	—	—	—	Ming Chuan University - Department of International Trade	SHENG JI CHANG INTERNATIONAL CO., LTD.- Supervisors	Director	Shao,Zhong-Ping	Spouse	—
																	Director	Ku,Chi-Hui	Siblings	—

Note1 : The reasons, rationale, necessity, and measures taken for the company's chairman concurrently serving as the president are explained as follows :

The chairman of our company concurrently serves as the president to enhance operational efficiency and decision-making agility, effectively linking board members to participate in company decisions at any time and fostering consensus to facilitate the implementation of board resolutions.

Note2 : Retired on 2023.08.10.

Note3 : Retired on 2024.02.04.

2. Major shareholders of corporate shareholders :

April 30, 2024

Corporate shareholders	Major shareholders of corporate shareholders	%
CHU YUN CO., LTD.	Ku, Chi-Hui	72.18
	Ku, Jia-Wei	13.90
	Ku, En-Wei	13.90
	Huang, Li-Chun	0.02
QLAO ZHONG INVESTMENT CO., LTD.	YING YI INVESTMENT CO., LTD.	30.06
	YING ZHU INVESTMENT CO., LTD.	30.06
	WAN YING INVESTMENT CO., LTD.	30.06
	Shih, Chun-Chin	9.68
	YONG GUANG INVESTMENT CO., LTD.	0.14
SHENG JI CHANG INTERNATIONAL CO., LTD.	Shao, Zhong-Ping	53.12
	Ku, Ying-Chen	20.26
	Shao, Chi-Wei	13.31
	Shao, Chih-Ying	13.31
JIN JIE INVESTMENT CO., LTD.	Liu, Chieh-Yu	40.00
	Liu, Jin-Ting	40.00
	LIU, Yen-Ti	10.00
	Hsu, Mei-Zhi	10.00

3. The primary shareholder(s) of corporate shareholders who are themselves corporations, and their primary shareholders :

April 30, 2024

Corporate name	Principal shareholders of the corporate name	%
YING YI INVESTMENT CO., LTD.	Shih, Meng-Chin	99.86
	Shih, Meng-Hsin	0.07
	Shih, Yi-Tai	0.07
YING ZHU INVESTMENT CO., LTD.	Shih, Meng-Hsin	99.86
	Shih, Meng-Chin	0.07
	Shih, Yi-Tai	0.07
WAN YING INVESTMENT CO., LTD.	Shih, Yi-Tai	99.86
	Shih, Meng-Chin	0.07
	Shih, Meng-Hsin	0.07
YONG GUANG INVESTMENT CO., LTD.	Shih, Chun-Chin	50.00
	Hsieh, Yu-Yun	50.00

4. The expertise and independence of directors

Job title	Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chairman	Shih, Chun-Chin	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Director	Ku, Chi-Hui	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Director	Shih, Meng-Chin	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Director	Shao, Zhong-Ping	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Director	LIU, Yen-Ti	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Independent Director	Liu, Teng-Fa	Detailed educational and professional background (3.2.1) Director Information ◦ There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	All independent directors of the Company comply with the independence regulations specified in Article 3 of the "Regulations Governing the Appointment of Independent Directors of Public Companies and Compliance Matters", including but not limited to the following: neither the director themselves, their spouse, nor relatives within the second degree of kinship hold positions as directors, supervisors, or employees of the Company or its related enterprises; they do not hold any shares of the Company; they do not serve as directors, supervisors, or employees of companies with specific relationships to the Company; and they have not received remuneration exceeding 500,000 in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises.	—

Job title	Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Independent Director	Tsai, Jung-Fa	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	All independent directors of the Company comply with the independence regulations specified in Article 3 of the "Regulations Governing the Appointment of Independent Directors of Public Companies and Compliance Matters", including but not limited to the following: neither the director themselves, their spouse, nor relatives within the second degree of kinship hold positions as directors, supervisors, or employees of the Company or its related enterprises; they do not hold any shares of the Company; they do not serve as directors, supervisors, or employees of companies with specific relationships to the Company; and they have not received remuneration exceeding 500,000 in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises.	1
Independent Director	Wang, Chi-Chuan	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	All independent directors of the Company comply with the independence regulations specified in Article 3 of the "Regulations Governing the Appointment of Independent Directors of Public Companies and Compliance Matters", including but not limited to the following: neither the director themselves, their spouse, nor relatives within the second degree of kinship hold positions as directors, supervisors, or employees of the Company or its related enterprises; they do not hold any shares of the Company; they do not serve as directors, supervisors, or employees of companies with specific relationships to the Company; and they have not received remuneration exceeding 500,000 in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises.	2
Independent Director	Chiu, Kuo-Wang	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	All independent directors of the Company comply with the independence regulations specified in Article 3 of the "Regulations Governing the Appointment of Independent Directors of Public Companies and Compliance Matters", including but not limited to the following: neither the director themselves, their spouse, nor relatives within the second degree of kinship hold positions as directors, supervisors, or employees of the Company or its related enterprises; they do not hold any shares of the Company; they do not serve as directors, supervisors, or employees of companies with specific relationships to the Company; and they have not received remuneration exceeding 500,000 in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises.	—

Job title	Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Director	Shih, Meng-Hsin(note1)	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Supervisors	Hsieh, Yu-Yun(note2)	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Supervisors	Yu, Chia-Kai(note2)	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—
Supervisors	Ku, Ying-Chen (note1)	Detailed educational and professional background (3.2.1) Director Information ° There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	There is no occurrence of any of the circumstances as stated in Article 26-3 of the Securities and Exchange Act.	—

Note1 : Retired on 2023.08.10.

Note2 : Retired on 2024.02.04.

5. Board diversity and independence

(1) Board diversity

Our company respects and advocates for a policy of board diversity to strengthen corporate governance and promote the healthy development of the board's composition and structure. We believe that a diverse policy helps enhance the overall performance of the company. Board members are selected based on their merits, and appropriate diversity policies are formulated based on the company's operations, business model, and development needs, including basic criteria and values, possessing professional knowledge and skills, and generally having the knowledge, skills, and qualities necessary for the execution of duties. In order to achieve the ideal goal of corporate governance, our company assesses the overall capabilities of the board in accordance with Article 20 of the 'Corporate Governance Best Practice Principles for Listed and OTC Companies', as follows :

Diversity	Basic composition				Required abilities							
	Nationality	Gender	Age	An employee of the company	Operational judgement	Accounting & finance analysis	Operation management	Crisis handling	Industrial knowledge	International market view	Leadership	Decision-making ability
Name												
Shih, Chun-Chin	R.O.C	Male	61-70	V	V	V	V	V	V	V	V	V
Ku, Chi-Hui	R.O.C	Male	51-60	V	V	—	V	V	V	V	V	V
Shih, Meng-Chin	R.O.C	Female	31-40	V	V	V	V	V	V	V	V	V
Shao, Zhong-Ping	R.O.C	Male	51-60	—	V	—	V	V	V	V	V	V
LIU, Yen-Ti	R.O.C	Male	51-60	—	V	V	V	V	V	V	V	V
Liu, Teng-Fa	R.O.C	Male	71-80	—	V	V	V	V	—	V	V	V
Tsai, Jung-Fa	R.O.C	Male	51-60	—	V	V	V	V	V	V	V	V
Wang, Chi-Chuan	R.O.C	Male	61-70	—	V	—	V	V	V	V	V	V
Chiu, Kuo-Wang	R.O.C	Male	61-70	—	V	—	V	V	—	V	V	V
Shih, Meng-Hsin (Note)	R.O.C	Female	31-40	V	V	V	V	V	V	V	V	V

Note : Retired on 2023.08.10.

(2) Board independence

Our company's board of directors consists of 9 members, with 4 seats held by independent directors, accounting for 4/9 of the total board composition. The company established an audit committee on February 5, 2024, to replace the role of supervisors. With 9 members on the board, the majority of seats are occupied by individuals who are not spouses or relatives within the second degree of kinship, thus ensuring compliance with Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act.

3.2.2 Information on President, Vice President, Junior VP, and officers of departments and branches

April 30, 2024; Unit: Thousand shares; %

Job title	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors, or supervisors of the Company			The status of executives obtaining employee stock options certificates	Remarks
					Shares	%	Shares	%	Shares	%			Job title	Name	Relationship		
Chairman & General Manager	R.O.C	Shih,Chun-Chin	Male	3/28/1989	8,624	14.37	—	—	11,383	18.97	College of Management, National United University EMBA, National Taipei University of Technology	Chairman, YONG GUANG INVESTMENT CO., LTD. Chairman, QLAO ZHONG INVESTMENT CO., LTD.	Vice President Vice President	Shih,Meng-Chin Shih,Meng-Hsin	Father and Daughter Father and Daughter	—	(Note)
Vice President	R.O.C	Shih,Meng-Chin	Female	3/1/2019	1,237	2.06	—	—	590	0.98	Department of Finance and Taxation, Aletheia University EMBA, National Taipei University of Technology	Chairman, YING YI INVESTMENT CO., LTD.	Chairman Vice President	Shih,Chun-Chin Shih,Meng-Hsin	Father and Daughter Sisters	—	—
Vice President	R.O.C	Shih,Meng-Hsin	Female	3/1/2019	1,234	2.06	—	—	590	0.98	Master of Arts in Art Museum and Gallery Studies of University of Leicester EMBA, National Taipei University of Technology	Chairman, YING ZHU INVESTMENT CO., LTD.	Chairman Vice President	Shih,Chun-Chin Shih,Meng-Chin	Father and Daughter Sisters	—	—
CFO & CAO	R.O.C	Lai,Tsung-Yen	Male	2/17/2020	300	0.50	—	—	—	—	Master of Accounting, National Taipei University Director, KPMG Deputy Manager of Underwriting Department, Grand Fortune Securities Co., Ltd	—	—	—	—	—	—

Note : The reasons, rationale, necessity, and measures taken for the company's chairman concurrently serving as the president are explained as follows :

The chairman of our company concurrently serves as the president to enhance operational efficiency and decision-making agility, effectively linking board members to participate in company decisions at any time and fostering consensus to facilitate the implementation of board resolutions.

3.3 Remuneration paid to directors, supervisors, President, and Vice President in the most recent year

3.3.1 Remuneration for Directors

December 31, 2023 ; Unit : NT\$ thousand

Job title	Name	Directors' remuneration								A, B, C, and D as a % of the net income(%)		Remuneration for a concurrent position as an employee				A, B, C, D, E, F and G as a % of the net income(%)		Remuneration from invested enterprises other than subsidiaries or from the parent company		
		Basereemuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business practice fees (D)				Salary, bonus, & allowance (E)		Severance and pension (F)					Remuneration for employe (G)	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount		The Company	All companies in the financial statements
Chairman	Shih,Chun-Chin																			
Director	Ku,Chi-Hui																			
Director	Shih,Meng-Chin	-	-	-	-	-	-	-	-	7,354	9,697	207	207	374	-	374	-	7,935	10,278	-
Director	Shao,Zhong-Ping																			
Director	LIU,Yen-Ti (Note 3)																			
Director	Shih,Meng-Hsin (Note 3)																			

Note 1 : Please describe the policy, system, standard, and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent, and other factors: : Not applicable.

Note 2 : In addition to the disclosed amounts in the above table, the directors of the Company provided services to all companies included in the financial statements during the most recent fiscal year (such as serving as consultants to the parent company/all companies included in the financial statements/invested enterprises who are not employees), receiving a total remuneration of 144 thousand yuan.

Note 3 : Director Shih,Meng-Hsin assumed office on April 20, 2023, and resigned on August 10, 2023; Director LIU,Yen-Ti assumed office on August 11, 2023, and did not receive any director remuneration for the fiscal year 2023.

Remuneration ranges

The ranges of remuneration paid to each director of the company	Director Name			
	Total Remuneration for the First Four Items (A+B+C+D)		Total Remuneration for the First Seven Items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements H	The Company	All companies in the financial statements I
Below NT\$1,000,000	—	—	LIU, Yen-Ti 、 Shao, Zhong-Ping	LIU, Yen-Ti 、 Shao, Zhong-Ping
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—	Ku, Chi-Hui 、 Shih, Meng-Hsin	Ku, Chi-Hui 、 Shih, Meng-Hsin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—	Shih, Meng-Chin	Shih, Meng-Chin
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	Shih, Chun-Chin	Shih, Chun-Chin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) ~ US\$100,000,000 (exclusive)	—	—	—	—
Over NT\$100,000,000 (inclusive)	—	—	—	—
Total	0 persons	0 persons	6 persons	6 persons

3.3.2 Remuneration for Supervisors

December 31, 2023 ; Unit : NT\$ thousand

Job title	Name	Supervisor remuneration						A, B, and C as a % of the net income(%)		Remuneration from invested enterprises other than subsidiaries or from the parent company
		Baseremuneration (A)		Remuneration (B)		Business practice fees (C)		The Company	All companies in the financial statements(%)	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements			
Supervisor	Hsieh, Yu-Yun (Note 1)									
Supervisor	Yu, Chia-Kai (Note 2)	—	—	—	—	—	—	—	—	—
Supervisor	Ku, Ying-Chen (Note 3)									

Note 1 : Supervisor Xie Yuyun resigned on February 5, 2024.

Note 2 : Supervisor Yu, Chia-Kai assumed office on August 11, 2023, and resigned on February 5, 2024, without receiving any remuneration for the year 2023.

Note 3 : Supervisor Ku, Ying-Chen assumed office on April 20, 2023, and resigned on August 10, 2023, without receiving any remuneration for the year 2023.

Remuneration ranges

The range of remuneration paid to each supervisor of the company	Supervisor Name	
	Total Remuneration for the First Three Items (A+B+C)	
	The Company	All companies in the financial statements
Below NT\$1,000,000	Hsieh, Yu-Yun、Yu, Chia-Kai、Ku, Ying-Chen	Hsieh, Yu-Yun、Yu, Chia-Kai、Ku, Ying-Chen
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ US\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000 (inclusive)	—	—
Total	3 persons	3 persons

3.3.3 Remuneration paid to the President and Vice President

December 31, 2023 ; Unit : NT\$ thousand

Job title	Name	Salary(A) (Note 1)		Severance and pension (B) (Note 2)		Bonus and allowance (C) (Note 3)		Remuneration for employees (D)				A, B, C and D as a % of the net income (%)		Remuneration from invested enterprises other than subsidiaries or from the parent company (E)
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Shih, Chun-Chin													
Vice President	Shih, Meng-Chin	4,501	6,895	141	141	1,585	1,713	364	—	364	—	6,591	9,113	—
Vice President	Shih, Meng-Hsin											5.23%	7.23%	

Note 1 : The salaries and position allowances of the President or Vice President.

Note 2 : As provision for accrual.

Note 3 : Refers to the various bonuses, allowances, and compensation amounts for President and Vice President in 2023.

Remuneration ranges

Remuneration ranges paid to each President and Vice President of the company	Name of President and Vice President	
	The Company	All companies in the financial statements
Below NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Shih,Meng-Hsin	Shih,Meng-Hsin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Shih,Meng-Chin	Shih,Meng-Chin
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Shih,Chun-Chin	Shih,Chun-Chin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ US\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000 (inclusive)	—	—
Total	3 persons	3 persons

3.3.4 The name of the managerial officers who receive employee remuneration and the respective amount.

December 31, 2023 ; Unit : NT\$ thousand

Job title		Name	Stock amount	Cash amount	Total	Ratio of Total amount to net income (%)
Managerial Officers	President	Shih, Chun-Chin	—	411	411	0.33
	Vice President	Shih, Meng-Chin				
	Vice President	Shih, Meng-Hsin				
	CFO&CAO	Lai, Tsung-Yen				

3.3.5 The comparison and analysis of the total remuneration of directors, supervisors, President, and Vice President of the company and all companies included in the consolidated financial statements in the past two years as a percentage of the individual or separate financial report's post-tax net income, along with an explanation of the policy, standards, and composition of remuneration, the procedure for setting remuneration, and the correlation with operational performance and future risks.

1. The analysis of the total remuneration of directors, supervisors, President, and Vice President of this company and all companies included in the consolidated financial statements as a percentage of the post-tax net income of the individual or separate financial reports.

Unit : %

Item \ Annual	2022		2023	
	Percentage of total remuneration to post-tax net income		Percentage of total remuneration to post-tax net income	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Directors	7.94	8.97	6.30	8.16
Supervisor	—	—	—	—
President & Vice President	5.81	8.20	5.23	7.23

2. The policy, standards, and composition of remuneration, the procedure for setting remuneration, and the correlation with operational performance and future risks.

(1) Directors 、Supervisor

The company's policy on remuneration for directors and supervisors is clearly stipulated in the company's articles of association. After the remuneration distribution plan is approved by the board of directors, it is reported to the shareholders' meeting for approval. The payment of remuneration to directors and

supervisors is based on their level of involvement in the company's operations and their contribution value.

(2) President & Vice President

The remuneration for the President and Vice President of the company includes base salary, retirement benefits, allowances, bonuses, and employee compensation. It is determined based on factors such as the scope of responsibilities, achievement of company operational goals, individual performance, and qualifications and experience, while also considering salary levels for similar positions in the market.

In summary, the amount of remuneration paid by the company is based on the individual's actual operational performance and value contribution recognized by the board of directors, and is benchmarked against industry standards. This already includes consideration of adjustment mechanisms for potential operational risks in the future, aiming to achieve a balance between motivation and risk management.

3.4 Corporate Governance Operations Situation

3.4.1 Information on the Operation of the Board of Directors

The board of directors held 11 meetings in the most recent year to the date of publication. The attendance of directors and supervisors is as follows:

Title	Name	Actual Attendance (Sessions)	Number of Proxy Attendances	Actual Attendance Rate (%)	Notes
Chairman	Shih,Chun-Chin	11	0	100	Date of re-election/re-election: 2024.02.05 Should attend 11 times
Director	Ku,Chi-Hui	8	0	100	2024.02.05 Resigned from office Should attend 8 times
Director	Shao,Zhong-Ping	8	0	100	2024.02.05 Resigned from office Should attend 8 times
Director	Shih,Meng-Chin	5	3	63	2024.02.05 Resigned from office Should attend 8 times
Director	Shih,Meng-Hsin	2	0	100	Taking office on 2023.04.20 and resigning on 2023.08.10; should attend 2 times
Director	LIU,Yen-Ti	3	0	75	Taking office on 2023.08.11 Should attend 4 times
Director	QLAO ZHONG INVESTMENT CO., LTD. Legal Representative : SHIH, MENG- CHIN	3	0	100	Taking office on 2024.02.05 Should attend 3 times
Director	CHU YUN CO., LTD. Legal Representative : KU, CHI-HUI	3	0	100	Taking office on 2024.02.05 Should attend 3 times
Director	SHENG JI CHANG INTERNATIONAL CO., LTD. Legal Representative : SHAO, ZHONG-PING	3	0	100	Taking office on 2024.02.05 Should attend 3 times

Title	Name	Actual Attendance (Sessions)	Number of Proxy Attendances	Actual Attendance Rate (%)	Notes
Director	JIN JIE INVESTMENT CO., LTD. Legal Representative : LIU, YEN-TI	2	0	67	Taking office on 2024.02.05 Should attend 3 times
Independent Director	Tsai,Jung-Fa	3	0	100	Taking office on 2024.02.05 Should attend 3 times
Independent Director	Chiu,Kuo-Wang	3	0	100	Taking office on 2024.02.05 Should attend 3 times
Independent Director	Liu,Teng-Fa	2	1	67	Taking office on 2024.02.05 Should attend 3 times
Independent Director	Wang,Chi-Chuan	3	0	100	Taking office on 2024.02.05 Should attend 3 times

Other Matters to be Recorded:

1. If the operation of the Board of Directors includes any of the following situations, the date, session, agenda content, all independent directors' opinions, and the company's handling of these opinions should be stated:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act: as shown in the table below.

term period	Board Meeting Date	Proposal Content	Outcome of the Resolution
Fourth Meeting of the Fifth Term	2023/02/03	Bank Loan Limit Application Proposal	Unanimously Approved by All Attending Directors
Fifth Meeting of the Fifth Term	2023/03/30	1. Amendment to the Company's Articles of Incorporation. 2. Proposal for the Company's Application for Public Offering and Registration on the Emerging Stock Market. 3. Issuance of the Company's First Employee Stock Option Certificate in 2023. 4. Proposal for the Election of Additional Directors and Supervisors. 5. Proposal to Lift Non-Compete Restrictions for Newly Appointed Directors and Their Representatives. 6. Proposal to Convene the Company's First Extraordinary General Meeting in 2023.	Unanimously Approved by All Attending Directors
Sixth Meeting of the Fifth Term	2023/04/28	1. Proposal for the Distribution of Employee and Director/Supervisor Compensation for the Year 2022. 2. Business Report, Financial Statements, and Consolidated Report for the Year 2022. 3. Proposal for the Distribution of Earnings for the Year 2022. 4. Proposal to Convene the Company's Annual General Shareholders' Meeting in 2023.	Unanimously Approved by All Attending Directors
Seventh Meeting of the Fifth Term	2023/07/25	1. Proposal for the By-election of Directors and Supervisors. 2. Proposal to Lift Non-Compete Restrictions for Newly Appointed Directors. 3. Proposal to Convene the Company's Second Extraordinary General Meeting in 2023.	Unanimously Approved by All Attending Directors
Eighth Meeting of the Fifth Term	2023/08/28	1. Proposal for Renewal of Credit Facility with CTBC Bank. 2. Proposal for the Company's Consolidated Financial Statements for the Second Quarter of 2023. 3. Proposal for the Appointment of the Company's Chief Audit Executive. 4. Proposal for Issuing the Statement of Internal Control System for the Second Half of 2022 to the First Half of 2023.	Unanimously Approved by All Attending Directors
Ninth Meeting of the Fifth Term	2023/10/19	Proposal for the Company's First Cash Capital Increase and Issuance of New Shares in 2023	Unanimously Approved by All Attending Directors
Tenth Meeting of the Fifth Term	2023/12/27	1.Changhua Commercial Bank's credit line renewal case. 2. The company's 2024 budget proposal. 3. The company's 2024 audit plan. 4. Revise the company's "Approval Authority Management Measures".	Unanimously Approved by All Attending Directors

		<ol style="list-style-type: none"> 5. Revise the company's "internal control system". 6. Revise some articles of the "Articles of Association". 7. Amend the "Measures for the Election of Directors and Supervisors" and change its name to the "Methods for the Election of Directors". 8. Amend some provisions of the "Rules of Procedure for Shareholders' Meetings". 9. Revise some provisions of the "Endorsement Guarantee Operation Procedures". 10. Revise some provisions of the "Operating Procedures for Fund Loans to Others". 11. Amend some provisions of the "Procedures for Acquiring or Disposing of Assets". 12. Revise some provisions of the "Standards of Procedures for the Board of Directors". 13. Revise some articles of the "Code of Integrity Business". 14. Revise some provisions of the "Code of Ethical Conduct". 15. It is planned to conduct a comprehensive re-election of directors in advance. 16. Accept the nomination of independent director candidates during the period. 17. Lifting the non-competition restrictions of new directors and their representatives. 18. The board of directors authorizes members to sign the audit report. 19. Appointment of the company's spokesperson and acting spokesperson 20. Convene the company's first extraordinary shareholders' meeting in 2024. 	
The 11th session of the 5th session	2024/01/09	<ol style="list-style-type: none"> 1. Taishin International Commercial Bank's credit line renewal case. 2. Nominate and decide on candidates for independent directors of the company. 3. Formulate relevant measures for the company's salary and remuneration committee. 4. Formulate relevant measures for the company's audit committee. 5. Formulate the company's "Board of Directors Performance Evaluation Methods". 6. Formulate the company's "Application Procedures for Suspension and Resumption of Over-the-Counter Trading of Emerging Stocks". 7. Formulate the company's "Insider New Appointment (Termination) Information Reporting Procedures" case. 8. Formulate the company's "Corporate Sustainable Development Code of Practice". 9. Formulate the company's "Integrity Management Operating Procedures and Conduct Guidelines". 10. Formulate the remuneration package for the company's directors. 	Unanimously Approved by All Attending Directors
The first time of the sixth session	2024/02/05	<ol style="list-style-type: none"> 1. Selection of Chairman. 2. Authorize the chairman to sign an academic reward contract with National Taipei University of Technology and National Yang-Ming Chiao Tung University. 	Unanimously Approved by All Attending Directors
The second time of the sixth session	2024/02/19	<ol style="list-style-type: none"> 1. The company applies for stock listing. 2. Handle cash capital increase and issue new shares as a source of shares for public underwriting before listing, and all original shareholders give up subscription. 3. Appointment of members of the company's first salary and remuneration committee. 4. Formulate the company's "Internal Control Related Measures". 	Unanimously Approved by All Attending Directors
The third time of the sixth session	2024/04/08	<ol style="list-style-type: none"> 1. 2023 employee remuneration and director and supervisor remuneration distribution case. 2. 2023 annual business report and financial statements case. 3. 2023 Profit Distribution Case. 4. Capital reserve allotment case. 5. Revise some articles of the "Articles of Association". 6. The company's 2023 "Effectiveness Assessment of Internal Control System" and "Declaration of Internal Control System" case. 7. Appointment of visa accountant and assessment of independence and competency. 8. Formulate the company's "Internal Control Related Measures". 9. The company evaluates the case of self-preparation of financial reports. 10. The company's appointment of a corporate governance manager. 11. Convene the company's 2024 regular shareholder meeting. 	Unanimously Approved by All Attending Directors

- (2) Aside from the aforementioned matters, there are no other board resolutions opposed or reserved by independent directors with records or written statements.
2. The implementation of directors' recusal from proposals in which they have a conflict of interest should specify the directors' names, proposal content, reasons for recusal, and voting participation: None.
3. Publicly listed companies should disclose information on the evaluation cycle and period, scope, methods, and content of the board of directors' self-evaluation (or peer evaluation), and complete Appendix 2(2) on the implementation of the board evaluation: Not Applicable.
4. Objectives for enhancing the functions of the board of directors for the current and recent year (e.g., establishment of an audit committee, improvement of information transparency) and evaluation of implementation:
- (1) The board of directors operates in accordance with the provisions of the 'Rules of Procedure for Board Meetings,' and the implementation is effective; the financial and audit supervisors regularly report on financial and audit conditions to the board, effectively enhancing the directors' understanding of the company's operations.
- (2) In February 2024, the company re-elected the entire board and appointed independent directors and established an audit committee. The committee reviews relevant proposals within its authority and submits them to the board of directors for resolution, thereby strengthening supervisory functions and enhancing management capabilities. The board members continuously participate in training courses related to corporate governance to acquire new knowledge and facilitate exchanges, aiming to continuously improve the board's functions. To encourage directors to pursue ongoing education, the company regularly arranges corporate governance-related courses for the directors and provides information on external courses organized by training institutions for their reference.

Note 1: If directors or supervisors are legal entities, the names of the corporate shareholders and their representatives should be disclosed.

Note 2: (1) If any directors or supervisors resign before the end of the year, the resignation date should be noted in the remarks column, and the actual attendance rate (%) should be calculated based on the number of board meetings held during their term of office and their actual attendance.(2) If there are re-elections of directors or supervisors before the end of the year, both the outgoing and newly appointed directors or supervisors should be listed, with the remarks column indicating whether the directors or supervisors are outgoing, newly appointed, or reappointed, along with the re-election date. The actual attendance rate (%) should be calculated based on the number of board meetings held during their term of office and their actual attendance.

3.4.2 Participation of Supervisors in Board Operations:

1. Supervisors' participation in board operations

In the most recent year ending on the printing date of the annual report, and before the establishment of the audit committee on February 5, 2023, the board of directors held 7 meetings, and the supervisors' attendance was as follows:

Title	Name	Actual Attendance (Sessions)	Number of Proxy Attendances	Actual Attendance Rate (%)	Notes
Supervisors	Hsieh, Yu-Yun	7	—	100	Date of re-election/re-election: Re-election on 2022.07.29, 2024.02.04 Resigned from office
Supervisors	Ku, Ying-Chen	2	—	100	Taking office on 2023.04.20, resigning on 2023.08.10; should attend 2 times
Supervisors	Yu, Chia-Kai	3	—	100	Taking office on 2023.08.11 and resigned on 2024.02.04; Should attend 3 times

Other matters that should be recorded:

1. Composition and responsibilities of the supervisor:

- (1) The communication situation between the supervisor and the company's employees and shareholders (such as communication channels, methods, etc.):

Supervisors attend the board of directors, shareholders' meetings and other important company meetings to maintain smooth communication channels with employees and shareholders.

- (2) The communication situation between the supervisor and the internal audit supervisor and accountant (such as the matters, methods and results of communication on the company's financial and business conditions, etc.):

The audit supervisor will regularly submit audit reports to the supervisor upon completion of the audit project, and the supervisor will communicate with the accountant on the financial status when necessary.

2. If the supervisor attends the board of directors and expresses opinions, he should state the date, period, content of the resolution, the results of the board of directors' resolutions, and the company's handling of the supervisor's opinions: None.

2. Audit committee operations

The Company established the Audit Committee on February 5, 2024. The Audit Committee held two meetings in the most recent year as of the publication date of the annual report. The attendance of independent directors is as follows:

Title	Name	Actual Attendance (Sessions)	Number of Proxy Attendances	Actual Attendance Rate (%)(Note)	Notes
independent director	Tsai,Jung-Fa	2	—	100	Taking office on 2024.02.05
independent director	Chiu,Kuo-Wang	2	—	100	Taking office on 2024.02.05
independent director	Liu,Teng-Fa	2	—	100	Taking office on 2024.02.05
independent director	Wang,Chi-Chuan	2	—	100	Taking office on 2024.02.05

Note : The company established an audit committee on February 5, 2024, and held its first audit committee on February 19, 2024.

Other matters that should be recorded:

1. If the operation of the audit committee falls under any of the following circumstances, the date and period of the audit committee meeting, the content of the proposals, the objections, reservations or major recommendations of the independent directors, the results of the resolutions of the audit committee, and the company's response to the audit committee should be stated. Handling of comments:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act: The company established an audit committee on February 5, 2024. As of the publication date of the annual report, all resolutions were approved by the entire board of directors after being approved by all members of the audit committee present. The directors present agreed to pass the motion, and the content of the motion is as follows:

Farewell	Audit committee meeting date	Motion content	Resolution result	The Company's Handling of the Audit Committee's Opinions
The first time	2024/02/19	1. The company applies for stock listing. 2. Handle cash capital increase and issue new shares as a source of shares for public underwriting before listing, and all original shareholders give up subscription.	Adopted by all members of the committee	All directors present and approved
first session second session	2024/04/08	1. 2023 Annual Business Report and Financial Statement Case. 2. 2023 Annual Profit Distribution Case. 3. Capital reserve allotment case. 4. Revise some articles of the "Articles of Association". 5. The company's 2023 "Effectiveness Assessment of Internal Control System" and "Declaration of Internal Control System" case. 6. Appointment of visa accountant and assessment of independence and competency. 7. Formulate the company's "Internal Control Related Measures". 8. The company evaluates the case of self-preparation of financial reports.	Adopted by all members of the committee	All directors present and approved

(2) Except for the matters mentioned above, other resolution matters that have not been approved by the audit committee but have been approved by more than two-thirds of all directors: None.

2. The implementation of the independent director's recusal of the interest-related proposal shall state the name of the independent director, the content of the proposal, the reason for the revocation of the interest, and the circumstances of his participation in voting: None.

3. Communication situation between independent directors and internal audit supervisors and accountants (should include major matters, methods and results of communication on the company's financial and business conditions, etc.):

The company established an audit committee on February 5, 2024. As of the publication date of the annual report, the communication between independent directors, internal audit supervisor and accountants is as follows:

(1) After the audit report and follow-up report are presented and approved by the directors, the audit supervisor will send them to the independent directors via email every month, and report to the independent directors on the company's internal audit execution status and internal control operations to the audit committee.

Date	Communication situation	Communicate results
2024/02/19 The first time The Audit Committee	1. Audit business execution results report from September to December 2023.	1. After separate communication before the audit committee, the independent directors have no opinion on the audit business execution results report.
2024/04/08 first session second session The Audit Committee	1. Audit business execution results report from December 2023 to February 2024. 2. 2023 Effectiveness evaluation of the design and implementation of the internal control system.	1. After separate communication before the audit committee, the independent directors have no opinion on the audit business execution results report. 2. With the approval of the Audit Committee, the "Internal Control System Statement" has been submitted to the Board of Directors for approval in April.

(2) The accountant will report to the independent directors on the review of the company's financial status and internal control implementation, and explain the accounting treatment principles, content that has a significant impact on profits and losses, and recent legal amendments.

Date	Communication situation	Communicate results
2024/4/8 Communication symposium	Individual financial statements and consolidated financial statements for 2023.	Accountants communicate individually in front of the Audit Committee on "communication matters with governance units during the audit completion stage", including key audit matters, materiality, related party transactions, significant accounting estimates, review of group financial reports and summary explanations of important financial information, etc., and respond independently Questions from directors regarding financial statements. After communication, the financial statements will be submitted to the board of directors after review and approval by the audit committee, and will be announced and reported to the competent authority as scheduled.

3.4.2 Corporate Governance Operations and Differences from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences:

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
1. Has the company established and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	V		The company's Board of Directors approved the 'Corporate Governance Best Practice Principles' on April 8, 2024, to promote corporate governance operations. These principles have been disclosed on the company's website.	No significant differences
2. Shareholding Structure and Shareholders' Rights (1) Has the company established internal procedures to handle shareholders' suggestions, inquiries, disputes, and litigation matters, and are these procedures being implemented?	V		The company has established internal control procedures through the 'Stock Affairs Operation Management Guidelines' and has a spokesperson system in place. Dedicated personnel handle shareholders' suggestions, inquiries, and disputes. Additionally, a professional stock affairs agency is commissioned to assist in providing recommendations.	No significant differences
(2) Does the company maintain a list of the major shareholders who actually control the company and the ultimate controllers of these major shareholders?	V		The company reports the shareholding changes of major shareholders to the stock exchange on a monthly basis in accordance with Article 25 of the Securities and Exchange Act. Additionally, during each book closure period, the company verifies the shareholder register against the reported information to monitor the shareholding status of major shareholders at all times.	No significant differences
(3) Has the company established and implemented risk control and firewall mechanisms with affiliated enterprises?	V		The company and its affiliated enterprises operate independently. The company's internal control system includes the supervision and management of its subsidiaries.	No significant differences

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
(4) Has the company established internal regulations prohibiting insiders from trading securities using undisclosed market information?	V		To prevent the company or insiders from inadvertently or intentionally violating insider trading regulations due to unfamiliarity with the laws, which could result in litigation and damage the company's or insiders' reputation, the company has established 'Procedures for Preventing Insider Trading.' These procedures are designed to prevent insider trading, protect investors, and safeguard the company's interests.	No significant differences
3. Composition and Responsibilities of the Board of Directors (1) Has the board of directors formulated a diversity policy, set specific management objectives, and ensured their implementation?	V		The company's 'Corporate Governance Best Practice Principles' clearly stipulate the principles and guidelines for the composition of the board of directors, emphasizing the importance of diversity. It outlines the basic qualifications, professional knowledge, and skills that board members should possess to achieve the ideal objectives of corporate governance. For details on the main educational and professional backgrounds of the company's directors, please refer to the company's annual report.	No significant differences
(2) Besides the legally required Compensation Committee and Audit Committee, has the company voluntarily established any other functional committees?	V		In addition to the established Compensation Committee and Audit Committee, the company will evaluate the need to establish other functional committees in the future to assist the board of directors in management and operations.	No significant differences

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
(3) Has the company established a method for evaluating the performance of the board of directors, conducted regular annual performance evaluations, reported the results to the board of directors, and used the results as a reference for individual directors' compensation and re-nomination?	V		<p>The company established the 'Board Performance Evaluation Guidelines' at the board meeting on January 9, 2024, and disclosed them on the company's website. Annual self-assessments or peer evaluations of the board and individual directors are conducted. The company should consider its situation and needs when determining the evaluation criteria for board performance, which should include at least the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the company's operations. 2. Enhancement of board decision-making quality. 3. Composition and structure of the board. 4. Selection and continuous education of directors. 5. Internal control. <p>The performance evaluation criteria for board members should include at least the following six aspects:</p> <ol style="list-style-type: none"> 1. Grasp of company goals and missions. 2. Awareness of directors' responsibilities. 3. Participation in the company's operations. 4. Internal relationship management and communication. 5. Professionalism and continuous education of directors. 6. Internal control. <p>The performance evaluation indicators of the board should be established according to the company's operations and needs, ensuring they are suitable for performance evaluation. The scoring standards should be revised and adjusted based on the company's requirements and can be weighted by the various evaluation aspects.</p>	No significant differences
(4) Does the company regularly assess the independence of the certifying accountants?	V		<p>The company's certifying accountants avoid any engagements where they have a direct or indirect conflict of interest, fully adhering to principles of impartiality, rigor, and integrity. The independence and competence of the certifying accountants are assessed annually by the company. This evaluation includes reviewing the number of consecutive years of audit services provided, the quality of audit services, and the cases investigated. It is confirmed that the certifying accountants do not hold any shares in the company and do not hold any positions within the company.</p>	No significant differences

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
4. Has the company appointed a sufficient number of qualified corporate governance personnel and designated a corporate governance officer responsible for related matters (including but not limited to providing directors and supervisors with the necessary information for business execution, assisting directors and supervisors in complying with laws, handling matters related to board and shareholder meetings in accordance with the law, and preparing minutes of board and shareholder meetings)?	V		<p>On April 8, 2024, the company's board of directors approved the appointment of Ms. Chen,Chiao-Ting as the Corporate Governance Officer. Her scope of duties includes the following:</p> <ol style="list-style-type: none"> 1. Handling matters related to board and shareholder meetings in accordance with the law. 2. Preparing minutes of board and shareholder meetings. 3. Assisting directors with onboarding and continuous education. 4. Providing directors with the necessary information for business execution. 5. Assisting directors in complying with laws. 6. For details on the training of the Corporate Governance Officer in accordance with the 'Regulations Governing the Establishment and Exercise of Powers of the Board of Directors of Public Companies,' please refer to page 36 of the annual report. 	No significant differences
5. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a stakeholder section on the company website to appropriately respond to significant corporate social responsibility issues of concern to stakeholders?	V		The company has appointed a spokesperson as a communication channel with stakeholders and discloses information on the Market Observation Post System as required. This information is also published on the company website for investor reference, and the company acts on behalf of its affiliated enterprises as well.	No significant differences
6. Has the company appointed a professional stock affairs agency to handle shareholder meeting matters?	V		The company has appointed the Shareholder Services Department of Fubon Securities Co., Ltd. to handle shareholder meeting matters.	No significant differences

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
7. Information Disclosure (1) Has the company established a website to disclose financial, business, and corporate governance information?	V		The company has established an investor relations website, disclosing financial, business, and corporate governance information as required. The website URL is https://www.kingshing.com/ . Information about affiliated enterprises can be obtained from the consolidated financial reports.	No significant differences
(2) Does the company adopt other information disclosure methods (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, and posting the process of investor conferences on the company website)?	V		The company has designated personnel responsible for the collection and disclosure of information, and it also performs these tasks on behalf of its affiliated enterprises.	No significant differences
(3) Does the company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file the first, second, and third quarter financial reports and monthly operating results before the deadline?		V	The company currently files financial reports and monthly operating results in accordance with the specified dates under the 'Matters to be Handled by Listed Securities Issuers' regulations. However, it has not yet announced and filed the annual financial report within two months after the end of the fiscal year or completed early announcements before the deadline.	No significant differences

Evaluation Items	Operational Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for Such Differences
	Yes	No	Summary Explanation	
8. Does the company have any other important information that helps to understand its corporate governance operations (including but not limited to employee rights, employee care, investor relations, supplier relationships, stakeholders' rights, training of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's provision of liability insurance for directors and supervisors)?	V		<p>Employee Rights: The company and its affiliated enterprises have established employee welfare policies, including various subsidies, group insurance, regular health check-ups, office breastfeeding rooms, free coffee and tea in open break rooms, free motorcycle parking, and shuttle services. Additionally, performance bonuses are allocated, and distribution methods are determined to reward employees.</p> <p>Employee Care: The company holds at least one meeting each quarter to report on labor dynamics, discuss labor conditions, plan employee welfare, revise work rules, and improve the working environment.</p> <p>Investor Relations: In accordance with the law, the company announces major information on the Market Observation Post System to protect investors' rights and interests and has a spokesperson to provide appropriate explanations for investment inquiries.</p> <p>Supplier Relations: The company maintains close interactions with suppliers to balance procurement costs and supplier profitability for the company and its affiliated enterprises.</p> <p>Stakeholder Rights: To protect stakeholders' rights, the company and its affiliated enterprises have established various effective communication channels and respect and uphold their legitimate rights.</p> <p>Training of Directors and Supervisors: All directors of the company undergo relevant training courses in accordance with the "Guidelines for the Implementation of Training for Directors and Supervisors of TWSE/GTSM Listed Companies." For the training details of directors in 2024, please refer to page 36 of the annual report.</p> <p>Implementation of Risk Management Policies and Risk Measurement Standards: The company has established internal control systems and procedures for preventing insider trading as the basis for handling and disclosing major information. These guidelines are reviewed periodically to ensure compliance with current laws and management needs.</p> <p>Implementation of Customer Policies: The company listens attentively to customers to understand the true meaning of "customer first" and translates this understanding into concrete product and service advantages.</p> <p>Provision of Liability Insurance for Directors and Supervisors: The company and its affiliated enterprises have purchased liability insurance for directors, supervisors, and managers to mitigate and distribute the significant damage caused to the company and shareholders by any illegal actions of the directors and supervisors.</p> <p>Other corporate governance matters will be promoted and implemented gradually, considering the current status of the company and its affiliated enterprises, as well as legal requirements.</p>	No significant differences
9. Please explain the improvements made based on the most recent corporate governance evaluation results published by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and prioritize the areas that need further improvement along with the measures to be taken. (If the company is not included in the evaluation, this section does not need to be filled out.)				

Corporate Governance Officer Training Status in 2024

Name	Date	Organizer	Training Hours	Training Hours
Chen, Chiao-Ting	2024/4/23-24	Securities and Futures Institute, SFI	New Directors and Supervisors (including independent directors) and Corporate Governance Officers	12

Director Training Status from 2023 to 2024

Name	Date	Organizer	Training Hours	Training Hours
Shih, Chun-Chin	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
Ku, Chi-Hui	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
Shih, Meng-Chin	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
Shao, Zhong-Ping	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
LIU, Yen-Ti	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
Liu, Teng-Fa	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
	2024/4/9	Taiwan CPA all rights reserved	Trends in Anti-Money Laundering and Case Analysis	3
Tsai, Jung-Fa	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3
Wang, Chi-Chuan	2024/8/10	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations (Part I)	3
	2024/8/10	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations (Part II)	3
Chiu, Kuo-Wang	2024/2/5	Taiwan Corporate Governance Association , TCGA	Corporate Governance and Securities Regulations	3

3.4.4 Establish the composition, responsibilities and operation of the salary and remuneration committee:

1. Salary and Remuneration Committee Member Information

Condition		Professional qualifications and experience	Independence situation	Number of members who concurrently serve as members of the salary and remuneration committees of other publicly traded companies
Title	Name			
Independent Director (Convener)	Liu, Teng-Fa	Please refer to page 13 for information disclosure on professional qualifications of directors and independence of independent directors.		—
Independent Director	Chiu, Kuo-Wang			—
Independent Director	Tsai, Jung-Fa			1
Independent Director	Wang, Chi-Chuan			2

2. Information on the operation of the Salary and Remuneration Committee

(1) The company's salary and remuneration committee has 4 members.

(2) The term of office of the current members: February 19, 2024 to February 4, 2027. The Salary and Remuneration Committee met once in the most recent year and as of the printing date of the annual report. The qualifications and attendance of the members are as follows:

Title	Name	Actual number of seats	Number of delegated attendances	Actual attendance rate (%)	Remark
Independent Director (Convener)	Liu, Teng-Fa	1	0	100	2024.02.19 Assumed office
Independent Director	Chiu, Kuo-Wang	1	0	100	2024.02.19 Assumed office
Independent Director	Tsai, Jung-Fa	1	0	100	2024.02.19 Assumed office
Independent Director	Wang, Chi-Chuan	1	0	100	2024.02.19 Assumed office

Other matters that should be recorded:

- If the board of directors does not adopt or amend the recommendations of the salary and remuneration committee, it should state the date, period, content of the proposal, the results of the board of directors' resolution, and the company's handling of the salary and remuneration committee's opinions (if the salary and remuneration approved by the board of directors is superior to the salary and remuneration committee) It is suggested that the differences and reasons should be stated): This is not the case.
- If a member has objections or reservations about matters decided by the Salary and Remuneration Committee and there is a record or written statement, the date, period, content of the proposal, all member opinions and the handling of the member's opinions should be stated: None Love affair.

3.4.5 Progress in implementing sustainable development and differences with the sustainability practices guidelines of listed companies: The execution status of sustainable development initiatives and the disparities with the sustainability practices guidelines of listed companies have not been thoroughly assessed.

Project Promotion	Execution Status			Differences with the sustainability practices guidelines of listed companies and the reasons behind them
	YES	NO	Summary Explanation	
1. Does the company establish a governance framework to promote sustainable development, set up dedicated (full-time or part-time) positions to promote sustainable development, authorize senior management by the board of directors to handle it, and supervise by the board of directors?		V	The company has not established dedicated (full-time or part-time) positions to promote sustainable development. However, considering the trends of sustainable development initiatives in domestic and international enterprises, as well as the overall operational activities of the company, and taking into account relevant social and corporate governance issues, the establishment of relevant units will be assessed based on demand in the future.	In the future, relevant units will be established and related measures will be formulated to improve them based on demand assessment.
2. Does the company conduct risk assessments related to environmental, social, and corporate governance issues relevant to its operations according to materiality principles, and establish related risk management policies or strategies?	V		The company conducts various risk assessments as required by regulations and establishes related management mechanisms. The internal risk management policies set forth preventive measures to minimize losses resulting from risks as a principle. Potential risks that may affect the company's objectives are identified, assessed, addressed, and monitored.	No significant differences.
3. Environmental Issues (1) Does the company establish an appropriate environmental management system based on its industry characteristics?	V		Our company has established operational procedures for corporate sustainable development practices. We conduct regular audits of environmental health and safety aspects and continuously maintain the effectiveness of the system.	No significant differences.
(2) Is the company committed to enhancing energy efficiency and utilizing renewable materials with lower environmental impact?	V		<p>1. Our company is a manufacturer of automotive cooling system equipment, with molds primarily sourced from our factory in Thailand. Waste management at our Taiwan facility focuses on recyclable copper wire offcuts, packaging cardboard, and plastic film, along with general business waste. To achieve circular economy goals, plastic frame leaves and fans scrapped at the Taiwan facility are shipped back to the Thailand factory for injection molding operations, reducing resource wastage and minimizing our consumption of Earth's resources.</p> <p>2. We continue to implement energy-saving and carbon-reduction projects in each office, prioritizing the purchase of green products to reduce environmental impact and fulfill our commitment to environmental protection. This includes procuring green-certified paper, replacing energy-consuming equipment, and other initiatives.</p> <p>3. Install environmental-friendly and timed devices: Turn off air conditioning units outside of working hours or activate zone-based controls for air conditioning and lighting. Set office equipment such as computers to sleep mode during specified times. Turn off lights in office areas for 1 hour during lunch break and promote turning off lights when leaving a room.</p>	No significant differences.

Project Promotion	Execution Status			Differences with the sustainability practices guidelines of listed companies and the reasons behind them
	YES	NO	Summary Explanation	
(3) Does the company assess the potential risks and opportunities of climate change on its present and future operations, and take relevant mitigation measures?	V		Our company regularly promotes energy conservation and carbon reduction through slogans and posters to reinforce the concept of sustainable environmental development among all employees. In response to energy conservation and carbon reduction policies, during the summer, central air conditioning is set to a constant temperature to reduce greenhouse gas emissions. We also encourage employees to use environmentally friendly tableware and prioritize energy-saving and resource-reusing principles in the use of office-related equipment.	No significant differences.
(4) Has the company compiled data on greenhouse gas emissions, water usage, and total waste weight over the past two years, and developed policies for reducing greenhouse gas emissions, decreasing water usage, or managing other waste?	V		<p>1. Greenhouse gas inventory and reduction operations</p> <p>The company follows the ISO 14064-1 greenhouse gas management system and continues to collect and manage greenhouse gas emission data, and has begun third-party certification since 2013.</p> <p>We also formulate various greenhouse gas emission reduction policies based on the inventory results. Through top-down improvement plans and activities, we reduce the environmental and climate impacts caused by the company's greenhouse gas emissions on global warming, and contribute to corporate society responsibility.</p> <p>2. Water resources management</p> <p>The company uses WRI Aqueduct to determine the risk of water resources in geographical areas: currently, Jinxing's Pingzhen and Three Gorges projects in Taiwan are not located in areas with high water resources pressure. The company's wastewater is mainly domestic sewage, which is uniformly treated by the wastewater treatment plant and then discharged. It will not have any impact on the local environment.</p> <p>3. Waste management</p> <p>Our company is a manufacturer of automotive cooling system equipment. The molds are mainly from the Thailand factory. The waste management of the Taiwan factory focuses on recyclable copper wire scraps, packaging carton film, and general industrial waste. In order to achieve the goal of circular economy, the discarded plastic frame blades and fans from the Taiwan factory are transported back to the Thailand factory for recycling and reuse in the injection machine operation, reducing resource waste and reducing the consumption of earth resources.</p>	No significant differences.
<p>4. Social issues</p> <p>(1) Does the company establish relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?</p>	V		<p>Our company places significant emphasis on and adheres to the Universal Declaration of Human Rights (UDHR). To fulfill our corporate social responsibility and safeguard the fundamental human rights of employees and stakeholders, we respect internationally recognized basic human rights. We have established corporate governance human rights policies based on the guiding principles of the UDHR and in accordance with domestic labor laws such as the International Bill of Human Rights, the Labor Standards Act, the Gender Equality in Employment Act, and the Occupational Safety and Health Act. These policies aim to eliminate any infringement or violation of human rights and ensure dignified treatment of all current employees.</p> <p>In particular, our company has formulated the 'Cultivating Human Capital, Strengthening Organizational</p>	No significant differences.

Project Promotion	Execution Status		Differences with the sustainability practices guidelines of listed companies and the reasons behind them												
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			<p>Development' strategy, which comprehensively implements the five pillars of talent development: recruiting talent, utilizing talent, nurturing talent, retaining talent, and, when necessary, replacing talent. Additionally, we focus on enhancing leadership skills among all levels of management.</p> <p>Our company upholds the principle of equal opportunity for all individuals and ensures the protection of human rights. In matters such as recruitment, compensation, benefits, rewards and penalties, employment, job assignment, training opportunities, promotion, demotion, or retirement, the company does not support discrimination based on race, ethnicity, color, height, weight, vision, place of birth, military status and nationality, ethnicity, social background, social status, lineage, religion, gender, sexual orientation, family responsibility, marital status, political affiliation, age, pregnancy (childbirth), physical disability, medical condition, health examination results, physical illness, or any other improper discrimination.</p> <p>Our company strictly prohibits the use of child labor, gender discrimination, forced labor, or any actions that hinder or obstruct the freedom of employees. As of December 31, 2023, no complaints related to human rights have been received.</p> <p>To safeguard the employment rights of all employees, our company and employees sign standardized employment contracts to protect the rights of employees.</p> <p>The summary of our company's human rights management policy and specific measures are as follows:</p> <table border="1" data-bbox="757 842 1774 1331"> <thead> <tr> <th colspan="3">Human Rights Policy and Implementation Measures</th> </tr> <tr> <th>Policy Focus</th> <th>Implementation Measures Explanation</th> <th>Performance in 2023</th> </tr> </thead> <tbody> <tr> <td>Multiculturalism and Non-discrimination</td> <td>Respecting workplace human rights and promoting diversity, we ensure that there is no discrimination or differential treatment based on individual gender, sexual orientation, race, class, age, marital status, language, ideology, religion, political affiliation, birthplace, appearance, facial features, disabilities, or any other characteristic.</td> <td>Non-discrimination incident complaint</td> </tr> <tr> <td>No child labor or forced labor in employment</td> <td>The company explicitly prohibits the employment of individuals under the age of sixteen. Respecting employee freedom, the company strictly prohibits any form of forced labor.</td> <td>No violations occurred.</td> </tr> </tbody> </table>	Human Rights Policy and Implementation Measures			Policy Focus	Implementation Measures Explanation	Performance in 2023	Multiculturalism and Non-discrimination	Respecting workplace human rights and promoting diversity, we ensure that there is no discrimination or differential treatment based on individual gender, sexual orientation, race, class, age, marital status, language, ideology, religion, political affiliation, birthplace, appearance, facial features, disabilities, or any other characteristic.	Non-discrimination incident complaint	No child labor or forced labor in employment	The company explicitly prohibits the employment of individuals under the age of sixteen. Respecting employee freedom, the company strictly prohibits any form of forced labor.	No violations occurred.
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(2) Does the company establish and implement reasonable employee benefit measures (including compensation, vacation, and other perks), and appropriately reflect operational performance or results in employee compensation?	V		<p>Our company adheres to the philosophy of attracting top talent, motivating, and retaining existing employees. Therefore, our starting salary, salary reviews, and bonuses not only comply with Taiwan labor laws but also, based on observations of the labor market, are generally higher than industry averages. Evaluation considerations primarily include educational background, work experience, professional skills, position level, future development potential, and job performance. There is no differentiation or discriminatory treatment based on factors such as race, class, language, politics, religion, nationality, gender, age, or marital status.</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="2">Compensation Principles</th> </tr> <tr> <th>Items</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>The salary comprises the base pay plus various allowances, meal subsidies, attendance bonuses, performance bonuses, job-related allowances, annual salary adjustments, periodic promotion-based salary increases, and year-end bonuses. Salary adjustments are made based on individual performance and are subject to the overall company performance.</td> </tr> <tr> <td>Bonus</td> <td>We conduct monthly performance evaluations using a multi-faceted incentive program to provide feedback and reward outstanding performance by colleagues. Three major festival bonuses (Chinese New Year/Dragon Boat Festival/Mid-Autumn Festival), performance bonuses, year-end party cash gifts, May Day labor holiday bonuses, travel allowances, talent recommendation project incentives, birthday gifts, etc.</td> </tr> <tr> <td>Employee compensation</td> <td>Employee bonuses are determined based on the overall performance of the company for the year, with a certain proportion of profits allocated as the basis for employee bonuses.</td> </tr> </tbody> </table> <p>Our company aims to enhance employee labor rights by establishing a comprehensive employee care system, designed with diverse employee care, welfare measures, and activities.</p>	Compensation Principles		Items	Explanation	Salary	The salary comprises the base pay plus various allowances, meal subsidies, attendance bonuses, performance bonuses, job-related allowances, annual salary adjustments, periodic promotion-based salary increases, and year-end bonuses. Salary adjustments are made based on individual performance and are subject to the overall company performance.	Bonus	We conduct monthly performance evaluations using a multi-faceted incentive program to provide feedback and reward outstanding performance by colleagues. Three major festival bonuses (Chinese New Year/Dragon Boat Festival/Mid-Autumn Festival), performance bonuses, year-end party cash gifts, May Day labor holiday bonuses, travel allowances, talent recommendation project incentives, birthday gifts, etc.	Employee compensation	Employee bonuses are determined based on the overall performance of the company for the year, with a certain proportion of profits allocated as the basis for employee bonuses.	No significant differences.
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(3) Does the company provide employees with a safe and healthy working environment, and regularly conduct safety and health education for employees?	V		<p>1. Occupational Health and Safety Policy</p> <p>Our company adheres to the Occupational Health and Safety Act and regulations set forth by customers and relevant stakeholders to establish policies that promote a healthy and safe workplace. We respect the requirements of stakeholders concerning occupational health and safety to create a workplace that fosters health and happiness.</p> <p>With occupational accident prevention and hazard mitigation as our core principles, we utilize appropriate management tools, mature technologies, and available resources to address occupational health and safety</p>	No significant differences.																		

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	YES	NO		
			<p>issues within our facilities. We continuously develop effective strategies, integrate occupational safety culture, and enhance protection measures for our employees. Additionally, we allocate resources to strengthen prevention of occupational diseases to achieve a zero-accident environment.</p> <p>Furthermore, our company has established quantifiable indicators to extend occupational health and safety activities to our products and related services, enhancing overall performance and effectively controlling risks.</p> <p>2. Occupational Health and Safety Management System</p> <p>To prevent workplace accidents, provide a friendly working environment, and ensure employee safety, we have implemented an Occupational Health and Safety Management System since 2020. Since then, our occupational health and safety management work has officially transitioned to systematic management. In 2021, we obtained ISO 45001 certification, valid from September 23, 2021, to September 22, 2024.</p> <p>3. Employee Health and Safety</p> <p>To ensure the health and safety of all employees across the entire group and within factory premises, KING SHING regularly and irregularly collects information or practical cases from domestic and international sources, industries, regulatory agencies, etc. These are internally analyzed and reviewed to prevent similar situations from occurring. Additionally, dedicated departments conduct regular inspections and risk assessments each year, identifying high-risk occupational safety items as improvement targets and continuously monitoring improvements.</p> <p>4. Labor work environment monitoring</p> <p>We conduct semi-annual occupational environment monitoring twice a year, including temperature/humidity, lighting, noise, and toxic substance measurements, among others. This is to ensure that workers are protected from harmful substances in the workplace and to provide a healthy and comfortable working environment in compliance with national standards and permissible concentration regulations. We continuously analyze and improve based on retained records. In addition to providing protective equipment, dedicated personnel regularly inspect equipment and management measures on-site to prevent employees from encountering hazardous working environments or workplaces.</p> <p>5. Occupational accident case handling and prevention improvement</p> <p>KING SHING has a comprehensive mechanism for handling occupational accidents resulting in injury or death. We conduct simultaneous accident investigations and implement improvement measures to prevent similar hazards from recurring. In case an employee is injured due to work-related incidents, the company complies with legal regulations and provides sick leave for work-related injuries or illnesses. Furthermore, we assist in applying for workers' compensation for occupational accidents according to labor laws.</p>	

Project Promotion	Execution Status			Differences with the sustainability practices guidelines of listed companies and the reasons behind them
	YES	NO	Summary Explanation	
			<p>6. Occupational Injury and Fire Incident Statistics</p> <p>(1) Occupational injury incident statistics:</p> <p>There were no major occupational disasters in 2023; there were only 9 minor disability injuries (temporary absence from work for more than one day), involving 9 people, accounting for 1.13% of the total number of employees at the end of 2023. Health care and appropriate care were provided to these 9 employees. Care, now back to work.</p> <p>(2) Fire incident statistics: There were no fire incidents in 2023.</p>	
(4) Does the company establish effective career development and training programs for employees?	V		The company provides comprehensive competency training for supervisors and staff at all levels, aiming to continuously enhance employee knowledge and skills. Training includes orientation for new hires, on-the-job training (including training for reserve management), and external training opportunities. In addition to courses mandated by regulations or management needs, the company also has internal instructors who teach courses related to corporate culture, ensuring that new employees joining at different times can share the same core values of the company. The company also has a comprehensive employee promotion assessment system in accordance with company management regulations.	No significant differences.
(5) The company adheres to relevant laws and international standards regarding issues such as customer health and safety, customer privacy, marketing, and labeling, and has established policies and complaint procedures to protect consumer or customer rights and interests?	V		Our company's products adhere to the relevant international regulations in each sales region, undergoing testing and certification before sale. We maintain open communication channels with customers and provide transparent and effective complaint handling procedures for products and services.	No significant differences.
(6) Has the company established a supplier management policy that requires suppliers to adhere to relevant regulations on environmental protection, occupational health and safety, and labor rights, and their implementation status?		V	The company has established an "External Supplier Management Procedure" and will subsequently develop a "Supplier Sustainable Behavior Code" requiring suppliers to adhere to relevant regulations on environmental protection, occupational health and safety, and labor rights. Before engaging in business transactions, the company assesses whether its suppliers have records that may affect the environment and society, to avoid trading with those that conflict with the company's social responsibility policies. When entering contracts with its main suppliers, the contracts include provisions for compliance with both parties' corporate social responsibility policies. If a supplier violates the policy and significantly impacts the environment and society of the supply source community, the company reserves the right to terminate or dissolve the contract at any time.	In the future, we will consider formulating relevant measures to improve the situation.
5. Does the company refer to internationally recognized reporting guidelines or standards to prepare non-financial information disclosure reports such as sustainability reports? Has the		V	Our company has not yet compiled a sustainability report.	In the future, we will follow the 'Practical Guidelines for Sustainable Development' as the basis for our

Project Promotion	Execution Status		Differences with the sustainability practices guidelines of listed companies and the reasons behind them
	YES	NO		Summary Explanation
aforementioned report obtained an assurance or opinion from a third-party verification unit?			practices.
<p>6. If the company has established its own sustainability guidelines based on the "Practical Guidelines for Sustainable Development of Listed and OTC Companies," please describe how they operate and the differences between its guidelines and those established by the Practical Guidelines for Sustainable Development of Listed and OTC Companies :</p> <p>The company has established its own Sustainable Development Practices based on the "Practical Guidelines for Sustainable Development of Listed and OTC Companies." A Corporate Governance and Sustainable Development Committee has been set up to fulfill sustainability and social responsibility commitments, dedicating efforts to environmental protection, social contributions, community service, public welfare, consumer rights, human rights, safety and health, and other social responsibility activities.</p>			
<p>7. Other important information contributing to understanding the implementation of sustainable development initiatives :</p> <p>Our company website has established an "ESG Sustainable Development" section, and we plan to gradually disclose our sustainable development initiatives and progress in this area on the website.</p>			

3.4.6 The fulfillment of honest business practices and the differences and reasons compared to the ethical business conduct guidelines of listed companies. :

Evaluation Items	Operational Status			Differences and Reasons Compared to the Ethical Business Conduct Guidelines of Listed Companies
	YES	NO	Summary Explanation	
<p>1. Establishment of Honest Business Policies and Programs</p> <p>(1) Has the company established an honest business policy approved by the board of directors and clearly stated the policy and practices of honest business conduct in regulations and external documents, as well as actively implemented the commitment of the board of directors and senior management to the business policy?</p>	V		<p>(1) The company has established the "Code of Ethics for Business Operations" and "Procedures and Guidelines for Ethical Business Conduct," which directors, managers, employees, appointees, or substantial controllers of the company must adhere to.</p> <p>(2) The company signs confidentiality agreements with employees and major suppliers and provides a whistleblower hotline to prevent misconduct.</p>	No significant differences.
<p>(2) Has the company established a mechanism for assessing the risk of dishonest behavior, regularly analyzing and evaluating business activities with a higher risk of dishonest behavior within the scope of operations, and formulating measures to prevent dishonest behavior based on such assessments, covering at least the preventive measures for the behaviors specified in Article 7, Paragraph 2 of the "Code of Ethical Business Conduct for Listed Companies"?</p>	V		The company's "Code of Ethics" and "Code of Business Conduct" contain specific regulations regarding employee behavior or ethics, and relevant regulations are posted on the company's internal website.	No significant differences.
<p>(3) Does the company clearly stipulate operational procedures, behavioral guidelines, disciplinary measures for violations, and a complaint mechanism in the program to prevent dishonest behavior, and implement them, regularly reviewing and revising the aforementioned program?</p>	V		The company has established the "Procedures and Guidelines for Ethical Business Conduct," which clearly outline operational procedures, disciplinary measures for violations, and a complaint mechanism. These are implemented and enforced, and through an internal audit mechanism, dishonest behavior is regularly assessed, and the aforementioned program is reviewed and revised as needed.	No significant differences.
<p>2. Implementing Ethical Business Practices</p> <p>(1) Does the company assess the integrity records of counterparties and include clauses on ethical behavior in contracts signed with them?</p>	V		Prior to the initial transaction with clients and suppliers, the company conducts assessments and investigations through relevant units. After review by management, commercial contracts are signed based on actual needs to initiate transactions. Additionally, the transaction records of counterparties are regularly reviewed and evaluated.	No significant differences.
<p>(2) The company has established a dedicated unit under the board of directors to promote corporate integrity, and it regularly (at least once a year) reports to the board of directors on its integrity policies, measures to prevent dishonest behavior, and the supervision of their implementation.</p>		V	The company has designated a dedicated unit to promote corporate integrity. In the future, it will regularly compile the results and report the implementation outcomes to the board of directors.	In the future, regular summaries of the results will be reported to the board of directors regarding its implementation outcomes.

Evaluation Items	Operational Status			Differences and Reasons Compared to the Ethical Business Conduct Guidelines of Listed Companies
	YES	NO	Summary Explanation	
(3) Has the company established a policy to prevent conflicts of interest, provided appropriate reporting channels, and implemented it effectively?	V		The company has established a conflict of interest policy outlined in the "Board Meeting Regulations": Directors with personal interests or interests represented by legal persons should disclose the important details of their interests at the meeting. If their interests are detrimental to the company's interests, they are not allowed to participate in discussions or voting at that meeting. They must abstain from discussion and voting, and they cannot act as proxies for other directors. Furthermore, the "Procedures and Guidelines for Ethical Business Conduct" also include a conflict of interest policy: Company personnel are prohibited from using company resources for activities outside the company. They are also prohibited from allowing their participation in activities outside the company to affect their job performance.	No significant differences.
(4) The company has established effective accounting and internal control systems to implement ethical business practices. The internal audit unit formulates relevant audit plans based on the assessment results of dishonest behavior risks and conducts audits to verify compliance with measures to prevent dishonest behavior. Alternatively, external auditors may be engaged to perform such audits.	V		The company has established effective accounting and internal control systems and has set up an audit unit to schedule audit plans based on risk assessments. Regular audits are conducted to prevent dishonest behavior, and as of now, no instances of violations of ethical business conduct have been identified.	No significant differences.
(5) Does the company regularly hold internal and external education and training sessions on ethical business conduct?	V		The company periodically promotes the importance of ethical business conduct through employee education and training sessions or meetings to prevent any violations of ethical business conduct.	No significant differences.
3. The operation of the company's reporting system	V		Employees are obligated to report any questions about or instances of unethical behavior to their supervisors. The company has established internal channels such as employee complaint boxes, email, and complaint hotlines, and responsible personnel promptly handle reasonable opinions or suggestions.	No significant differences.
(1) Does the company establish specific reporting and reward systems, facilitate reporting channels, and assign appropriate personnel to handle reported cases?	V		Employees are obligated to report any questions about or instances of unethical behavior to their supervisors. The company has established internal channels such as employee complaint boxes, email, and complaint hotlines, and responsible personnel promptly handle reasonable opinions or suggestions.	No significant differences.
(2) Does the company establish standard operating procedures for handling reported incidents, procedures to be followed after investigations are completed, and related confidentiality mechanisms?	V		The organization and responsibilities of confidentiality mechanisms are already stipulated in the "Code of Ethical Business Conduct" and "Procedures and Guidelines for Ethical Business Conduct" established by the company.	No significant differences.
(3) Does the company take measures to protect whistleblowers from retaliation for their reports?	V		The "Code of Ethical Business Conduct" and "Procedures and Guidelines for Ethical Business Conduct" established by the company already specify that whistleblowers should not face retaliation for their reports. Any reported violations by employees will be investigated, and whistleblowers will be provided with confidentiality and protection measures to prevent unfair retaliation or treatment.	No significant differences.

Evaluation Items	Operational Status			Differences and Reasons Compared to the Ethical Business Conduct Guidelines of Listed Companies
	YES	NO	Summary Explanation	
<p>4. Enhanced Information Disclosure</p> <p>Does the company disclose the content and effectiveness of its established code of ethical conduct on its website and on public information platforms such as the Taiwan Stock Exchange Market Observation Post System?</p>	V		The company has established a "Code of Ethical Conduct," which is disclosed on the company's official website. A dedicated unit is responsible for promoting policies related to ethical business conduct.	No significant differences.
<p>5. If a company establishes its own code of ethical conduct based on the "Code of Ethical Conduct for Listed and OTC Companies," please describe the differences in operation between its own code and the established code: : No significant differences.</p>				
<p>6. Other important information contributing to understanding the company's integrity operation includes: the company's review and amendment of its established code of conduct for integrity operation, etc. The company conducts regular internal control self-assessment operations annually to carefully examine the implementation of internal controls, aiming for their effective execution. Significant operational policies, investment projects, acquisitions and disposals of assets, lending of funds to others, and endorsements and guarantees are all disclosed in accordance with relevant laws and regulations. Regular evaluations of relevant business processes are also conducted, and reports are prepared based on compliance assessments.</p>				

3.4.7 Methods for querying the company's corporate governance code and related regulations: :

Our company plans to establish its corporate governance code in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" in the near future. However, as described in the previous section on "Corporate Governance Operations and Their Differences and Reasons Compared to the Best Practice Principles for TWSE/TPEX Listed Companies," our company has essentially been operating and implementing corporate governance-related regulations based on the spirit of corporate governance. In the future, relevant information will be disclosed on the company's website.

3.4.8 Other important information that enhances understanding of the company's corporate governance operations:

Our relevant departments regularly communicate and discuss with the certifying accountants regarding financial report audit matters and the implementation of internal controls.

3.4.9 Implementation status of the internal control system, including the internal control statement. If an accountant is commissioned to conduct a special review of the internal control system, the accountant's review report should be disclosed:

1. Internal control statement: The details of the Statement of Internal Control System for 2023 are shown in Attachment I.
2. Those who entrust an accountant to review the internal control system shall disclose the accountant's review report: The accountant's internal control system review report for 2023 is detailed in Attachment II.

3.4.10 For the most recent fiscal year and up to the date of the annual report printing, if the company and its internal personnel have been legally penalized, or if the company has imposed penalties on its internal personnel for violating internal control system regulations, where the penalty results may have a significant impact on shareholder rights or stock prices, the details of the penalty, main deficiencies, and improvement measures should be listed: None.

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

1. Important resolutions of the Board of Directors:

Date	Important Resolutions
2023/02/03	Application for bank loan limits.
2023/03/30	<ol style="list-style-type: none"> 1. Amendment of the company's articles of association for discussion. 2. The public issuance and registration of the company's shares. 3. Issuance of the company's first employee stock option certificate for 2023. 4. The election of additional directors and supervisors. 5. Lift the non-competition restriction on the new directors and their representatives. 6. Convene the company's first extraordinary general meeting of shareholders in 2023.
2023/04/28	<ol style="list-style-type: none"> 1. The distribution of employee compensation and director/supervisor remuneration for the year 2022. 2. The 2022 business report, financial statements, and consolidated financial statements. 3. The distribution of earnings for the year 2022. 4. Convene the company's 2023 annual general meeting of shareholders.
2023/07/25	<ol style="list-style-type: none"> 1. The by-election of directors and supervisors, submitted for discussion. 2. Lift the non-competition restriction on the new directors, submitted for discussion. 3. Convene the company's second extraordinary general meeting of shareholders in 2023, submitted for discussion.
2023/08/28	<ol style="list-style-type: none"> 1. The renewal of the credit limit agreement with China Trust Commercial Bank, submitted for discussion. 2. The company's consolidated financial statements for the second quarter of 2023, submitted for discussion. 3. The appointment of the company's audit supervisor, submitted for discussion. 4. The issuance of the internal control system statement for the second half of 2022 to the first half of 2023, submitted for discussion.
2023/10/19	The first cash capital increase and issuance of new shares in 2023, submitted for discussion.

Date	Important Resolutions
2023/12/27	<ol style="list-style-type: none"> 1.Changhua Commercial Bank’s credit line renewal case. 2. The company’s 2023 budget proposal. 3. The company’s 2023 audit plan. 4. Revise the company’s “Approval Authority Management Measures”. 5. Revise the company’s “internal control system”. 6. Revise some articles of the "Articles of Association". 7. Amend the "Measures for the Election of Directors and Supervisors" and change its name to the "Methods for the Election of Directors". 8. Amend some provisions of the "Rules of Procedure for Shareholders' Meetings". 9. Revise some provisions of the "Endorsement Guarantee Operation Procedures". 10. Revise some provisions of the "Operational Procedures for Fund Loans to Others". 11. Amend some provisions of the "Procedures for Acquiring or Disposing of Assets". 12. Revise some provisions of the "Standards of Procedures for Board of Directors". 13. Revise some articles of the "Code of Integrity Business". 14. Revise some provisions of the "Code of Ethical Conduct". 15. It is planned to conduct a comprehensive re-election of directors in advance. 16. Accept the nomination of independent director candidates during the period. 17. Lifting the non-competition restrictions of new directors and their representatives. 18. The board of directors authorizes members to sign the audit report. 19. Appointment of the company’s spokesperson and acting spokesperson. 20. Convene the company’s first extraordinary shareholders’ meeting in 2024.

Date	Important Resolutions
2024/01/09	<ol style="list-style-type: none"> 1. Taishin International Commercial Bank's credit line renewal case. 2. Nominate and decide on candidates for independent directors of the company. 3. Formulate relevant measures for the company's salary and remuneration committee. 4. Formulate relevant measures for the company's audit committee. 5. Formulate the company's "Board of Directors Performance Evaluation Methods". 6. Formulate the company's "Application Procedures for Suspension and Resumption of Over-the-Counter Trading of Emerging Stocks". 7. Formulate the company's "Insider New Appointment (Termination) Information Reporting Procedures" case. 8. Formulate the company's "Corporate Sustainable Development Code of Practice". 9. Formulate the company's "Integrity Management Operating Procedures and Conduct Guidelines". 10. Formulate the remuneration package for the company's directors.
2024/02/05	<ol style="list-style-type: none"> 1. The election of the Chairman of the Board, submitted for election. 2. Authorize the Chairman to sign academic feedback fund contracts with National Taipei University of Technology and National Yang Ming Chiao Tung University.
2024/02/19	<ol style="list-style-type: none"> 1. The company applies for stock listing. 2. Handle cash capital increase and issue new shares as a source of shares for public underwriting before listing, and all original shareholders give up subscription. 3. Appointment of members of the company's first salary and remuneration committee. 4. Formulate the company's "Internal Control Related Measures".
2024/04/08	<ol style="list-style-type: none"> 1. 2023 employee remuneration and director and supervisor remuneration distribution case. 2. 2023 annual business report and financial statements case. 3. 2023 Profit Distribution Proposal. 4. Capital reserve allotment case. 5. Revise some articles of the "Articles of Association". 6. The company's 2023 "Effectiveness Assessment of Internal Control System" and "Declaration of Internal Control System" case. 7. Appointment of visa accountant and assessment of independence and competency. 8. Formulate the company's "Internal Control Related Measures". 9. The company evaluates the case of self-preparation of financial reports. 10. The company's appointment of a corporate governance manager. 11. Convene the company's 2023 regular shareholder meeting.

2. Important resolutions of the shareholders' meeting:

Date	Important Resolutions
2023/04/20 The first stock meeting in 2023	<ol style="list-style-type: none"> 1. Approved the amendment to the company's articles of association. 2. Election of additional directors and supervisors. 3. Pass the lifting of non-competition restrictions on new directors and their representatives.
2023/06/30	<ol style="list-style-type: none"> 1. Approved the company's business report and financial statements for the 111th year of the Republic of China. 2. Approved the company's profit distribution plan for the 111th year of the Republic of China.
2023/08/11 The second stock meeting in 2023	<ol style="list-style-type: none"> 1. By-election of directors and supervisors. 2. Passed the lifting of the non-competition restrictions of the new directors.
2023/2/5 The first stock meeting in 2024	<ol style="list-style-type: none"> 1. Approved the revision of some articles of the "Articles of Association". 2. Passed the amendment of the "Measures for the Election of Directors and Supervisors" and the renaming of the "Methods for the Election of Directors". 3. Approved the revision of some provisions of the "Rules of Procedure for the Shareholders' Meeting". 4. Adopted the revision of some provisions of the "Endorsement Guarantee Operation Procedures".
2023/4/20 The first stock meeting in 2024	<ol style="list-style-type: none"> 5. Adopted the revision of some provisions of the "Operational Procedures for Fund Loans to Others". 6. Adopt revisions to some provisions of the "Procedures for Acquisition or Disposal of Assets". 7. Comprehensive re-election of directors. 8. Pass the lifting of non-competition restrictions on new directors and their representatives.

3.4.12 For the most recent fiscal year and up to the date of the annual report printing, if any directors or supervisors had dissenting opinions on important resolutions passed by the Board of Directors and such opinions were recorded or issued in written statements, the main content of these dissenting opinions should be listed: None.

3.4.13 The summary of resignations and dismissals of the company's Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, and Chief R&D Officer for the most recent fiscal year and up to the date of the annual report printing is as follows:

Position	Name	Date of Assumption	Date of Termination	Reason for Resignation or
Chief Internal Auditor	Chang,Hsuan-Yu	2023/07/01	2023/07/15	Resigned for personal career planning
Chief Internal Auditor	Wei,Shu-Fen	2023/08/28	-	Job Transfer

3.5 Information on Accounting Fees

3.5.1 Payment amounts for audit fees and non-audit fees to the certifying accountant, their affiliated firm, and related entities, along with the details of non-audit services:

Amount unit: New Taiwan Dollars (NT\$1,000)

Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fees	Non-Audit Fees	Total	Remark
PricewaterhouseCoopers Taiwan	Lin,Se-Kai	2023/01/01-2023/12/31	2,620	2,270	4,890	Initial Public Offering (IPO) related services: NT\$1,680 thousand; Transfer pricing: NT\$410 thousand; Tax certification: NT\$180 thousand
	Lin,Chun-Yao	2023/01/01-2023/12/31				

3.9.2 Change of accounting firm and decrease in audit fees paid in the year of change compared to the previous year: None.

3.9.3 Audit fees decreased by more than 10% compared to the previous year: None

3.6 Information on accountant changes: Not applicable.

3.7 The company's chairman, general manager, or managers responsible for financial or accounting affairs who have worked at the certifying accountant's firm or its related entities in the past year: Not applicable.

3.8 Changes in equity transfers and pledges of directors, supervisors, managers, and shareholders holding more than 10% of shares in the most recent year and up to the date of the annual report publication.

3.8.1 Changes in the equity of directors, supervisors, managers and shareholders holding more than 10% of the shares:

Unit: Thousand shares

Position	Name	2023		April 30, 2024	
		Net Change in Shares Held	Net Change in Shares Pledged	Net Change in Shares Held	Net Change in Shares Pledged
Chairman & General Manager	Shih, Chun-Chin	(6,150)	—	(1,059)	—
Director	Ku, Chi-Hui	(2,938)	—	—	—
	Legal Representative : CHU YUN CO., LTD.	3,723	—	—	—
Director	Shih, Meng-Chin	(422)	—	677	—
	Legal Representative : QLAO ZHONG INVESTMENT CO., LTD.	11,233	—	(200)	—
Director	Shao, Zhong-Ping	(2,057)	—	—	—
	Legal Representative : SHENG JI CHANG INTERNATIONAL CO., LTD.	3,870	—	—	—
Director	LIU, Yen-Ti	—	—	—	—
	Legal Representative : JIN JIE INVESTMENT CO., LTD.	150	—	—	—
Director	Shih, Meng-Hsin (Note 1)	738	—	—	—
Independent Director	Liu, Teng-Fa	—	—	—	—
Independent Director	Tsai, Jung-Fa	—	—	—	—
Independent Director	Wang, Chi-Chuan	—	—	—	—
Independent Director	Chiu, Kuo-Wang	—	—	—	—
Supervisor	Hsieh, Yu-Yun(Note 2)	(5,857)	—	—	—
Supervisor	Yu, Chia-Kai (Note 3)	—	—	—	—
Major Shareholder	QLAO ZHONG INVESTMENT CO., LTD.	11,233	—	(200)	—
Major Shareholder	Shih, Chun-Chin	(6,150)	—	(1,059)	—
Major Shareholder	Ku, Chi-Hui	(2,938)	—	—	—
Major Shareholder & Supervisor	Ku, Ying-Chen (Note 4)	(1,028)	—	—	—
Vice President	Shih, Meng-Chin	(422)	—	677	—
CFO&CAO	Lai, Tsung-Yen	300	—	—	—

Note 1: Director Mengxin Shi took office on April 20, 2023, and resigned on August 10, 2023.

Note 2: Supervisor Yuyun Xie resigned on February 4, 2024.

Note 3: Supervisor Jiakai You took office on August 11, 2023, and resigned on February 4, 2024.

Note 4: Supervisor Yingzhen Gu took office on April 20, 2023, and resigned on August 10, 2023.

3.8.1 Information on directors, supervisors, managers and shareholders who hold more than 10% of the shares and the parties to the equity transfer are related parties:

Unit: NT\$; thousand shares

Name	Reasons for equity transfer	Transaction date	Transaction counterparty	The relationship between the transaction counterparty and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Trading price
Shih,Chun-Chin	Gift	2023/3/10	Shih,Meng-Chin	mother and daughter	369	not applicable
Shih,Chun-Chin	Gift	2023/3/10	Shih,Meng-Hsin	mother and daughter	369	not applicable
Hsieh,Yu-Yun (note 1)	Gift	2023/3/10	Shih,Meng-Chin	father and daughter	369	not applicable
Hsieh,Yu-Yun (note 1)	Gift	2023/3/10	Shih,Meng-Hsin	father and daughter	369	not applicable
Shih,Chun-Chin	price in shares	2023/7/31	YONG GUANG INVESTMENT CO., LTD.	Chairman of the company	1,425	26.90
Hsieh,Yu-Yun (note 1)	price in shares	2023/7/31	YONG GUANG INVESTMENT CO., LTD.	Supervisor of the company	1,425	26.90
Shih,Meng-Chin	price in shares	2023/7/31	YING YI INVESTMENT CO., LTD.	Chairman of the company	1,720	26.90
Shih,Meng-Hsin(note 2)	price in shares	2023/7/31	YING ZHU INVESTMENT CO., LTD.	Chairman of the company	1,720	26.90
Shih,Chun-Chin	price in shares	2023/8/31	QLAO ZHONG INVESTMENT CO., LTD.	Chairman of the company	381	27.80
Ku,Ying-Chen (note3)	price in shares	2023/8/31	SHENG JI CHANG INTERNATIONAL CO., LTD.	Supervisor of the company	773	27.80
Shao,Zhong-Ping	price in shares	2023/8/31	SHENG JI CHANG INTERNATIONAL CO., LTD.	Chairman of the company	2,057	27.80
Ku,Chi-Hui	price in shares	2023/8/31	CHU YUN CO., LTD.	Chairman of the company	2,683	27.80

Name	Reasons for equity transfer	Transaction date	Transaction counterparty	The relationship between the transaction counterparty and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Trading price
Hsieh, Yu-Yun (note 1)	buy and sell	2023/9/27	QLAO ZHONG INVESTMENT CO., LTD.	Supervisor of the company	3,145	30.00
Shih, Chun-Chin	buy and sell	2023/9/27	QLAO ZHONG INVESTMENT CO., LTD.	Chairman of the company	4,217	30.00
Hsieh, Yu-Yun (note 1)	Gift	2024/1/9	Shih, Meng-Chin	mother and daughter	319	not applicable
Hsieh, Yu-Yun (note 1)	Gift	2024/1/9	Shih, Meng-Hsin	mother and daughter	319	not applicable
Shih, Chun-Chin	Gift	2024/1/9	Shih, Meng-Chin	father and daughter	353	not applicable
Shih, Chun-Chin	Gift	2024/1/9	Shih, Meng-Hsin	father and daughter	353	not applicable

Note 1: Supervisor Yuyun Xie resigned on February 4, 2024.

Note 2: Director Mengxin Shi took office on April 20, 2023, and resigned on August 10, 2023.

Note 3: Supervisor Jiakai You took office on August 11, 2023, and resigned on February 4, 2024.

3.8.3 Information on directors, supervisors, managers and shareholders holding more than 10% of the shares pledged as related parties: None.

3.9 Related Party Relationship among TSMC's 10 Largest Shareholders

April 30, 2024; Unit: Thousand shares; %

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name and Relationship between TSMC's Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
QLAO ZHONG INVESTMENT CO., LTD.	11,033	18.39	—	—	—	—	Shih, Chun-Chin	The company's Chairman	—
Representative: Shih, Chun-Chin	8,624	14.37	—	—	11,383	18.97	QLAO ZHONG INVESTMENT CO., LTD.	The company's Chairman	—
							Shih, Meng-Hsin	Father and Daughter	—
							Shih, Meng-Hsin	Father and Daughter	—
Shih, Chun-Chin	8,624	14.37	—	—	11,383	18.97	QLAO ZHONG INVESTMENT CO., LTD.	The company's Chairman	—
							Shih, Meng-Chin	Father and Daughter	—
Ku, Chi-Hui	7,500	12.50	—	—	3,723	6.21	Ku, Ying-Chen	Sister and Brother	—
							Shao, Zhong-Ping	Spouses of Sisters	—
							CHU YUN CO., LTD.	The company's Chairman	—
Ku, Ying-Chen	7,500	12.50	—	—	—	—	Ku, Chi-Hui	Sister and Brother	—
							SHENG JI CHANG INTERNATIONAL CO., LTD.	The company's Supervisor	—
							Shao, Zhong-Ping	Spouse	—
SHENG JI CHANG INTERNATIONAL CO., LTD.	3,870	6.45	—	—	—	—	Shao, Zhong-Ping	The company's Chairman	—
							Ku, Ying-Chen	The company's Supervisor	—
Representative: Shao, Zhong-Ping	—	—	7,500	12.50	3,870	6.45	SHENG JI CHANG INTERNATIONAL CO., LTD.	The company's Chairman	—
							Ku, Chi-Hui	Spouse's Brother	—
							Ku, Ying-Chen	Spouse	—
CHU YUN CO., LTD.	3,723	6.21	—	—	—	—	Ku, Chi-Hui	The company's Chairman	—
Representative: Ku, Chi-Hui	7,500	12.50	—	—	3,723	6.21	CHU YUN CO., LTD.	The company's Chairman	—
							Ku, Ying-Chen	Sisters	—
							Shao, Zhong-Ping	Spouses of Sisters	—
ishuo Asia One Investment Co., Ltd.	2,900	4.83	—	—	—	—	—	—	—
Legal Representative : Zheng, Dun-Qian	—	—	—	—	—	—	—	—	—
Nengsu Asia Capital Co., Ltd.	2,100	3.50	—	—	—	—	—	—	—
Legal Representative : Excelsior Capital Management Co., Ltd.	—	—	—	—	—	—	—	—	—
Shih, Meng-Chin	1,237	2.06	—	—	590	0.98	Shih, Chun-Chin	Father and Daughter	—
							Shih, Meng-Hsin	Sisters	—
Shih, Meng-Hsin	1,234	2.06	—	—	590	0.98	Shih, Chun-Chin	Father and Daughter	—
							Shih, Meng-Chin	Sisters	—

3.10 The number of shares held by the company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the company in the same invested enterprise, and the comprehensive shareholding ratio calculated by consolidation.

April 30, 2024; Unit: shares; %

Reinvestment business (note)	Investment by the Company		Direct or indirect control of Directors, Supervisors, or Managers		Combined Investment	
	Shares	%	Shares	%	Shares	%
KING SHING AUTOMOBILE PARTS Co., Ltd.	439,998	100.00	2	—	440,000	100.00

Note: This is an investment made by the Company using the equity method.

IV 、Fund-raising situation

4.1 Capital and shares

4.1.1 Source of capital

1. Equity formation process

April 30, 2024 ; Unit: thousand shares; New Taiwan Dollars (NTD) thousand.

Date	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Those who use non-cash assets to pay for shares	Others
1989.03	10	150	1,500	150	1,500	Initial Cash Registration: 1,500 thousand NTD	None	Note 1
2010.09	10	20,000	200,000	200,000	200,000	Cash Capital Increase: 198,500 thousand NTD	None	Note 2
2013.07	10	30,000	300,000	30,000	300,000	Cash Capital Increase: 100,000 thousand NTD	None	Note 3
2019.07	10	60,000	600,000	30,000	300,000	Increase in Authorized Capital in Articles of Incorporation	None	Note 4
2021.10	30	60,000	600,000	51,186	511,860	Cash Capital Increase: 146,900 thousand NTD Debt-to-Equity Swap: 64,960 thousand NTD	Debt (Note 9)	Note 5
2022.08	10	80,000	800,000	51,186	511,860	Increase in Authorized Capital in Articles of Incorporation	None	Note 6
2023.10	10	80,000	800,000	57,100	571,000	Employee Stock Option Certificates Converted to New Shares: 59,140 thousand NTD	None	Note 7
2023.11	35	80,000	800,000	60,000	600,000	Cash Capital Increase: 29,000 thousand NTD	None	Note 8

Note 1: Taiwan Provincial Government Construction Department, March 28, 1989, Document No. 142374

Note 2: Taipei County Government, September 2, 2010, Document No. 0993153081

Note 3: Ministry of Economic Affairs, July 31, 2013, Document No. 10233768980

Note 4: Taoyuan City Government, July 11, 2019, Document No. 10890941020

Note 5: Ministry of Economic Affairs, October 12, 2021, Document No. 11001173420

Note 6: Ministry of Economic Affairs, August 10, 2022, Document No. 11101155400

Note 7: Ministry of Economic Affairs, October 5, 2023, Document No. 11230187480

Note 8: Ministry of Economic Affairs, November 29, 2023, Document No. 11230222650

Note 9: This pertains to the company's purchase of Sanxia Plant debt converted into equity.

2. Types of Shares

April 30, 2024 ; Unit: thousand shares

Types \ Shares	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total Shares	
Common Stock	60,000	20,000	80,000	the stock of this company is OTC stock

4.1.2 Shareholder Structure

April 30, 2024 ; Unit: People ; Thousand Shares ; %

Shareholder Structure \ Quantity	Government Institutions	Financial Institutions	Other Corporate Entities	Individuals	Foreign Institutions and Foreign Individuals	Total
Number of Shareholders	—	—	20	280	3	303
Number of Shares Held	—	—	27,953	31,678	369	60,000
Shareholding Percentage	—	—	46.59	52.80	0.61	100.00

4.1.3 shareholding dispersion

April 30, 2024 ; Unit: People ; Thousand Shares ; %

Shareholding Classes/Levels	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 to 999	50	5	0.01
1,000 to 5,000	139	245	0.41
5,001 to 10,000	26	231	0.39
10,001 to 15,000	5	63	0.11
15,001 to 20,000	19	368	0.61
20,001 to 30,000	9	250	0.42
30,001 to 40,000	5	194	0.32
40,001 to 50,000	11	538	0.90
50,001 to 100,000	8	699	1.17
100,001 to 200,000	9	1,425	2.37
200,001 to 400,000	7	2,055	3.42
400,001 to 600,000	3	1,770	2.95
600,001 to 800,000	—	—	—
800,001 to 1,000,000	—	—	—
1,000,001 shares and above	12	52,157	86.92
Total	303	60,000	100.00

4.1.4 Main Shareholders List: Names, Shareholdings, and Percentages of Shareholders with Ownership of Five Percent or More or Ranked Among the Top Ten Shareholders by Shareholding Percentage.

April 30, 2024 ; Unit: People ; Thousand Shares ; %

Main Shareholder Names	Shareholding Holding Shares	Holding Percentage (%)
QLAO ZHONG INVESTMENT CO., LTD.	11,033	18.39
Shih, Chun-Chin	8,624	14.37
Ku, Chi-Hui	7,500	12.50
Ku, Ying-Chen	7,500	12.50
SHENG JI CHANG INTERNATIONAL CO., LTD.	3,870	6.45
CHU YUN CO., LTD.	3,723	6.21
Yishuo Asia One Investment Co., Ltd.	2,900	4.83
Nengsu Asia Capital Co., Ltd.	2,100	3.50
Shih, Meng-Chin	1,237	2.06
Shih, Meng-Hsin	1,234	2.06

4.1.5 Recent Two-Year Data on Earnings per Share, Net Asset Value, Earnings, Dividends, and Related Information

April 30, 2024 ; Thousand Shares ; %

Item		Year	2022	2023
		Price per Share	Highest		Unlisted (OTC)	Unlisted (OTC)
Lowest			Unlisted (OTC)	Unlisted (OTC)
Average			Unlisted (OTC)	Unlisted (OTC)
Book Value per Share	Before Distribution		24.72	25.99
	After Distribution		24.72	24.34
Earnings per Share (EPS)	Weighted Average Shares		51,186	53,309
	Earnings per Share (EPS)		2.33	2.36
Dividends per Share	Cash Dividend		—	1.652(Note)
	Bonus Issue	Stock Dividend	—	—
		Capital Reserve Distribution of Shares	—	—
	Accumulated Unpaid Dividends		—	1.652(Note)
Return on Investment (ROI) Analysis	Price-to-Earnings Ratio (P/E Ratio)		Unlisted (OTC)	Unlisted (OTC)
	Price-to-Earnings-to-Growth Ratio (PEG Ratio)		Unlisted (OTC)	Unlisted (OTC)
	Dividend Yield		Unlisted (OTC)	Unlisted (OTC)

Note: The board of directors decided on the cash dividends for the fiscal year 2023 on April 8, 2024.

4.1.6 Dividend Policy and Implementation Status of the Company

1. Dividend Policy as Stipulated in the Articles of Association

If the company has surplus in its annual financial statements, it shall first set aside taxes and offset accumulated losses, then allocate ten percent as statutory surplus reserves. However, when the statutory surplus reserves reach the paid-in capital, this limit does not apply. Additionally, according to laws or regulations of the competent authority, after setting aside or reversing special surplus reserves, the remaining balance may be added to undistributed profits from the beginning of the period as distributable profits. The board of directors may propose the distribution of dividends, capital surplus, or all or part of the statutory surplus reserves for cash distribution, after which it shall be reported to the shareholders' meeting.

The company is currently in a growth stage. Regarding the policy of distributing dividends to shareholders, the allocation of accumulated distributable profits for

dividends should consider factors such as the company's current and future investment environment, capital needs, domestic and international competitive conditions, and capital budgeting, while balancing shareholder interests and long-term financial planning of the company. Among the dividends distributed for the year, at least ten percent shall be allocated as cash dividends. However, the board of directors may adjust this ratio based on the overall operational situation at the time and seek approval from the shareholders' meeting.

2. Dividend distribution situation resolved by the board of directors this year

The board of directors passed a resolution on April 8, 2024, to distribute cash dividends of 1.112 yuan per share from earnings and 0.54 yuan per share as cash dividends from capital surplus, totaling 1.652 yuan per share.

3. Explanation of Significant Changes in Expected Dividend Policy: None.

4.1.7 Impact of Proposed Bonus Shares on Company Performance and Earnings per Share at this Shareholders' Meeting

There is no proposal for bonus shares in the company's fiscal year 2023, so this does not apply.

4.1.8 Remuneration for Employees, Directors, and Supervisors

1. The percentage or range of remuneration for employees, directors, and supervisors as stipulated in the company's articles of incorporation are as follows:

If the company is profitable for the fiscal year, it shall allocate no less than one percent for employee remuneration and no more than five percent for director and supervisor remuneration. However, when the company has accumulated losses, it should reserve an amount for offsetting these losses in advance.

Employee remuneration as mentioned above can be paid in the form of stocks or cash, and the recipients may include employees of controlling or subsidiary companies who meet certain conditions, which are determined by the board of directors. The aforementioned actions should be carried out based on a resolution passed by two-thirds or more of the directors present at the board meeting, with a majority agreeing, and reported to the shareholders' meeting.

2. The basis for estimating the amount of remuneration for employees, directors, and supervisors for this period, the calculation basis for employee remuneration distributed in the form of stocks, and the accounting treatment for any differences between the estimated and actual amounts are as follows:

The estimated amount of remuneration for employees, directors, and supervisors is based on the current pre-tax net profit, using the percentage specified in the articles of incorporation as the estimation basis, and recognized as salary expenses. If the actual distribution amount decided by the shareholders' meeting differs from the estimated amount, it should be treated as an accounting estimate change and included in the profit or loss for the actual distribution year.

3. Approval of remuneration distribution by the board of directors:

- (1) The amount of employee remuneration, director, and supervisor remuneration distributed in cash or stocks. If there are differences from the estimated amount recognized as expenses for the year, the differences, reasons, and treatment should be disclosed.

The board of directors of our company resolved on April 8, 2024, to distribute employee remuneration for the fiscal year 2023 amounting to 1,660 million, all of which was paid in cash. Director and supervisor remuneration was not distributed, and there were no differences from the estimated amount.

- (2) The proportion of employee remuneration distributed in the form of stocks to the total net profit after tax for the period and the total amount of employee remuneration: There is no such situation.

4. Actual distribution of remuneration for employees, directors, and supervisors in the previous fiscal year (including distribution of shares, amounts, and share prices), any differences from the recognized remuneration for employees, directors, and supervisors should be explained, including the differences, reasons, and handling.

In the fiscal year 111, our company distributed employee remuneration in cash amounting to 1,532 million, and director and supervisor remuneration was not distributed, with no differences from the estimated amounts.

4.1.9 Repurchase of company shares: None.

4.2 Handling of corporate bonds (including overseas corporate bonds): None

4.3 Handling of preferred shares: None.

4.4 Participation in the issuance of overseas depositary receipts: None.

4.5 Handling of employee stock options:

4.5.1 Unexpired employee stock option certificates should disclose the handling status as of the publication date of the annual report and the impact on shareholders' rights and interests:

April 30, 2024

Types of employee stock option certificates	The first time in 2020 years (issue) Employee stock option certificate	The first time in 2023 years (issue) Employee stock option certificate
Effective date of declaration and total number of units	2020/11/18 5,744,000 單位	2023/04/21 170,000 單位
Issuance (processing) date	2023/09/15	2023/09/15
Number of units issued	5,744,000	170,000
Number of units still available for issuance	—	—
The ratio of the number of subscribed shares issued to the total number of issued shares	19.15%	0.33%
Subscription duration	2020/11/18~2023/11/17	2023/04/21~2026/04/20

Types of employee stock option certificates	The first time in 2020 years (issue) Employee stock option certificate	The first time in 2023 years (issue) Employee stock option certificate
Method of performance	issue new shares	issue new shares
Restricted subscription period and ratio (%)	0.5 years after expiry 50% 1.0 years after expiration 25% Expiration 1.5 years 25%	Immediately vested
Number of shares acquired	5,744 Thousand shares	170 Thousand shares
Amount of stock subscriptions executed	57,440 Thousand yuan	1,700 Thousand yuan
Number of outstanding subscriptions	—	—
The subscription price per share for those who have not exercised their subscriptions	—	—
The number of outstanding share subscriptions accounts for Ratio of total issued shares (%)	—	—
Impact on shareholders' equity	The purpose of this issuance of employee stock option certificates is to attract and retain the talents needed by the company, and to motivate employees and enhance their centripetal force. Although the equity ratio of the original shareholders has been diluted, looking forward to the future, employees can be retained and motivated to create the interests of the company and shareholders. The original shareholders will benefit from this.	The purpose of this issuance of employee stock option certificates is to attract and retain the talents needed by the company, and to motivate employees and enhance their centripetal force. Although the equity ratio of the original shareholders has been diluted, looking forward to the future, employees can be retained and motivated to create the interests of the company and shareholders. The original shareholders will benefit from this.

4.5.2 The names, acquisition and subscription status of the managers who have obtained employee stock option certificates and the top ten employees with the number of shares that can be subscribed by the certificates as of the date of publication of the annual report:

April 30, 2024 Unit: NT\$'000; thousand shares; %

Item	Job title	Name	quantity	The ratio of the number of subscribed shares to the total number of issued shares (Note)	It has been executed				Not performed			
					Subscription quantity	Subscription price	Subscription Amount	Ratio of the number of subscriptions to the total number of issued shares (Note)	Subscription quantity	Subscription price	Subscription Amount	Ratio of the number of subscriptions to the total number of issued shares (Note)
manager	President	Shih, Chun-Chin	2,620	4.59	2,620	10	26,200	4.59	—	—	—	—
	deputy general manager	Shih, Meng-Chin										
	deputy general manager	Shih, Meng-Hsin										
	chief financial officer	Lai, Tsung-Yen										
staff	Associate manager	Yang, Bo-Ren	2,380	4.17	2,380	10	23,800	4.17	—	—	—	—
	manager	Shih, Yi-Tai										
	manager	Zhou, Qin-Sheng										
	manager	Lin, Jia-Qi										
	manager	Tsai, Chi-Hsun										
	manager	Lai, Yu-Qian										
	Assistant manager	Yang, Zhi-Ming										
	Assistant manager	Chen, Geng-Fu										
	Assistant manager	Xu, Zong-Wen										
	Section Chief	Wei, Shu-Fen										
Section Chief	Liao, Yi-Lin											
Deputy section chief	Gong, Wan-Xuan											

Note: The total number of issued shares is based on the number of shares listed after the employee stock option certificate is executed and the Ministry of Economic Affairs changes the registration information.

- 4.5.3 The processing status of private equity employee stock option certificates in the past three years and as of the date of publication of the public prospectus: None.
- 4.6 Handling of new shares with restricted employee rights: None.
- 4.7 Handling of mergers or acquisitions of shares from other companies and issuance of new shares: None
- 4.8 Implementation of capital utilization plan: Not applicable.

V、Operating Overview

5.1 Business Content

5.1.1 Business Scope

1. Main Business Content

Serial Number	Code	Business Information
1	CD01030	Automobile and parts manufacturing industry
2	CD01040	Motorcycle and parts manufacturing industry
3	CD01050	Bicycle and parts manufacturing industry
4	CA02060	Metal container manufacturing industry
5	CC01030	Electrical and audiovisual electronics product manufacturing industry
6	CC01080	Electronic components manufacturing industry
7	F401010	International trade industry
8	ZZ99999	In addition to licensed business, may engage in business not prohibited or restricted by law Business Proportion

2. Operating Proportion

Unit: New Taiwan Dollars thousand; %

Year Product Categories	2022		2023	
	Net Operating Revenue	Percentage (%)	Net Operating Revenue	Percentage (%)
Fan category	845,887	89.97	963,079	93.22
Blower	75,815	8.06	50,166	4.85
Others (Note)	18,499	1.97	19,928	1.93
Total	940,201	100.00	1,033,173	100.00

Note: Includes air hoods, timing covers, and accessories, etc.

3. Product Items and Newly Developed Products

(1) Current Product (Service) Items of the Company

Main Products	Key Uses
Fan Category	<p>The motor fan used in automotive cooling systems is primarily applied to engine and motor cooling, assisting in timely cooling of components around the combustion chamber (such as cylinder liners, cylinder heads, and valves).</p> <p>The automotive cooling system consists of a radiator, thermostat, water pump, cylinder water passages, cylinder head water passages, and fan. The radiator is oriented vertically to the air and is responsible for cooling the circulating water. Our company's motor fan draws air through the radiator and blows it towards the engine, reducing the temperature of the hot water in the radiator. This process ensures appropriate cooling of the engine and surrounding components, achieving high cooling efficiency.</p>
Blower	<p>The fan motor used in automotive heating and air conditioning systems is composed of an electric motor, air filter, body, air chamber, base, and oil dropper. The blower relies on the eccentric rotation of the rotor offset inside the cylinder to operate, causing volume changes between the blades in the rotor slot to draw in, compress, and discharge air. Simultaneously, it prevents gas backflow in the cylinder, introduces external air into the vehicle, passes it through the circulation heater and evaporator, allowing the air to be heated or cooled, and distributes the airflow into the cabin to enhance driving comfort.</p>
Elevator	<p>The car door component for the window glass lifting motion is a specialized part for adjusting the opening size of the window glass, ensuring smooth operation of window glass lifting.</p>
Air Hood	<p>When paired with a motor fan, it ensures that airflow passes through the cooling radiator effectively, facilitating concentrated cooling.</p>
Timing Cover	<p>Typically, closely integrated with oil seals, it is installed inside the cylinder crankshaft and camshaft, primarily serving to protect belts from damage.</p>

(2) Newly Developed Products (Services) in Development

Continuously launching aftermarket cooling fan products suitable for new car models from car manufacturers and prioritizing the development resources for brushless motor fans to meet market demands as traditional motor fans gradually transition to brushless motor fans. In anticipation of the widespread adoption of electric vehicles in the future, actively expanding product line coverage to seize market opportunities.

5.1.2 Industry Overview

1. Current Status and Development of the Industry

The company was established in 1989. Our main products are automotive cooling fans and blowers. The fan products are primarily used in engine cooling systems and air conditioning system condensers to prevent the overall engine system from overheating. The blower products are used in the motors of car air conditioning systems to maintain the comfort of the vehicle interior.

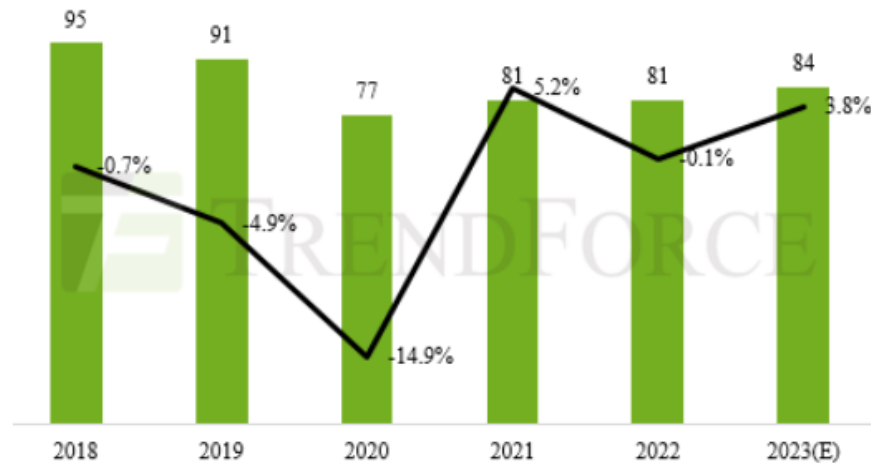
Our main products are applied in the automotive industry, including current mainstream fuel vehicles, hybrid vehicles, and the upcoming electric vehicles. The primary sales regions are the United States and Europe. An analysis of the industry overview for the end-use applications of our products is as follows:

(1) Global Automotive Market Overview

The manufacturing of automotive components requires high levels of technical integration and capital investment. The industry chain is quite extensive, influencing a wide range of related industries including steel, rubber, electromechanics, glass, and paint. It significantly contributes to national economic development in terms of technological capabilities, employment opportunities, and tax revenues.

Due to the complexity of the automotive industry's production and manufacturing processes, which include research and development, procurement, marketing, management, and maintenance, the development cycle is quite long. Therefore, the division of labor within the supply chain is very distinct, forming a comprehensive automotive industry. This is why the automotive industry is often referred to as a leading industry.

Global Automobile Sales and Annual Growth Rate from 2018 to 2023



Unit: Million Units

Source: TrendForce 2023/2

Additionally, a statistical report released in mid-2023 by the Global Automotive Industry Platform and the Automotive Research & Testing Center stated that the global automotive market recorded sales of 41.22 million units in the first half of 2023, an 8.5% increase compared to the same period in 2022. As the global automotive market emerges from the shadow of COVID-19 and countries gradually adopt open policies, the supply chain bottleneck pressures are also easing. In the first half of 2023, the United States ranked second in automotive sales with a total of 7.98 million units, a 12.8% increase compared to the same period in 2022. Observing the U.S. sales situation, the automotive supply chain, which was severely affected by the pandemic, is gradually overcoming the issue of supply shortages. Professional research organization Cox Automotive predicts that the annual new car sales in the U.S. will reach 15 million units, an 8% growth.

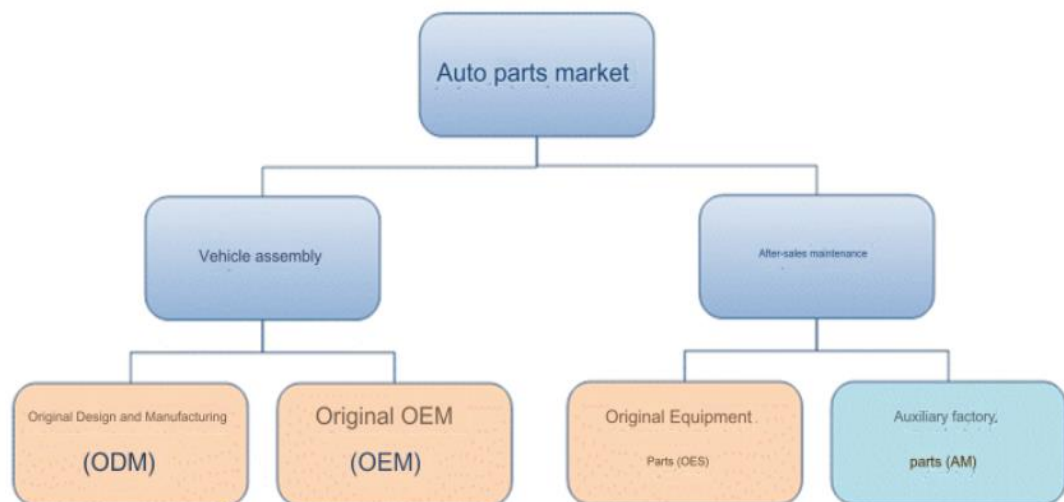
Overall, the supply chain issues in the global automotive market have improved in the first half of 2023. The ongoing fulfillment of backlogged orders from 2022 has further contributed to a rebound in sales. The automotive market landscape in different regions is also undergoing rapid changes. Chinese domestic brands are increasingly dominating the market, the U.S. supply chain is gradually recovering, and the three major domestic brands are regaining their leading positions. In India, the government's active investment in the automotive industry promises growth. However, due to factors such as global economic downturn pressures, ongoing inflation caused by the Russia-Ukraine war, and high-interest rate policies led by the United States, it is expected that the global automotive market sales for 2023 will show a slight growth compared to 2022.

(2) Overview of the Global Automotive Components Industry

From the perspective of industry structure, the automotive components industry and the automotive industry form a typical satellite structure, with the vehicle manufacturers (OEMs) at the core. OEMs primarily procure directly from Tier 1 suppliers (system integrators), who are responsible for system integration and procure components from Tier 2 suppliers (component suppliers). Tier 3 suppliers (raw material suppliers) provide the raw materials. The upstream and downstream relationships among suppliers are stable and interconnected through integrated information systems, making the automotive industry relatively closed and difficult to penetrate.

The automotive components industry is mainly divided based on market characteristics into Original Design Manufacturing (ODM) and Original Equipment Manufacturing (OEM) for new vehicles, both of which involve genuine parts used in new cars. The aftermarket segment includes Original Equipment Service (OES) parts and Aftermarket (AM) parts. OES parts are genuine parts used for vehicle maintenance after a certain period, while AM parts are non-genuine parts that can be used for vehicle repairs and replacements.

Automotive Components Market



Source: Industrial Production Statistics Data Tape, Department of Statistics, Ministry of Economic Affairs

The global automotive components industry is highly influenced by the overall sales volume of vehicles. In 2021, the global market value of automotive components was \$1,612 billion. The market distribution across regions was as follows: China \$422.3 billion (26.2%), Europe \$407.8 billion (25.3%), the United States \$388.5 billion (24.1%), and other regions \$393.4 billion (24.4%).

2021 Global Automotive Components Market Analysis



Data source: Industrial Technology Research Institute (2022/11)

(3) Overview of Taiwan's Automotive Components Industry

During the years 2018 to 2019, due to the US-China trade war and a downturn in the Chinese automotive market, Taiwan's OEM orders for automotive parts were impacted. Additionally, domestic car sales faced continued competition from imported vehicles, leading to a reduction in the domestic sales volume of automotive components. As a result, the industry's sales value showed a declining trend with annual growth rates of -3.62% and -1.51% for 2018 and 2019, respectively.

In 2020, the COVID-19 pandemic caused a weak demand for new cars in China, affecting Taiwanese automotive component manufacturers' OEM orders. Furthermore, various European and American governments implemented measures such as restrictions on gatherings as part of their pandemic control policies, resulting in economic slowdowns and reduced non-essential activities. This, in turn, affected the frequency of automobile usage and led to a decline in aftermarket (AM) market orders. Therefore, in 2020, Taiwan's automotive components and body manufacturing industry saw a significant decline of 10.74% in sales value compared to 2019.

In 2021, despite the ongoing pandemic, governments worldwide gradually shifted their focus on coexisting with the virus and implementing policies to restore normal daily activities. This led to a continuous increase in outdoor activities, boosting demand for automobiles in both Europe, America, and China. International car manufacturers accelerated production, significantly increasing procurement of automotive components. Additionally, Taiwan's domestic car market showed enthusiastic buying trends, driving up domestic demand for automotive components. As a result, with expanding domestic and international demand, the industry saw a substantial increase in sales value in 2021, with a year-on-year growth rate of 14.84%.

In the second half of 2022, as China eased lockdown measures and implemented policies such as promoting new energy vehicles and halving the purchase tax for passenger cars, Chinese automobile sales gradually rose. This improvement helped

in the recovery of OEM orders for Taiwanese automotive components. Moreover, with ongoing inflationary pressures in the United States and persistent shortages of cars, there is expected to be further growth in the aftermarket (AM) market's demand for Taiwanese automotive components. Despite the high base period in 2021, these factors contributed to a slight upward trend in production and sales value for Taiwan's automotive components and body manufacturing industry in 2022, with a year-on-year growth rate of 6.19%.

Despite the global economic downturn, according to statistics from Taiwan's Ministry of Economic Affairs, the output value of the automobile and its parts industry in the first half of 2023 reached 247.1 billion NT dollars, showing a year-on-year growth of 7.0% and continuing the growth trend. The automotive manufacturing industry contributed the most to this growth, with a 16.2% increase, indicating resilience in the automotive and its parts industry amidst the economic headwinds.

Furthermore, the shortage of materials has gradually eased, and several car manufacturers have continued to stimulate demand for new cars, enhancing production capacity. Many Taiwanese automotive manufacturing companies collaborate with foreign manufacturers, obtaining technology licenses and critical components from abroad for assembly and production domestically. In 2022, the output value was 208.3 billion NT dollars, with a 2.2% year-on-year growth for three consecutive years. In the first half of 2023, the output value reached 111.7 billion NT dollars, representing a 16.2% increase.

On the other hand, Taiwanese automotive components are export-oriented, with a focus on the aftermarket maintenance market abroad. In 2023, despite the global economic challenges and varying inventory adjustments in Europe and America, the output value in the first half of the year was 132.2 billion NT dollars, showing a modest year-on-year growth of 0.3%.

(4) The overview of the Automotive Aftermarket (AM) for repair of automotive components

Cars experience accelerated depreciation due to frequent daily use, leading to wear and tear and creating a demand for replacement parts. Car manufacturers typically provide warranties for non-consumable parts for two to three years. After the warranty period, the demand for components with longer replacement cycles due to wear and tear is not very high. As a result, OEMs do not maintain excessive inventory. This situation has led to the development of the aftermarket (AM) repair market and the Original Equipment Supplier (OES) business model.

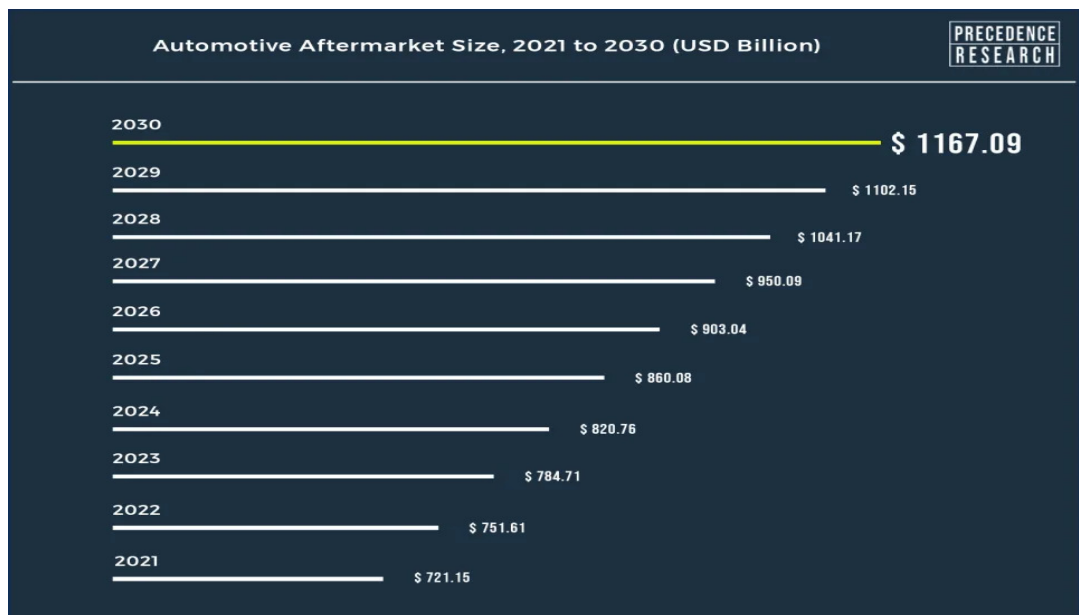
In the OES model, the OEMs retain core technology and outsource the production of components to OES factories to meet their needs. OES factories primarily produce a limited variety of components in large quantities. Although the products from OES factories command higher prices in the market, the profit margins for OES factories are relatively low. This is because their products must go through OEMs and distribution channels, leading to compressed profit margins from the

perspective of OES factories.

The AM model, on the other hand, is designed to meet the diverse demands of various vehicle models in the market. It involves developing molds independently to diversify products, which are then directly supplied to repair shops or distributors. Therefore, the profit margin space in the AM model is higher compared to OES factories. Taiwan's automotive components industry is centered around the AM model, particularly excelling in collision parts, and has developed numerous proprietary brands.

The demand in the automotive repair market is influenced in the short term by factors such as climate changes (seasons) and natural disasters, and in the long term by the global vehicle ownership. According to Deloitte's "2022 Global Automotive Aftermarket White Paper" report, global vehicle ownership continues to grow steadily each year. North America has always been the largest automotive market in the world, followed by China and Europe. There is a positive correlation between aftermarket repair parts and vehicle ownership, vehicle age, and driving distance. Therefore, the United States is the target market for all AM parts manufacturers. According to data from research firm Precedence Research, the global AM market value is projected to reach \$1.17 trillion by 2030.

Global AM Market Value Forecast



Data source: Precedence Research (September 2023)

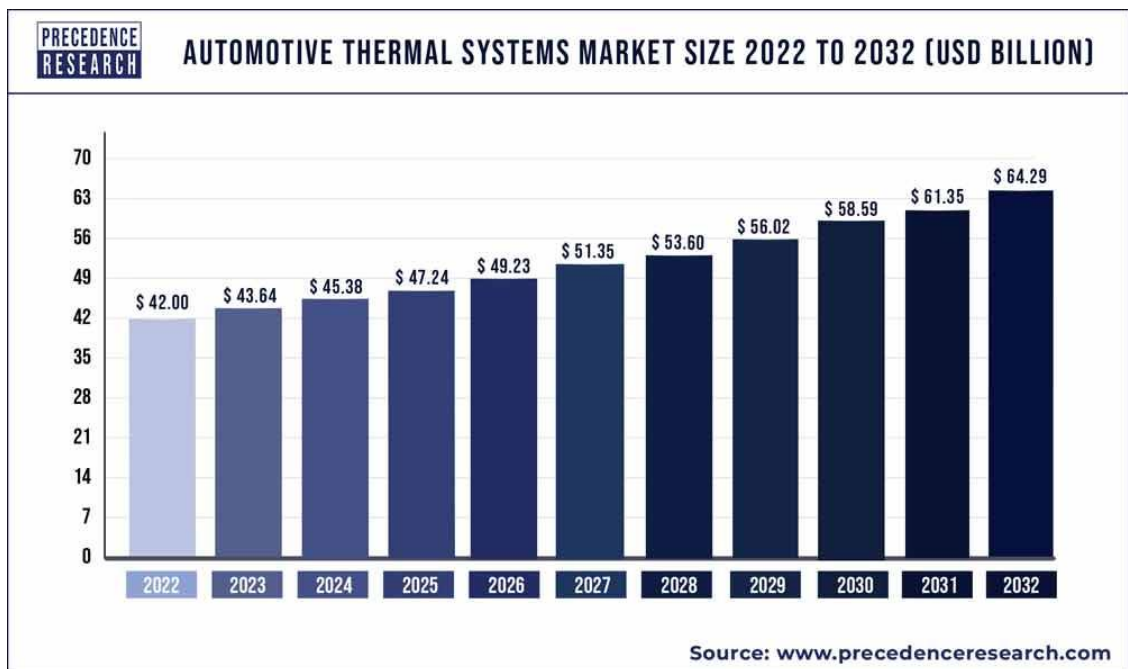
(5) Automotive Thermal Management Market Overview

Automotive thermal management is a systematic concept that coordinates the heat of the entire vehicle and its environment. By regulating the vehicle's heat, it maintains all components within their optimal temperature ranges to ensure driving safety and comfort. In traditional fuel vehicles, thermal management mainly includes cooling the engine and transmission, as well as managing the air conditioning system's heat. The three core functions are cooling, heating, and insulation. The goal is to ensure the functional safety and lifespan of the vehicle.

Automotive thermal management is considered the central hub of the automotive industry chain. With the rapid development of the electric vehicle market in the future, automotive thermal management will become a stable and long-term investment opportunity within the automotive industry chain.

According to Deloitte's "2022 Global Automotive Thermal Management Market White Paper," the global awareness of energy conservation and environmental protection is rising, and the transition from fuel vehicles to electric vehicles has become a trend. With future policies fully banning the use of fuel vehicles, the thermal management of electric vehicles will have significant development potential. Due to the complexity of electric vehicle thermal management systems and the high unit price of core components, the overall vehicle price is expected to be 2-3 times that of traditional fuel vehicles. According to data from Precedence Research, the global automotive thermal management market is projected to reach a value of \$64.29 billion by 2032.

Global Automotive Thermal Management Market Value Forecast



Data source: Precedence Research (October 2023)

2. Relationship Between Upstream, Midstream, and Downstream Industries

Automotive components primarily supply replacement parts for the automotive manufacturing and repair industries. These components can be categorized into metal and non-metal parts, covering a wide range of industries, including petrochemical, glass, steel, rubber, electrical, and electronics industries. Our company specializes in the design and manufacturing of automotive thermal management products for the aftermarket (AM). When new vehicle models are launched, we start the research and design of motors, fans, circuit boards, and related molds. Our subsidiary in Thailand produces motor bodies, frames, blades, and shafts. After strict quality testing, our company assembles and inspects the semi-finished products before packaging and shipping the final products.

The relationships between upstream, midstream, and downstream industries in the automotive components sector are illustrated as follows:



3. Product Development Trends and Competitive Landscape

(1) Product Development Trends

A. Efficiency Improvement Technologies for Power Systems

Automotive power systems are divided into gasoline engines and transmission systems. To improve the overall efficiency of the power system, it is necessary to enhance combustion efficiency, reduce mechanical thermal losses, and maintain the power system's operation within a high-efficiency range. As the central hub of the automotive industry chain, the thermal management industry regulates the vehicle's heat to keep each component operating within its optimal temperature range. This approach enhances the energy-saving technology of automotive engine power systems and boosts international competitiveness, making it a key focus for future research and development.

B. Electric Vehicles as a Necessary Development

Due to the global development trend towards electric vehicles, especially with the European Union governments reaching an agreement in June 2022 to cease sales of new fuel vehicles by 2035, the development of electric vehicles and the emphasis on lightweight components have accelerated. Automotive component manufacturers benefit from the advantage of producing in small quantities with a variety of products and flexible manufacturing capabilities. Coupled with their core competitiveness in high quality and high added value, some automotive component manufacturers have successfully entered the supply chains of electric vehicle manufacturers. It is expected that more automotive component suppliers will actively strive to join the electric vehicle supply chain in the future.

C. Increasing Product Diversity to Meet Market Demand

As the global automotive market continues to seek expansion opportunities, the emerging markets such as China, India, and ASEAN are showing great

development potential. These regions are experiencing rising consumer purchasing power and economic growth. However, consumers in emerging markets are highly price-sensitive and demand high-quality products at affordable prices. This requires automakers to increase product diversity to meet market demand and focus on localizing components and achieving economies of scale to reduce costs. Therefore, to align with the market direction of automakers, component suppliers must simultaneously enhance product diversity and competitiveness.

(2) Competitive Landscape

Taiwan's automotive components are primarily for export, with the U.S. market being the most important. In 2022, exports of automotive components to the U.S. accounted for 55% of the total. The automobile insurance coverage rate in the U.S. is as high as 90%, which means that most repair costs are covered or reimbursed by insurance companies when repairs are needed. Consequently, original equipment manufacturer (OEM) parts are often chosen. According to the TTR Taiwan Trend Research report on the development trends of the automotive and parts manufacturing industry (May 2023), aftermarket (AM) parts account for only about 14%. However, in recent years, U.S. insurance companies have started offering more affordable AM parts policies, providing consumers with more options. This move is expected to accelerate the development of Taiwan's automotive components industry in the U.S. market.

Furthermore, international automakers are currently undergoing a transition to electric vehicles, and related supply chains are actively investing in the research and development and manufacturing of electric vehicle components. To reduce the supply cost of parts for used vehicle repairs, international automakers are placing greater emphasis on Taiwan's automotive components supply chain system. Taiwanese manufacturers possess high-quality management capabilities, enabling flexible production in small quantities and diverse varieties. As a result, OEM and OES production orders are increasingly being directed towards Taiwan's AM suppliers. This shift presents an opportunity for Taiwanese automotive component manufacturers to transition and integrate into the supply chains of international automakers.

Changes in the Import Amounts and Proportions of Taiwan's Six Major Automotive Component Systems and Subsystems

Unit: Billion New Taiwan Dollars (NTD)

sort	After joining the WTO in 2003			Year 2009 <small>After the financial tsunami</small>			Global <small>vehicle sales peak in 2018</small>			2022 <small>so far</small>		
	1	USA	450	34%	USA	542	37% United States	1,005	45%	USA	1,328	55%
2	Hongkong	128	10%	Japan	104	7%	Japan	144	6%	Japan	119	5%
3	Japan	93	7%	China	73	5%	China	108	5%	China	89	4%
4	China	77	6%	Germany	43	3%	UK	66	3%	Mexico	76	3%
5	U.K.	35	3%	Australia	43	3%	Germany	66	3%	Germany	68	3%
6	Germany	32	2%	U.K.	37	2%	Mexico	61	3%	UK	56	2%
7	Canada	32	2%	Italy	37	2%	Netherlands	57	3%	Australia	56	2%
8	Australia	29	2%	Canada	35	2%	Canada	55	2%	Italy	53	2%
9	Italy	26	2%	Netherlands	29	2%	Italy	50	2%	Canada	50	2%
10	Vietnam	26	2%	Thailand	27	2%	Australia	49	2%	Netherlands	41	2%
other		394	30%		511	34%		576	26%		457	19%
total exports		1,321			1,481			2,236			2,395	

Source: IEK (September 7, 2023)

In 2023, our company's product exports to North America accounted for approximately 76.48% of our total revenue. Our product lines include more than 6,000 items, with over 3,100 types of cooling motor fans. Each year, we develop approximately 150-200 new products to meet market demands (new models or facelifts) and continuously create molds to cover all mainstream vehicle models and some non-mainstream models on the market. This includes vehicles that have been in circulation for 5-20 years, as well as the latest sedans, hybrid cars, and electric vehicles. Our company has the technology and specifications to promptly launch corresponding products. This not only meets customers' one-stop procurement needs but also increases customer loyalty and dependence. Even if competitors adopt low-price strategies, it is difficult for them to match our comprehensive product line. Additionally, our company has developed a keen sensitivity to market demand and, with many years of investment in brushless motor technology, we have mastered the processing of electronic signals for brushless motors. In recent years, our products have integrated Lin Bus and sensor-less communication technologies, making them suitable for the latest vehicle models, including electric vehicles.

In conclusion, the automotive aftermarket maintenance sector has high entry barriers. Long-term accumulation of technology, experience, and mold inventory are the key factors contributing to our company's leading position in the automotive aftermarket fan market.

Regarding R&D talent, in response to the increasing prevalence of electronic control components in recent years, our R&D department has recruited professionals specializing in electronics. We have developed the capability to independently develop and design electronic communication signal connections. This allows us to quickly communicate product specifications with customers, maintaining strong relationships and trust. Consequently, the resources invested by both parties can be utilized to their maximum potential.

5.1.3 Technology and R&D Overview

1. Technical Level and R&D of Business Operations

Our company specializes in the production of automotive radiator fans and blowers for automotive air conditioning systems. Our products not only meet international standards in terms of performance, efficiency, noise, and vibration required by leading automotive manufacturers but also integrate motor, electronic control, and electronic technology to adapt to the era of electric vehicles. To maintain our technological development capabilities in line with market demand, we have experimental testing equipment for trial production stages, conduct simulations of harsh environments, and verify the durability of our products. We strive for excellence in producing high-quality products. Our company's technical level and research and development are as follows:

- (1) Familiar with future main products in the market, including Brushless DC Motors and the Lin Bus (Local Interconnect Network) communication protocol, the research and development department has an electronic control unit and actively recruits electronic and electrical engineering professionals. Through collaboration with IC chip suppliers, the company has achieved independent design, testing, and manufacturing capabilities.
- (2) The company has complete mold development and manufacturing capabilities, from drawing design to mold production and modification. With its in-house mold workshop, it can address various requirements for different vehicle models, ensuring that products meet high cost-effectiveness and precision standards. This strengthens its competitive advantage in the market.
- (3) The production mode is highly flexible, with processes including plastic injection molding, metal stamping, CNC (Computer Numerical Control), shaft grinding, rotor winding, and packaging box production. The self-production rate of product materials exceeds 80%, and the supply chain system has been in place for many years. This setup allows for a small quantity of diverse products, enabling agile production scheduling to meet customer sales demands.
- (4) The company has obtained quality certifications such as IATF 16949, ISO 9001, ISO 14001, ISO 45001, and CE, among others. These certifications ensure that the produced products meet customers' requirements for quality, technical standards, and safety regulations.

2. R&D Personnel and Their Education and Experience

Item		Year		
		2022	2023	As of May 27, 2024
Number of employees (Person)	Initial headcount	22	24	24
	New hires this period	4	3	6
	Departures this period	2	3	4
	Retirements and layoffs	—	—	—
	Ending headcount	24	24	26
Average years of service (Year)		10.20	11.22	10.30
Turnover rate (%)		7.70%	11.11%	13.33%
Educational Background Distribution (Person)	Master's degree and above	1	1	2
	Bachelor's degree (college degree)	15	16	17
	High school degree	8	7	7
Total		24	24	26

3. Annual R&D Expenditure Over the Past Five Years

Unit: Thousands of New Taiwan Dollars (NTD); %

Item	Year				
	2019	2020	2021	2022	2023
R&D Expenditure	22,492	22,430	24,214	22,771	25,895
Net operating revenue	791,674	886,059	822,114	940,201	1,033,173
Proportion (%)	2.84	2.53	2.95	2.42	2.51

4. Technologies or Products Successfully Developed Over the Past Five Years

Year	Research and Development Achievements	Description of Content	Product Application Categories
2018	Brushless Blower	Innovative motor structure designs enable the motor to operate within a wider range of speeds, offering higher efficiency, performance, and extended lifespan compared to traditional brushed motors.	Automotive HVAC Air Supply, Industrial Equipment, Home Appliance Applications
2019	Lin Bus Brushless Blower	Transfer data between the Electronic Control Unit (ECU) and the vehicle using stable and fast digital data instead of analog voltage signals.	Automotive HVAC Air Supply
2020	Lin bus Brushless Cooling Fan		Automotive Cooling Fan
2021	Fan Controller Module Automated Testing Platform	Introducing automated testing technology for products can enhance overall R&D development efficiency and accuracy while reducing quality control manpower.	Overall Products of Our Company
2022	Electric Vehicle Sensor (Sensor less) Brushless Motor	By not using Hall sensors to control brushless motors, it is possible to make the motors thinner and more compact.	Automotive Industry, Industrial Equipment, Home Appliance Applications
2023	Brushed Controller Modularization	The electronic packaging module using metal circuit films provides the necessary electronic circuits for controlling brushed motors, facilitating the flow of charges, and interconnecting with printed circuit boards to control the various operating modes of the motor during use.	Automotive Industry, Industrial Equipment, Home Appliance Applications

5.1.4 Long/Short-term development plan

Our company began in 1989 in the field of automotive component sales, and later entered the research and manufacturing of automotive radiator fan motors. Our primary goal has been to enhance product quality, performance, and efficiency. With over 30 years of experience in automotive component production, we have successfully expanded our products into the international market.

To address the increasingly competitive market and meet the rapidly changing needs of our customers, our company's long-term and short-term business development plans are as follows:

1. Short-term development plan

- (1) Our company has been investing in the research and development of brushless DC motors and Lin Bus communication protocol technology for many years. In line with the current trends in new gasoline vehicles and hybrid electric vehicles, we have been gradually upgrading to brushless motor fans. Additionally, for future electric vehicles, we are fully transitioning to brushless motor technology. Therefore, our company will continue to focus on promoting these types of products.
- (2) Our company builds upon a solid foundation in the aftermarket (AM) repair market for cooling fans and expands horizontally into different vehicle types such as refrigerated trucks, logistics vehicles, trucks, and tour buses. We are also actively developing the Original Equipment Suppliers (OES) market for aftermarket services, leveraging our resources and accumulated experience to maximize benefits.

2. Long-term development plan

- (1) The European Commission has mandated that starting from 2030, the carbon dioxide emissions from newly sold vehicles must be reduced by 55% compared to 2021 levels. By 2035, all newly sold vehicles must have zero carbon emissions, marking the implementation of a comprehensive policy to promote the sales of electric vehicles.

As a result, our company will accelerate the research, development, and manufacturing of electric vehicle products. We will also comprehensively enhance the precision of our technology and production processes. Additionally, we will expand our range of electric vehicle cooling products across multiple brands to increase our product coverage in the electric vehicle market and meet the growing market demand.

- (2) Actively engage with automotive manufacturers (OEM/ODM) or system integrators to assess the feasibility of manufacturing and applying other accessories for electric vehicles, thereby expanding our business scope.
- (3) Positioning in the global market to diversify our company's revenue contribution from the North American and European markets, including business expansion in regions such as Asia and Central and South America. This strategy helps reduce customer concentration risk, thereby mitigating the impact of seasonal fluctuations in product sales regions. It also enables effective adjustments in production planning, scheduling, and operational cycles.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales (Provision) Regions of Main Commodities (Services)

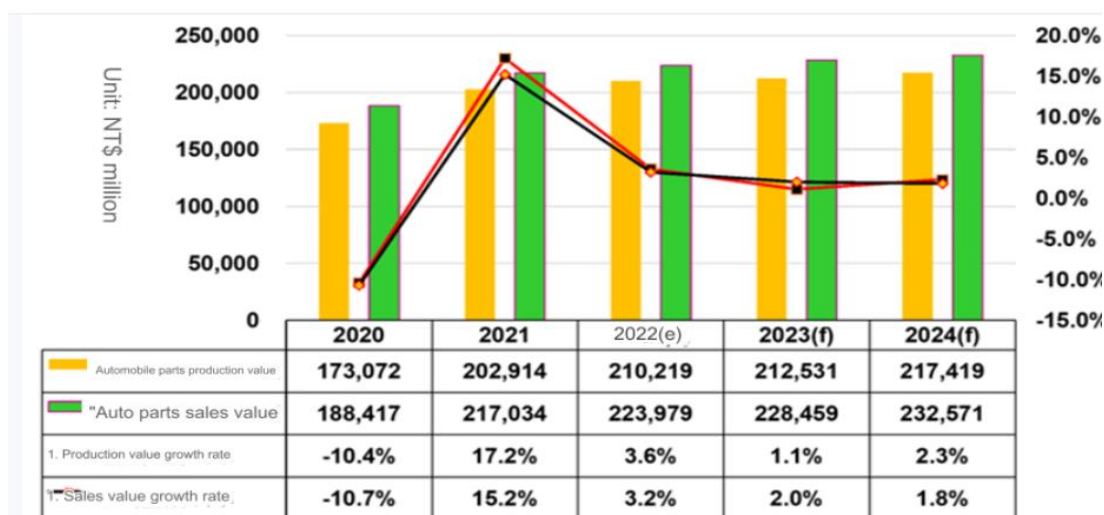
Unit: New Taiwan Dollars (NTD) Thousand ; %

item \ year	2022		2023	
	Amount	%	Amount	%
United States	693,448	73.75	790,211	76.48
Taiwan	102,352	10.89	119,298	11.55
Others	144,401	15.36	123,664	11.97
Total	940,201	100.00	1,033,173	100.00

2. Market Share

According to the Taiwan Institute of Economic Research (IEK) forecast on the production and sales value of automotive components in Taiwan, the total production value of automotive components in our country is 210.2 billion NTD. Among them, "Other automotive components" account for the highest proportion, approximately 40.7%, estimated to be around 856 billion NTD. Based on our company's operating income of 10.3 billion NTD in the year 2023, the market share is approximately 1.20%.

Taiwan's forecasted production and sales value of automotive components Data



source: IEK Industry Intelligence Network (as of November 2022)

3. Market Future Supply and Demand Situation and Growth Potential

The automotive components produced by our company include motor fans for radiator systems and blower motors for car air conditioning systems. The industry's ups and downs are mainly affected by changes in economic conditions, climate change, the second-hand car market, and insurance claim situations.

In 2022, major consumer markets globally, such as Europe, the United States, and

Japan, were affected by a shortage of automotive chips. As a result, the volume of new car sales transactions decreased, while the second-hand car market became more active. Consumers tended to extend the lifespan of their vehicles, leading to an increase in the number of vehicles in use and raising awareness of component inventory crisis, which had a positive effect on the sales of automotive aftermarket (AM) market. In Taiwan, the total sales value in 2022 was approximately 224 billion NTD, with a growth rate of 3.2%. Additionally, emerging markets such as China, India, and ASEAN countries are experiencing growth in demand for automotive components after the pandemic, and the aftermarket service market is expected to continue expanding.

Looking ahead, automotive components are expected to continue evolving towards modularization, intelligence, electrification, and lightweight. It is estimated that the sales value for the years 2023 and 2024 will reach approximately 228.5 billion NTD and 232.6 billion NTD respectively, with growth rates of 2.0% and 1.8% respectively.

4. Competitive Advantage

(1) Diversified Product Range, Covering Products for Mainstream Brands in the Market

Our company primarily sells radiator fan products, including those for engine cooling and air conditioning systems, which are mainly used in the automotive sector. Our product line covers various sedan and heavy-duty truck models from globally renowned automotive manufacturers, as well as popular and high market share models. To meet the trends and market demands in the automotive industry, we continuously expand our product line to offer a wider selection of high-quality products.

Compared to the demand from automotive and system manufacturers, the aftermarket focuses more on the completeness of the product range rather than the scale of individual items. In response, our company adopts a strategy of offering a diverse range of products in small quantities, with flexible production and delivery schedules adjusted according to lead times. Customers can place short- to medium-term orders based on market and inventory planning. We also adjust product quality and compatibility to accommodate changes in market demand.

(2) Self-developed Design Products

Our company provides a variety of radiator fans and blower motors for various car models in the aftermarket maintenance market. While maintaining the specifications and characteristics of the original manufacturer's products, our research and development team integrates and summarizes data and specifications from various car models during the product development stage. We then redesign products with compatibility and interchangeability in mind, thereby balancing the performance and efficiency of each original manufacturer's products. This approach allows us to streamline the production process for a large number of products and modularize our product line to achieve optimal production efficiency and resource allocation. Leveraging over 30 years of development and manufacturing experience, our company is adept at flexibly adjusting product designs and modifications according to customer needs.

(3) One-Stop Production Process

Our company adopts a comprehensive production process from the initial product design, including product drawing and mold design, which are completed in our research and development department. Subsequently, our subsidiary in Thailand provides a complete production process, including early-stage mold manufacturing and modification, plastic injection molding, metal stamping, motor winding, fan assembly, and even cardboard packaging, all completed in-house. In response to urgent orders from customers, we can adjust production schedules in real-time with flexibility. With a high level of in-house production, our company can control product quality and meet production deadlines effectively.

(4) With over 20 years of deep-rooted presence in Thailand, our management efficiency in the Thai factory is outstanding.

Our subsidiary in Thailand was established as our main production base in the year 2000. Over the years, it has achieved a high level of familiarity with local workflows and efficiency in capacity management. Long-term coordination with our Taiwan headquarters has enabled smooth progress in mold development, production, assembly, and final packaging and shipment.

Located in Chonburi Province, our Thai subsidiary is situated in a cluster of renowned automotive manufacturers and suppliers in Asia. This area hosts factories from China, Japan, Taiwan, and other countries, making it a strategic location near the automotive component supply chain. This proximity not only facilitates our OEM business development but also positions our Thai factory to potentially benefit from the shift in manufacturing orders from China due to trade tensions between China and the US in recent years. Thus, our Thai factory enjoys a significant geographical advantage.

5. Favorable and Unfavorable Factors for Development Outlook and Response Strategies

(1) Favorable Factors

A. Advanced Internet Information: With the proliferation of internet connectivity and readily available information, our products benefit from increased visibility and acceptance among consumers.

In recent years, consumers have easy access to information about automotive components online, including their functions, installation methods, maintenance techniques, and cost-effectiveness. When it comes to replacing or repairing automotive components, consumers are more willing to consider alternative brands. Additionally, aftermarket components offer competitive pricing compared to relatively expensive original equipment manufacturer (OEM) parts. Moreover, the DIY culture prevalent in garage communities in Europe and the United States encourages the development of the aftermarket maintenance market.

B. Thailand's Prime Location

Global manufacturing is urgently seeking to shift production away from China to emerging markets, with Southeast Asia being the most promising region. Many

well-known automotive manufacturers have already entered Thailand, establishing it as a key hub for the automotive industry in Asia. Our company has also been deeply rooted in Thailand, having established a reliable supply chain system in the region. In addition to actively expanding into the domestic market in Thailand, we are also eyeing the market potential of other ASEAN member countries in the future.

C. Radiator products have a wide range of applications.

Our radiator fan products are not limited to use in radiator cooling; they also include condenser fans and blower motors. With the advent of the electric vehicle era, condenser fans and blower motors remain essential automotive components. In addition to their use in existing cooling systems, radiator fans can also be applied to other areas such as automotive seats, car fragrances, battery cooling, etc., expanding the range of products for heat dissipation.

D. Diverse Industry Applications and Development

Our company possesses independent research and development capabilities, a mold manufacturing department, and a complete production process system. With these resources, our product offerings are not limited to automotive radiator products. We can horizontally expand into other industries' fan applications, such as electric fan applications and transportation vehicle applications. Moreover, we can vertically extend into related applications, such as mold design and manufacturing, and injection product manufacturing.

E. The largest auto insurance company in the United States has started to expand its coverage to include non-OEM automotive components in their claims processing.

Due to adverse factors such as the pandemic, the Russia-Ukraine conflict, and disruptions in logistics, there has been a shortage of OEM automotive components in the US aftermarket (AM) market. This shortage is particularly significant for collision-related parts, leading to difficulties for individuals to obtain compensation for car repairs. As a result, auto insurance companies have decided to expand their acceptance of claims involving non-OEM automotive components. It is anticipated that this decision will lead to an increase in orders for related parts exported from our country to the AM market in the future.

F. In 2023, the global semiconductor shortage eased, leading to an increase in automotive shipments and momentum.

Despite the ongoing global semiconductor shortage extending into 2023, the peak demand for consumer electronics such as computers and smartphones has passed. This shift enables semiconductor manufacturers with automotive certifications to increase production capacity for automotive chips. Consequently, it is expected to accelerate the pace of automotive shipments in our country in 2023 and drive up the order volume for automotive components.

(2) Unfavorable Factors and Response Strategies

- A. In 2023, the economic growth momentum of most major countries globally is expected to slow down compared to 2022.

As indicated by data released by major global forecasting institutions such as the IMF, the global economic growth in 2023 is expected to slow down compared to 2022. This deceleration is attributed to various adverse factors, including the resurgence of the pandemic, uncertainty surrounding Russian energy supplies, and global inflation surpassing expectations. Additionally, the United States has signaled a stance of continued interest rate hikes, which may lead to a decline in the US stock market, thereby negatively impacting domestic stock markets. This unfavorable economic environment may hinder wealth accumulation for individuals and adversely affect consumer sentiment in the automotive market, making it challenging to sustain robust purchasing activity.

Response Strategies:

Continuously improving processes to generate maximum output and quality at minimal cost is crucial. Additionally, staying informed about changes in the automotive market and promptly adapting to meet customer demands are essential strategies for reducing the impact of market fluctuations.

- B. The impact of rising raw material prices and labor shortages may compel automotive component manufacturers in our country to experience an increase in operating costs.

Due to the sustained high prices of raw materials, automotive component manufacturers in our country, who have limited bargaining power, are facing pressure on procurement costs. This situation is detrimental to maintaining profit margins. Additionally, severe labor shortages are leading to increased wage costs, further exacerbating the situation and forcing companies to contend with continuously rising operating costs.

Response Strategies :

Keep track of the raw material market updates at all times and discuss the supply situation with key suppliers weekly to ensure a secure supply of necessary raw materials for production, reducing the impact of price fluctuations. Additionally, the company plans to position its Thailand factory as the primary production base, benefiting from the comprehensive automotive supply chain and abundant labor resources in the region, which should effectively mitigate the risk of rising operating costs.

- C. Mainland competitors engaging in price competition.

Mainland competitors adopting price-cutting strategies to enter the market, their low-price tactics causing market fluctuations.

Response Strategies:

Our company continuously enhances its research and development capabilities

while optimizing and controlling product quality, striving to create differentiation from low-priced products from mainland competitors.

D. Difficulty in recruiting or developing professional technical talent.

The automotive industry, being relatively closed, coupled with the recent rise of the automotive IoT, has led to automotive components venturing into the electronics domain. This has increased the demand for professionals with expertise in electronics, leading to competition for talent with the electronics industry. Additionally, professionals who have been cultivated within the industry over the long term have become targets for recruitment by other companies. The lack of talent and talent attrition result in losses in terms of time, money, and even lead to technological gaps.

Response Strategies:

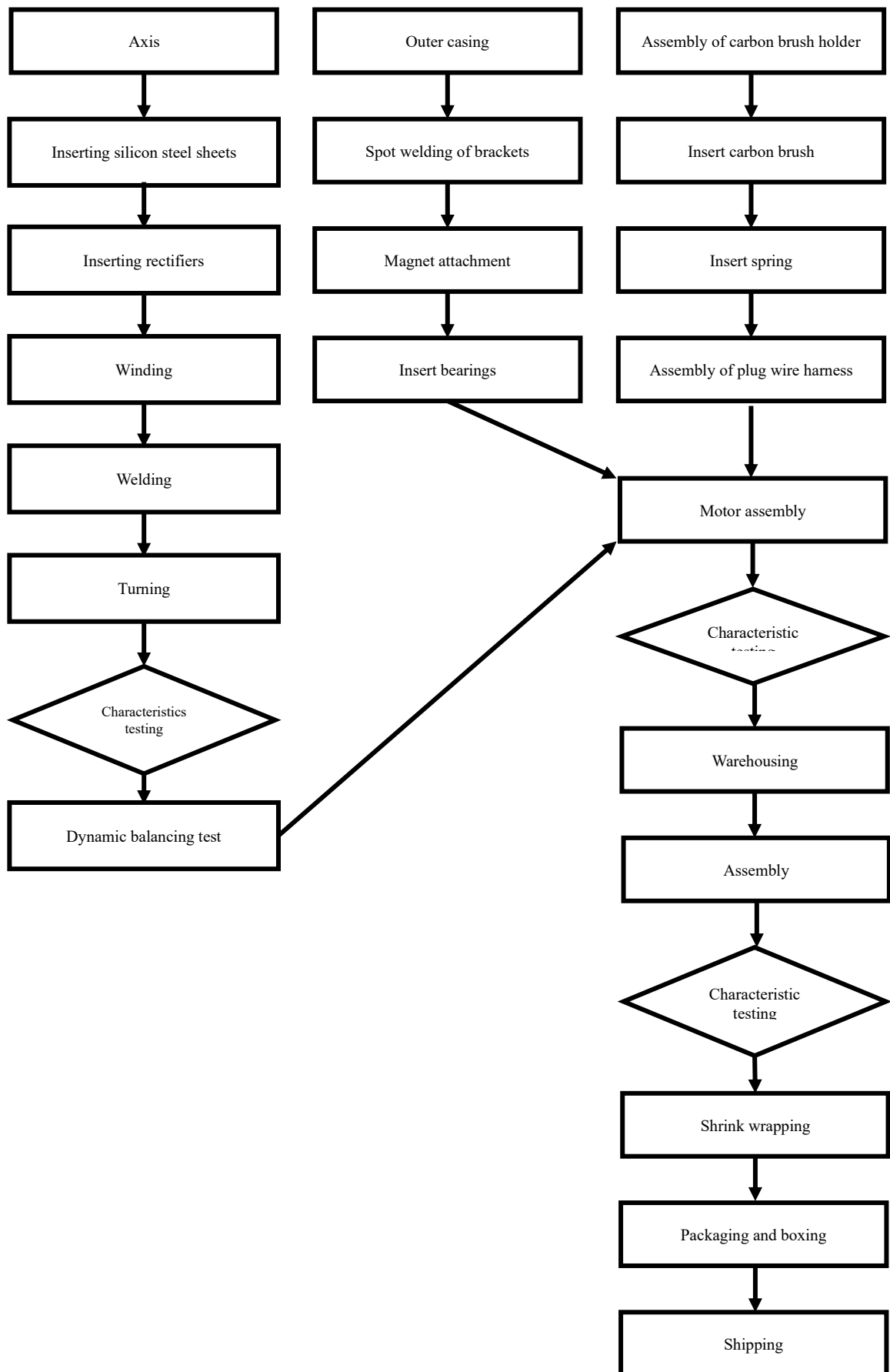
Our company's research and development department has been engaged in the study of electronic signals for many years, building upon a solid foundation of experienced personnel and accumulating a vast amount of research and development data. This allows us to mitigate the risk associated with personnel turnover. Additionally, we provide a comfortable working environment, training programs, clear pathways for advancement, and incentives such as benefits and stock options to actively retain talent. With these measures in place, we can effectively recruit and sustainably develop our workforce.

5.2.2 Main Uses of Key Products

1. Main Uses of Key Products

Main Products	Key Uses
Fan Type	<p>The motor fan used in automotive cooling systems is primarily applied to engine and radiator cooling, assisting in the timely cooling of components around the combustion chamber (such as cylinder liners, cylinder heads, and valves).</p> <p>The automotive cooling system consists of a radiator, thermostat, water pump, cylinder water channels, cylinder head water channels, and fan. The radiator is oriented vertically in the air and is responsible for cooling the circulating water. The motor fan produced by our company draws air through the radiator and blows it towards the engine, reducing the temperature of the hot water in the radiator while ensuring proper cooling of the engine and surrounding components, achieving high cooling efficiency.</p>
Blower	<p>The main purpose of the blower motor is for use in automotive heating, ventilation, and air conditioning (HVAC) systems. The blower motor consists of an electric motor, an air filter, the blower body, an air chamber, a base, and a drip nozzle. The blower motor operates by the eccentric rotation of the rotor located inside the cylinder, causing changes in volume between the blades in the rotor slots to intake, compress, and discharge air while preventing gas backflow in the cylinder.</p> <p>Its function is to draw outside air into the vehicle cabin and pass it through the heater core and evaporator, allowing the air to be warmed or cooled before distributing the airflow throughout the cabin.</p>
Elevator	<p>The door accessory responsible for the up-and-down movement of the car window glass in the door system is a specialized component for adjusting the opening size of the car window glass. Its function is to ensure smooth operation of the car window glass, facilitating both opening and closing actions.</p>
Air Intake Hood	<p>Its function is to ensure that the fan, combined with the air guide hood, effectively directs airflow through the radiator, facilitating efficient heat dissipation.</p>
Timing Cover	<p>It is typically closely integrated with an oil seal and installed within the crankshaft and camshaft in the engine cylinder. Its main function is to protect the belt from damage.</p>

2. The production process of the product



5.2.3 The supply situation of the main raw materials.

Name of the raw material	Supply condition
Copper wire	Good quality, stable supply
Steel plate	Good quality, stable supply
Magnet	Good quality, stable supply
Cardboard box	Good quality, stable supply
Circuit board	Good quality, stable supply
Integrated circuit (IC)	Good quality, stable supply
Rectifier	Good quality, stable supply
Plastic pellets	Good quality, stable supply
Aluminum casing	Good quality, stable supply

5.2.4 Please provide the names of customers who accounted for more than ten percent of our total sales in the past two years, along with their purchasing or sales amounts and the respective percentages. Additionally, please explain the reasons for any changes in their purchasing or sales amounts.

1. In the past two years, neither our company nor any of its subsidiaries have had any supplier whose purchasing amount accounted for more than ten percent of our total purchases. Therefore, we have not disclosed the names, amounts, percentages, or relationships of any specific suppliers.
2. In the past two years, customers whose sales amounts accounted for more than ten percent of our total sales have not been disclosed due to confidentiality reasons. Therefore, we are unable to provide the names, sales amounts, percentages, or reasons for any changes in their sales amounts.

Unit: NTD thousand dollars ; %

ITEM	2022				2023			
	Name	Amount	Percentage of Net Sales	Relationship with Issuer	Name	Amount	Percentage of Net Sales	Relationship with Issuer
1	Company B	329,216	35.01	—	Company B	435,494	42.15	—
2	Company A	254,211	27.04	—	Company A	267,220	25.86	—
3	Others	356,774	37.95	—	Others	330,459	31.99	—
	Net Sales Amount	940,201	100.00	—	Net Sales Amount	1,033,173	100.00	—

Reasons for Changes:

The fluctuations in sales to major customers over the past two years are primarily attributed to factors such as market demand, changes in product specifications, and adjustments in sales strategies.

5.2.5 Production volume figures for the past two years.

Unit: Thousand units, Value: New Taiwan Dollars (NTD) thousand.

Production volume Main products	Year	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Fans		843	791	618,132	843	782	669,876
Blowers		146	123	69,409	146	90	50,498
Others		Note	Note	6,865	Note	Note	11,318
Total		—	—	694,406	—	—	731,692

Note: Production capacity and output for items such as wind hood, timing cover, accessories, etc., are not listed due to inconsistent units.

5.2.6 Sales volume in the last two years

Unit: Sales Volume: Thousand Units Sales Value: New Taiwan Dollars (NTD) Thousand

Production volume Main products	Year	2022				2023			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Fans		96	86,593	675	759,294	87	99,670	719	863,410
Blowers		12	9,129	117	66,686	13	9,791	74	40,374
Others		Note	6,630	Note	11,869	Note	9,837	Note	10,091
Total		—	102,352	—	837,849	—	119,298	—	913,875

Note: Due to inconsistent units, the sales volume for components such as air guides, timing covers, and accessories is not provided.

5.3 The number of employees in the past two years.

Unit : persons ; %

Year		2022	2023	May 27, 2024
Employee Count	Managerial Level Personnel	21	21	21
	Direct Personnel	479	485	482
	Indirect Personnel	301	292	320
	Total	801	798	823
Average Age		36.6	36.7	36.6
Average Years of Service		7.5	8.2	8.2
Educational Distribution Rate %	Master's Degree	1.12	1.38	1.34
	Bachelor's Degree	11.11	15.04	14.46
	Associate Degree	9.99	9.77	9.60
	High School or Below	77.78	73.81	74.46

5.4 Environmental expenditure information

5.4.1 Explanation of losses incurred by the company due to environmental pollution (including compensation and results of environmental protection inspections for violations of environmental regulations), for the past two fiscal years up to the publication date of the annual report. This should include details such as the date of penalty, penalty reference number, violated regulations, nature of violation, and penalty imposed. Additionally, disclose current and estimated future amounts along with mitigation measures. If unable to provide a reasonable estimate, provide reasons for the inability to estimate.

5.5 Labor relations

5.5.1 The company's various employee welfare measures, continuing education, training, retirement system, and their implementation status, as well as agreements between labor and management and the situation regarding the protection of various employee rights.

People are the most important asset of the company. We value talent cultivation and career development, planning various training programs, interdisciplinary learning, and second specialty training. We have established a smooth promotion and transfer mechanism, maintaining harmonious and stable labor relations over the long term. We are committed to enhancing employee welfare, benefits, and working environment, and providing diversified communication channels between labor and management, ensuring that the voices of workers are heard.

1. The employee welfare measures and their implementation status.

The company and its subsidiaries comply with the Labor Standards Act of the Republic of China (Taiwan) and relevant regulations of the local government in Thailand. Apart from providing health insurance and labor insurance as required by law, we also offer group insurance for employees and contribute to individual retirement accounts for laborers. This is to ensure employee welfare, and the implementation status is as follows:

- (1) Employees are entitled to statutory annual leave, sick leave, and contributions to retirement funds. Additionally, a staff welfare committee has been established to coordinate employee welfare activities, ensuring the rights and benefits of workers.
- (2) All employees, in addition to participating in labor insurance and national health insurance as required by law, are provided with group annual term life insurance/group multiple coverage accident insurance/group accident medical insurance supplementary clauses, enhancing protection for employees' health and well-being.
- (3) Bonuses for Labor Day, Dragon Boat Festival, Mid-Autumn Festival, year-end banquet, birthdays, etc., along with travel subsidies, occasional afternoon tea events, meal vouchers, and gift distributions, encourage employees to achieve work-life balance and foster camaraderie among colleagues.
- (4) The subsidiary in Thailand also provides additional employee benefits such as AIA

savings insurance and occupational accident insurance for high-risk positions, further enhancing the protection of employees' health and well-being.

2. The implementation status of continuing education and training.

In order to enhance employees' professional skills and efficiency in the workplace, and to emphasize the importance of product quality, the company implements an annual education and training plan. Both internal and external training programs are conducted to strengthen the professional capabilities of employees in various functional areas. The implementation status of these education and training programs is as follows:

- (1) Pre-job training for new employees includes courses on the company's corporate culture, business operations, workplace regulations, employee benefits, and disciplinary policies. These training sessions aim to provide new hires with a basic understanding of the company.
- (2) Training for current employees includes both internal and external education programs tailored to meet job requirements.
- (3) Professional skills training involves sending employees to relevant institutions for specialized training, enabling colleagues to acquire professional qualifications.

4. Retirement system and its implementation status.

The company contributes 6% of employees' monthly salaries to their individual retirement accounts managed by the Labor Pension Fund. Employees also have the option to voluntarily contribute an additional 0% to 6% of their monthly salary to their personal retirement accounts. Retirement benefits are paid out either as monthly annuities or lump-sum payments based on the accumulated balance and earnings in the employee's retirement account. However, employees with less than 15 years of service are eligible for lump-sum payments only.

Moreover, our subsidiary in Thailand calculates retirement benefits in accordance with the provisions of Article 118/1 of the Labor Protection Act set forth by the local government's Department of Labor. These benefits are provided as a lump-sum payment to employees upon retirement.

5. The agreements between labor and management and the situation regarding the protection of various employee rights.

All company regulations adhere to the guidelines of the Labor Standards Act, and regular labor-management meetings are convened along with the establishment of a labor suggestion box. These serve as channels for communication between labor and management, allowing employees to provide feedback anonymously or with their names attached. Over the years, both labor and management have maintained a good level of interaction and harmonious relationships, with no major labor disputes occurring.

5.5.2 Over the past two fiscal years up to the publication date of the annual report, the company has not incurred any losses due to labor disputes, including violations of labor regulations resulting from labor inspections. Therefore, there are no records of penalties,

violation articles, content of violations, or disciplinary actions. Furthermore, there are no estimates of potential future losses or corresponding measures as there have been no incidents to estimate.

5.6 Information and Communication Technology (ICT) Security Management

5.6.1 Below is the description of our company's information and communication technology (ICT) security categorized into four dimensions: risk management framework, ICT security policy, specific management plans, and allocation of resources for ICT security management:

1. Information and Communication Technology (ICT) Security Risk Management Framework

Our company's management organization for information and communication technology (ICT) security is the Information Center, which falls under the General Manager's Office. Its responsibilities include coordinating, formulating, and implementing relevant ICT security policies and operational procedures.

2. Information and Communication Technology (ICT) Security Policy

Our company's ICT security encompasses network security, external threats, and risks from employee-introduced viruses. We have implemented a three-tier defense mechanism to ensure the smooth operation of operations and technical development.

(1) First Line of Defense: Operational Staff

Information personnel with technical backgrounds, in collaboration with professional network management or cybersecurity firms, establish this layer of defense according to the requirements of the security policy. Standard operating procedures are developed, and daily operational tasks are executed by personnel from the Information Center. The operations team is responsible for installing and configuring system environments.

(2) Second Line of Defense: Security Assessment Personnel

They design and monitor various security policies to ensure the implementation of the first line of defense and its effectiveness in providing protection. Additionally, they are responsible for deploying relevant control tools and projects.

(3) Third Line of Defense: Internal Audit

They provide independent and objective advice for auditing the first and second lines of defense mechanisms and offer improvement suggestions.

(4) Information Security Risk Management and Improvement Architecture

Every year, our company conducts a reassessment and review of potential information security risks. The Information Department adjusts relevant policies and tasks the operations team with their execution.

3. Specific Management Plans

Our company's ICT security management policy covers the handling of personal information, operational data, and business confidentialities. It undergoes regular checks and is publicly announced to all employees. This management policy is formulated based on regulations governing data security and computer usage. Additionally, our company outsources information services to third-party vendors. Before signing contracts, these vendors undergo investigations into their information security technology to ensure legal protection for both parties in terms of information security and personal data.

(1) Information Security Advocacy

Employees who use the company's network, access files, send and receive emails, and use the ERP system submit permission requests to the Information Department. Subsequently, information security advocacy content is sent via email. After reading, employees sign and return the documents to the Information Department. For the ERP system, passwords are regularly changed, and information security advocacy content is posted on bulletin boards to remind all employees to be vigilant about ICT security.

(2) Device Protection Measures

The information room is equipped with access control measures, including surveillance cameras recording entries and exits as well as changes in the surrounding environment. The temperature is maintained within suitable ranges for server operation. Additionally, a network monitoring system is in place to monitor network status and inspect operation change records, ensuring the ability to audit personnel operations related to information security at any time.

(3) Data Protection Measures

Our company employs firewalls for external network protection and regularly updates antivirus software on them. For our core ERP system, permissions for the operational environment are restricted to designated personnel only. The environment is segmented into development, testing, and production to ensure data accuracy and security. Additionally, our on-site data center performs daily backups, which are also uploaded to the cloud to fulfill the operational requirements for off-site redundancy.

In terms of identity verification for data access, personnel requesting access to internal system databases must submit requests according to the scope of their business needs. Their permissions are then set accordingly, and the reasonableness of account permissions is periodically reviewed. When replacing old servers, data hard drives and other equipment are handled separately. Data hard drives are centrally managed by the Information Department, while servers are handed over to recyclers to avoid concerns about information leakage.

4. Allocation of Resources for ICT Security Management

Our company recognizes the importance of information and communication technology security to our operations. Therefore, we allocate budget annually for activities such as intrusion prevention, antivirus software updates, firewall maintenance, and enhancement of security systems. This budget includes both manpower and equipment resources.

5.6.2 Below are the details of significant information and communication technology security incidents incurred in the past two fiscal years up to the publication date of the annual report, along with potential impacts and response measures. If unable to reasonably estimate, the inability to estimate should be explained.

In the past two fiscal years up to the publication date of this report, our company has not experienced any significant information and communication technology security incidents that would impact the company's finances or normal business operations.

5.7 Key Contracts

Nature of Contracts	Parties Involved		Contract Start and End Dates	Main Content	Restrictions and Clauses
Engineering Contract	KING SHING AUTOMOBILE PARTS CO., LTD.	ENMAX SOLAR 1(EPC)CO., LTD.	2022.09.23~ Warranty Period Expires	Solar Panel Roof Installation Project	—
Financing Contract	KING SHING INDUSTRIAL CO., LTD.	Chang Hwa Commercial Bank, Ltd.	2024.01.01~ 2024.12.31	General Working Capital Loan Agreement	—
Financing Contract	KING SHING INDUSTRIAL CO., LTD.	CTBC Bank Co., Ltd	2023.09.01~ 2024.08.31	Bank Credit Comprehensive Limit Agreement and General Contract	—
Financing Contract	KING SHING INDUSTRIAL CO., LTD.	Taishin International Bank Co., Ltd.	2024.02.01~ 2025.01.31	Credit Agreement Document	—

VI • Financial Standing

6.1 Most Recent 5-Year Concise Financial Information

6.1.1 Concise Balance Sheet

1. Consolidated financial statements - IFRS

Unit: NT\$ thousand

Item	Year	Financial Information for the Most Recent 5 Years				
		2019	2020	2021	2022	2023
Current Assets			607,306	718,434	901,472	996,797
Net property, Plant and Equipment			954,767	885,252	890,752	909,411
Intangible Assets			553	5,155	13,145	11,072
Other Assets			21,134	24,309	20,996	24,844
Total Assets			1,583,760	1,633,150	1,826,365	1,942,124
Current Liabilities	Before Distribution		644,321	507,339	541,362	358,264
	After Distribution		644,321	507,339	541,362	457,384(Note2)
Non-current Liabilities			20,214	16,787	19,893	24,364
Total Liabilities	Before Distribution		664,535	524,126	561,255	382,628
	After Distribution		664,535	524,126	561,255	481,748(Note2)
Equity Attributed to Owners of Parent			407,134	1,109,024	1,265,110	1,559,496
Share Capital		Not Applicable (Note1)	300,000	511,860	511,860	600,000
Capital Surplus	Before Distribution		2,709	529,932	531,028	606,111
	After Distribution		2,709	529,932	531,028	573,711(Note2)
Retained Earnings	Before Distribution		104,425	152,316	273,921	400,708
	After Distribution		104,425	152,316	273,921	333,988(Note2)
Other Equity Interests			—	(85,084)	(51,699)	(47,323)
Treasury Shares			—	—	—	—
Non-Controlling Interests			—	—	—	—
Former Owner of Business Combination Under Common Control			512,091	—	—	—
Total Equity	Before Distribution		919,225	1,109,024	1,265,110	1,559,496
	After Distribution	919,225	1,109,024	1,265,110	1,460,376 (Note2)	

Source: Consolidated financial reports audited by certified public accountants for each fiscal year.

Note 1: The Company began preparing consolidated financial reports starting from 2021, and comparative figures for 2020 are included.

Note 2: The aforementioned allocated figures were approved by the Board of Directors on April 8, 2024.

2. Parent-only financial statement - IFRS

Unit: NT\$ thousand

Year		Financial Information for the Most Recent 5 Years					
		2019	2020	2021	2022	2023	
Item							
Current Assets			534,139	576,337	751,638	824,124	
Net property, Plant and Equipment			588,705	584,089	579,223	577,678	
Intangible Assets			553	4,856	12,866	10,836	
Other Assets			528,307	477,030	521,513	560,495	
Total Assets			1,651,704	1,642,312	1,865,240	1,973,133	
Current Liabilities	Before istribution		722,849	525,503	592,386	402,554	
	After Distribution		722,849	525,503	592,386	501,674(Note2)	
Non-current Liabilities			9,630	7,785	7,744	11,083	
Total Liabilities	Before istribution		732,479	533,288	600,130	413,637	
	After Distribution		732,479	533,288	600,130	512,757(Note2)	
Equity Attributed to Owners of Parent			407,134	1,109,024	1,265,110	1,559,496	
Share Capital		Not Applicable (Note1)	300,000	511,860	511,860	600,000	
Capital Surplus	Before istribution		2,709	529,932	531,028	606,111	
	After Distribution		2,709	529,932	531,028	573,711(Note2)	
Retained Earnings	Before istribution		104,425	152,316	273,921	400,708	
	After Distribution		104,425	152,316	273,921	333,988(Note2)	
Other Equity Interests				—	(85,084)	(51,699)	(47,323)
Treasury Shares				—	—	—	—
Non-Controlling Interests				—	—	—	—
Former Owner of Business Combination Under Common Control				512,091	—	—	—
Total Equity	Before istribution			919,225	1,109,024	1,265,110	1,559,496
	After Distribution		919,225	1,109,024	1,265,110	1,460,376 (Note2)	

Source: Parent-only financial reports audited by certified public accountants for each fiscal year.

Note 1: The Company began preparing consolidated financial reports starting from 2021, and comparative figures for 2020 are included.

Note 2: The aforementioned allocated figures were approved by the Board of Directors on April 8, 2024.

3. Parent-only financial statement - ROC

Unit: NT\$ thousand

Item \ Year	Financial Information for the Most Recent 5 Years				
	2019	2020	2021	2022	2023
Current Assets	423,677				
Net property, Plant and Equipment	594,322				
Intangible Assets	1,067				
Other Assets	3,551				
Total Assets	1,022,617				
Current Liabilities	Before distribution	618,429			
	After Distribution	618,429			
Non-current Liabilities	5,805				
Other Liabilities	—				
Total Liabilities	Before distribution	624,234			
	After Distribution	624,234			
Share Capital	300,000				
Capital Surplus	—				
Retained Earnings	Before distribution	98,383			
	After Distribution	98,383			
Other Equity Interests	—				
Treasury Shares	—				
Total Equity	Before distribution	398,383			
	After Distribution	398,383			

Not Applicable (Note)

Source: Parent-only financial reports audited by certified public accountants for each fiscal year.

Note: The Company first adopted the International Financial Reporting Standards (IFRS) in 2021, and comparative figures for 2020 are included. Therefore, the financial information for 2020-2023 is not applicable under ROC.

6.1.2 Condensed income statement

1. Consolidated financial statements - IFRS

Unit: NT\$ thousand

Item \ Year	Financial Information for the Most Recent 5 Years				
	2019	2020	2021	2022	2023
Operating revenue		886,059	822,114	940,201	1,033,173
Gross Profit from Operations		207,757	233,930	257,794	304,091
Net Operating Income		60,659	82,165	108,223	148,012
Non-Operating Income and Expenses		(174)	(6,447)	46,401	16,727
Profit (Loss) from Continuing operations Before Tax		60,485	75,718	154,624	164,739
Profit (Loss) from Continuing Operations		57,490	62,142	119,401	126,013
Loss from Discontinuing Operations		—	—	—	—
Net income for the period		57,490	62,142	119,401	126,013
Other comprehensive income, net		(19,569)	(63,770)	35,589	5,150
Total comprehensive income		37,921	(1,628)	154,990	131,163
Profit, attributable to owners of parent	Not Applicable (Note)	13,949	45,844	119,401	126,013
Profit, attributable to non-controlling interests		—	—	—	—
Profit, attributable to Former Owner of Business Combination Under Common Control		43,541	16,298	—	—
Comprehensive income, attributable to owners of parents		13,648	36,474	154,990	131,163
Comprehensive income, attributable to noncontrolling interests		—	—	—	—
Comprehensive income, attributable to Former Owner of Business Combination Under Common Control		24,273	(38,102)	—	—
Basic earnings per share		0.46	1.20	2.33	2.36

Source: Consolidated financial reports audited by certified public accountants for each fiscal year.

Note: The Company began preparing consolidated financial reports starting from 2021, and comparative figures for 2020 are included.

2. Parent Company Only financial statements - IFRS

Unit: NT\$ thousand

Item \ Year	Financial Information for the Most Recent 5 Years				
	2019	2020	2021	2022	2023
Operating revenue		875,252	814,191	929,530	1,019,547
Gross Profit from Operations		110,529	170,303	187,361	220,374
Net Operating Income		17,744	73,425	90,074	120,677
Non-Operating Income and Expenses		39,746	144	61,563	43,660
Profit (Loss) from Continuing operations Before Tax		57,490	73,569	151,637	164,337
Profit (Loss) from Continuing Operations		57,490	62,142	119,401	126,013
Loss from Discontinuing Operations		—	—	—	—
Net income for the period		57,490	62,142	119,401	126,013
Other comprehensive income, net		(19,569)	(63,770)	35,589	5,150
Total comprehensive income		37,921	(1,628)	154,990	131,163
Profit, attributable to owners of parent	Not Applicable (Note)	13,949	45,844	119,401	126,013
Profit, attributable to non-controlling interests		—	—	—	—
Profit, attributable to Former Owner of Business Combination Under Common Control		43,541	16,298	—	—
Comprehensive income, attributable to owners of parents		13,648	36,474	154,900	131,163
Comprehensive income, attributable to noncontrolling interests		—	—	—	—
Comprehensive income, attributable to Former Owner of Business Combination Under Common Control		24,273	(38,102)	—	—
Basic earnings per share		0.46	1.20	2.33	2.36

Source: Parent-only financial reports audited by certified public accountants for each fiscal year.

Note: The Company began preparing consolidated financial reports starting from 2021, and comparative figures for 2020 are included. The financial data for 2020-2023 has been audited by certified public accountants.

3. Parent Company Only financial statements - ROC

Unit: NT\$ thousand

Item \ Year	Financial Information for the Most Recent 5 Years				
	2019	2020	2021	2022	2023
Operating revenue	791,674				
Gross Profit from Operations	45,711				
Net Operating Income	(47,593)				
Non-Operating Income and Expenses	(279)				
Profit (Loss) from Continuing operations Before Tax	(47,872)				
Profit (Loss) from Continuing Operations	(47,872)				Not Applicable (Note)
Loss from Discontinuing Operations	—				
Net income for the period	(53,921)				
Other comprehensive income, net	—				
Total comprehensive income	(53,921)				

Source: Parent-only financial reports audited by certified public accountants for each fiscal year.

Note: The Company first adopted the International Financial Reporting Standards (IFRS) in 2021, and comparative figures for 2020 are included. Therefore, the financial information for 2020-2023 is not applicable under ROC.

6.1.3 CPAs and Their Opinions for Most Recent 5-Years

Year	Name of accounting firm	Name of CPA	Opinions on the audit
2019	PwC Taiwan	Lin, Se-Kai	Audit Report with unqualified (unreserved) opinion
2020	PwC Taiwan	Lin, Se-Kai	Audit Report with unqualified (unreserved) opinion
2021	PwC Taiwan	Lin, Se-Kai Lin, Chun-Yao	Audit Report with unqualified (unreserved) opinion
2022	PwC Taiwan	Lin, Se-Kai Lin, Chun-Yao	Audit Report with unqualified (unreserved) opinion
2023	PwC Taiwan	Lin, Se-Kai Lin, Chun-Yao	Audit Report with unqualified (unreserved) opinion

6.2 Most Recent 5-Year Financial Analysis

6.2.1 Financial Analysis on Consolidated Financial Statements - IFRS

Item		Year	Financial Information for the Most Recent 5 Years				
		2019	2020	2021	2022	2023	
Financial Ratio (%)	Total liabilities to total assets(%)		41.96	32.09	30.73	19.70	
	Long-term capital to PP&E (%)		98.39	127.17	144.26	174.16	
Ability to Pay off Debt (%)	Current ratio (%)		94.26	141.61	166.52	278.23	
	Quick ratio (%)		62.27	72.70	101.30	176.99	
	Interest protection		9.76	17.39	29.61	30.65	
Ability to Operate	A/R turnover (times)		8.33	4.45	3.67	3.68	
	A/R turnover days		44	83	100	100	
	Inventory turnover (times)		2.71	2.13	1.96	2.05	
	Account payable turnover (times)		7.74	5.84	6.72	8.56	
	Days sales outstanding		135	172	187	179	
	Fixed assets turnover (times)		0.92	0.89	1.06	1.15	
	Total assets turnover (times)		0.59	0.51	0.54	0.55	
Earning ability	Return on assets (%)		4.19	4.09	7.15	6.92	
	Return on equity (%)		6.61	6.13	10.06	8.92	
	PBT to pay-in capital %		20.16	14.79	30.21	27.46	
	Net margin (%)		6.49	7.56	12.70	12.20	
	EPS (NT\$)		0.46	1.20	2.33	2.36	
Cash flow %	Cash flow ratio (%)		20.94	Note3	19.13	54.84	
	Cash flow adequacy ratio (%)		230.37	12.20	25.50	46.81	
	Cash reinvestment ratio (%)		9.37	Note3	5.98	9.46	
Leverage	Operating leverage		6.81	5.37	4.21	3.54	
	Financial leverage		1.13	1.06	1.05	1.04	

Not Applicable (Note1)

Reasons for changes in various financial ratios over the past two years (analysis is not required for changes less than 20%) :

1. Financial Ratio: The decrease in the debt-to-asset ratio and the increase in the long-term funds to property, plant, and equipment ratio are primarily due to the capital increase in cash in 2023.
2. Ability to Pay off Debt: The increase in the current ratio and quick ratio is due to the company's stable operations and continuous performance growth.
3. Ability to Operate: The increase in the accounts payable turnover rate is due to the adjustment of the group's production allocation, affecting the transaction model and payment terms of suppliers, leading to a decrease in accounts payable and thus an increase in the accounts payable turnover rate.
4. Cash Flow: The increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio is due to the company's stable operations and continuous performance growth, resulting in an increase in net cash inflows from operating activities.

Source: Consolidated financial reports audited by certified public accountants for each fiscal year.

Note 1: The Company first adopted the International Financial Reporting Standards (IFRS) in 2021, and comparative figures for 2020 are included. The calculations in the above table are based on data starting from 2020.

Note 2: The financial data for 2020-2023 has been audited by certified public accountants.

Note 3: Due to the negative value of net cash flow from operating activities, it is not meaningful to analyze, and therefore, various cash flow ratios are not calculated.

Note 4: The formulas for financial analysis are as follows:

1. Financial structure:

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment.

2. Solvency:

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
- (3) Interest protection multiples = net income before income tax and interest expenses/current interest expenses.

3. Operating ability:

- (1) Accounts receivable (including accounts receivable and notes receivable due to operation) turnover = net sales/average accounts receivable (including accounts receivable and notes receivable due to operation)) balance.
- (2) Average collection days = 365/accounts receivable turnover.
- (3) Inventory turnover = sales cost/average inventory.
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sales cost/balance of average accounts payable (including accounts payable and notes payable resulting from operation)
- (5) Average daily sales = 365/inventory turnover.
- (6) Real estate, plant and equipment turnover = net sales/net average real estate, plant and equipment.
- (7) Total asset turnover = net sales/average total assets.

4. Profitability:

- (1) Return on assets = (after tax profit + interest expenses * (1 - tax rate)) / average total assets.
- (2) Return on equity = after-tax profit/average total equity.
- (3) Net profit margin = after-tax profit/net sales.
- (4) Earnings per share = (income attributable to parent company shareholders - preferred stock dividends) /weighted average outstanding shares.

5. Cash flow:

- (1) Cash flow ratio = Net cash flow from operating activities/current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating costs and expenses)/operating income.
- (2) Financial leverage = operating profit/(operating profit-interest expense).

6.2.2 Financial Analysis on Parent Company Only Financial Statements - IFRS

Item		Year	Financial Information for the Most Recent 5 Years				
			2019	2020	2021	2022	2023
Financial Ratio (%)	Total liabilities to total assets(%)			44.35	32.47	32.17	20.96
	Long-term capital to PP&E (%)			157.78	191.21	219.75	271.88
Ability to Pay off Debt (%)	Current ratio (%)			73.89	109.67	126.88	204.72
	Quick ratio (%)			51.68	62.90	87.28	146.37
	Interest protection			9.33	16.92	29.36	31.15
Ability to Operate	A/R turnover (times)			6.69	4.21	3.67	3.68
	A/R turnover days			55	87	100	100
	Inventory turnover (times)			3.68	3.20	3.11	3.43
	Account payable turnover (times)			4.79	4.29	6.06	7.02
	Days sales outstanding			100	115	118	107
	Fixed assets turnover (times)			1.48	1.39	1.60	1.76
	Total assets turnover (times)			0.57	0.49	0.53	0.53
Earning ability	Return on assets (%)			4.10	4.00	7.05	6.79
	Return on equity (%)			6.61	6.13	10.06	8.92
	PBT to pay-in capital %			19.16	14.37	29.62	27.39
	Net margin (%)			6.57	7.63	12.85	12.36
	EPS (NT\$)			0.46	1.20	2.33	2.36
Cash flow %	Cash flow ratio (%)			13.29	Note3	15.54	30.93
	Cash flow adequacy ratio (%)			1,549.84	5.84	87.31	176.64
	Cash reinvestment ratio (%)			9.54	Note3	6.75	7.48
Leverage	Operating leverage			12.13	3.75	3.20	2.73
	Financial leverage			1.64	1.07	1.06	1.05

Not Applicable (Note1)

Reasons for changes in various financial ratios over the past two years (analysis is not required for changes less than 20%) :

1. Financial Ratio : The decrease in the debt-to-asset ratio and the increase in the long-term funds to property, plant, and equipment ratio are primarily due to the capital increase in cash in 2023.
2. Ability to Pay off Debt: The increase in the current ratio and quick ratio is due to the company's stable operations and continuous performance growth.
3. Cash Flow: The increase in the cash flow ratio and cash flow adequacy ratio is due to the company's stable operations and continuous performance growth, resulting in an increase in net cash inflows from operating activities.

Source: Individual financial reports audited by certified public accountants for each fiscal year

Note 1: The Company first adopted the International Financial Reporting Standards (IFRS) in 2021, and comparative figures for 2020 are included. The calculations in the above table are based on data starting from 2020.

Note 2: The financial data for 2020-2023 has been audited by certified public accountants.

Note 3: Due to the negative value of net cash flow from operating activities, it is not meaningful to analyze, and therefore, various cash flow ratios are not calculated.

6.2.3 Financial Analysis on Parent Company Only Financial Statements - ROC

Item	Year	Financial Information for the Most Recent 5 Years				
		2019	2020	2021	2022	2023
Financial Ratio (%)	Total liabilities to total assets(%)	61.04				
	Long-term capital to PP&E (%)	68.01				
Ability to Pay off Debt (%)	Current ratio (%)	68.51				
	Quick ratio (%)	26.51				
	Interest protection	(6.15)				
Ability to Operate	A/R turnover (times)	6.43				
	A/R turnover days	57				
	Inventory turnover (times)	3.04				
	Account payable turnover (times)	6.39				
	Days sales outstanding	121				
	Fixed assets turnover (times)	1.32				
	Total assets turnover (times)	0.79				
Earning ability	Return on assets (%)	(4.82)				
	Return on equity (%)	(12.68)				
	Net Operating Income to pay-in capital %	(15.86)				
	PBT to pay-in capital %	(15.96)				
	Net margin (%)	(6.81)				
	EPS (NT\$)	(1.80)				
Cash flow %	Cash flow ratio (%)	2.20				
	Cash flow adequacy ratio (%)	14.99				
	Cash reinvestment ratio (%)	2.82				
Leverage	Operating leverage	(3.03)				
	Financial leverage	0.88				
Reasons for changes in various financial ratios over the past two years (analysis is not required for changes less than 20%) : Not Applicable.						

Not Applicable (Note1)

Source: Individual financial reports audited by certified public accountants for each fiscal year

Note 1: The Company first adopted the International Financial Reporting Standards (IFRS) in 2021; therefore, there is no financial information based on Taiwan's Enterprise Accounting Standards for the years 2021-2023.

Note 2: The formulas for financial analysis are as follows:

1. Financial structure:

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment.

2. Solvency:

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
- (3) Interest protection multiples = net income before income tax and interest expenses/current interest expenses.

3. Operating ability:

- (1) Accounts receivable (including accounts receivable and notes receivable due to operation) turnover = net sales/average accounts receivable (including accounts receivable and notes receivable due to operation)) balance.
- (2) Average collection days = 365/accounts receivable turnover.
- (3) Inventory turnover = sales cost/average inventory.

- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sales cost/balance of average accounts payable (including accounts payable and notes payable resulting from operation)
 - (5) Average daily sales = 365/inventory turnover.
 - (6) Real estate, plant and equipment turnover = net sales/net average real estate, plant and equipment.
 - (7) Total asset turnover = net sales/average total assets.
4. Profitability:
- (1) Return on assets = (after tax profit + interest expenses * (1 - tax rate)) / average total assets.
 - (2) Return on equity = after-tax profit/average total equity.
 - (3) Net profit margin = after-tax profit/net sales.
 - (4) Earnings per share = (income attributable to parent company shareholders - preferred stock dividends) /weighted average outstanding shares.
5. Cash flow:
- (1) Cash flow ratio = Net cash flow from operating activities/current liabilities.
 - (2) Net cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
- (1) Operating leverage = (net operating revenue - variable operating costs and expenses)/operating income.
 - (2) Financial leverage = operating profit/(operating profit-interest expense).

6.3 Audit Committee's report on the financial statements of the most recent year : Attachment III.

6.4 Independent Auditors' Report and 2023 Consolidated Financial Statements : Attachment IV.

6.5 Independent Auditors' Report and 2023 Parent Company Only Financial Statements : Attachment V.

6.6 If the company and its affiliated companies have encountered financial distress in the most recent year up to the date of the annual report's publication, the impact on the company's financial position must be disclosed: None.

VII. Analysis of Financial Position, Performance and Risk related Issues

7.1 Comparative Analysis of Financial Position : The main reasons for the significant changes in assets, liabilities and equity in the last two years and their impact. If the impact is significant, the future response plan should be stated.

Unit: NT\$ thousand;%

Item	Year		Difference	
	2022	2023	Amount	%
Current Assets	901,472	996,797	95,325	10.57
Net property, Plant and Equipment	890,752	909,411	18,659	2.09
Intangible Assets	13,145	11,072	(2,073)	(15.77)
Other Assets	20,996	24,844	3,848	18.33
Total Assets	1,826,365	1,942,124	115,759	6.34
Current Liabilities	541,362	358,264	(183,098)	(33.82)
Non-current Liabilities	19,893	24,364	4,471	22.48
Total Liabilities	561,255	382,628	(178,627)	(31.83)
Share Capital	511,860	600,000	88,140	17.22
Capital Surplus	531,028	606,111	75,083	14.14
Retained Earnings	273,921	400,708	126,787	46.29
Other Equity Interests	(51,699)	(47,323)	4,376	8.46
Non-Controlling Interests	—	—	—	—
Total Equity	1,265,110	1,559,496	294,386	23.27
<p>Main Reasons and Impacts of Significant Changes (Changes of 20% or More and Amounts Exceeding NTD 10 Million) in Assets, Liabilities, and Equity in the Last Two Years; Future Response Plans if Impacts are Significant</p> <p>1. Main Reasons and Impacts of Significant Changes:</p> <p>(1) Current Liabilities: The decrease is due to the repayment of short-term borrowings.</p> <p>(2) Total Liabilities: The decrease is due to the repayment of short-term borrowings.</p> <p>(3) Retained Earnings: The increase is due to stable operations and continuous performance growth of the Company.</p> <p>(4) Total Equity: The increase in 2023 is due to cash capital increase and execution of employee stock options amounting to NTD 160,640 thousand, along with stable operations and continuous performance growth. The net profit for 2023 was NTD 126,013 thousand.</p> <p>2. Future Response Plans if Impacts are Significant:</p> <p>The aforementioned changes have no significant adverse impact on the Company, and the overall performance of the Company shows no major abnormalities. Therefore, there is no need to formulate a response plan.</p>				

7.2 Comparative Analysis of Financial Performance : The main reasons for the significant changes in operating income, operating net profit and pre-tax net profit in the past two years, as well as the expected sales volume and their basis, the possible impact on the company's future financial business and corresponding plans.

Unit: NT\$ thousand;%

Item	Year	2022	2023	Difference	
				Amount	%
Operating revenue		940,201	1,033,173	92,972	9.89
Operating Cost		(682,407)	(729,082)	(46,675)	6.84
Gross Profit from Operations		257,794	304,091	46,297	17.96
Operating expenses		(149,571)	(156,079)	(6,508)	4.35
Net Operating Income		108,223	148,012	39,789	36.77
Non-Operating Income and Expenses		46,401	16,727	(29,674)	(63.95)
Profit (Loss) from Continuing operations Before Tax		154,624	164,739	10,115	6.54
Income tax expense		(35,223)	(38,726)	(3,503)	9.95
Net income for the period		119,401	126,013	6,612	5.54
Other comprehensive income, net		35,589	5,150	(30,439)	(85.53)
Total comprehensive income		154,990	131,163	(23,827)	(15.37)
<p>Main Reasons for Significant Changes (Changes of 20% or More and Amounts Exceeding NTD 10 Million) in Operating Revenue, Operating Profit, and Pre-Tax Profit in the Last Two Years; Estimated Sales Volume and Basis, Possible Impact on the Company's Future Financial Business, and Response Plans</p> <p>1. Main Reasons and Impacts of Significant Changes:</p> <p>(1) Gross Profit from Operations: The changes are due to the company's stable operations and continuous performance growth.</p> <p>(2) Non-Operating Income and Expenses: The changes are due to the slowed appreciation of the US dollar, resulting in reduced foreign exchange gains from USD assets.</p> <p>(3) Other comprehensive income, net: This is due to the increase in exchange differences in the translation of financial statements of foreign operating institutions in the current period.</p> <p>2. Estimated Sales Volume and Basis, Possible Impact on the Company's Future Financial Business, and Response Plans:</p> <p>As the company has not prepared and announced financial forecasts, the estimated sales volume and basis are not applicable. Additionally, the company's financial position remains sound with no liquidity issues, and there are no significant abnormalities in overall operational performance. Therefore, there is no need to formulate a response plan.</p>					

7.3 Cash Flow Analysis : Analysis and explanation of cash flow changes in the most recent year, improvement plan for insufficient liquidity, and cash liquidity analysis for the next year.

7.3.1 Analysis of cash flow changes in the most recent year

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Operating Activities	103,553	196,464	92,911	89.72
Investment activities	(112,932)	51,333	164,265	145.45
Financing activities	24,578	(15,220)	(39,798)	(161.93)
Main Reasons for Cash Flow Changes in the Most Recent Year:				
(1) Operating Activities: The changes are due to the company's stable operations and continuous performance growth.				
(2) Investing Activities: The changes are due to a decrease in time deposits maturing in over three months in 2023, resulting in an increase in net cash inflows from investing activities.				
(3) Financing Activities: The changes are due to the repayment of short-term borrowings amounting to NTD 175,000 thousand, and the execution of employee stock options and cash capital increase totaling NTD 160,640 thousand in 2023. The combined effect of these factors is expected to result in net cash outflows from financing activities.				

7.3.2 Liquidity analysis for the coming year

Unit: NT\$ thousand

Balance of cash at the beginning of the period①	Cash flow from operating activities of entire year②	Cash flow from Investment activities of entire year③	Cash flow from Financing activities of entire year④	Balance of cash at the end of the period ①+②+③+④	Remedy against cash deficit	
					Investment activities	Financing activities
353,793	224,292	(69,519)	(100,130)	408,436	—	—
1. Analysis of Cash Flow Changes for the Coming Year:						
(1) Operating Activities: The company is expected to continue generating profits in 2024, leading to an increase in net income and net cash inflows from operating activities.						
(2) Investing Activities: Due to the anticipated increase in operational scale in 2024, the company plans to continuously acquire properties, plants, and equipment, which is expected to result in net cash outflows from investing activities.						
(3) Financing Activities: The execution of employee stock options in 2024 is expected to result in net cash inflows from financing activities.						

7.3.3 Improvement plan for insufficient liquidity: None.

7.4 Impact of Significant Capital Expenditures on Financial Business in the Most Recent Year: None.

7.5 Investment Policy, Main Reasons for Profits or Losses, Improvement Plans, and Investment Plan for the Coming Year

7.5.1 Investment Policy

The Company's operational objectives focus on expanding core business operations, accelerating product development, and market expansion. In compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the competent authorities, the Company has established "Procedures for the Acquisition or Disposal of Assets" as the basis for conducting investment activities, ensuring proper management of related business and financial conditions. Additionally, to enhance supervision and management of invested companies, the Company has formulated control and management measures for subsidiaries within the internal control system. These measures cover information disclosure, financial management, business operations, inventory, and overall financial management, ensuring the maximum effectiveness of investments.

7.5.2 Investment Policy, Main Reasons for Profits or Losses, Improvement Plans, and Investment Plan for the Coming Year

Unit: NT\$ thousand

Invested Business	Main Business Activities	Recognized Investment Gains (Losses) in 2023	Main Reasons for Profits or Losses	Improvement Plans
KING SHING AUTOMOBILE PARTS CO., LTD.	Manufacturing and Sales of Automotive Components	28,870	Operating Profit	None

7.5.3 Impact of Significant Capital Expenditures on Financial Business in the Most Recent Year: None.

7.6 Risk matters should be analyzed and evaluated for the following matters in the most recent year and as of the date of publication of the annual report.

7.6.1 Effect of Changes in Interest Rate, Foreign Exchange and Inflation on Corporate Finance, and our Countermeasures.

1. Impact of Interest Rate Changes on the Company's Profits and Losses and Future Response Measures

The interest expenses of the Company and its subsidiaries for 2022 and 2023 were NT\$5,405 thousand and NT\$5,556 thousand, respectively, accounting for 0.57% and 0.54% of net operating revenue. The proportions are very low, and the impact on the overall operations of the Company is minimal. Additionally, the Company and its subsidiaries continuously monitor changes in bank financing interest rates and maintain good relationships with financial institutions to accurately grasp future interest rate trends, thereby reducing the impact of interest rate fluctuations on the Company's and

its subsidiaries' profits and losses. Furthermore, the Company and its subsidiaries have stable finances and good credit, with a conservative and prudent approach to financial planning. Therefore, it is expected that future interest rate changes will not have a significant impact on the overall operations of the Company and its subsidiaries.

2. Impact of Exchange Rate Changes on the Company's Profits and Losses and Future Response Measures

The net foreign exchange gains of the Company and its subsidiaries for 2022 and 2023 were NT\$46,277 thousand and NT\$11,310 thousand, respectively, accounting for 4.92% and 1.09% of the annual net operating revenue. The Company and its subsidiaries primarily receive payments in US dollars for exports, while payments for imports are mainly in New Taiwan dollars (TWD) and Thai Baht (THB). The Company and its subsidiaries manage exchange rate risk by collecting information on foreign exchange market movements, maintaining close contact with financial institutions, continuously monitoring, and tracking exchange rate trends, and timely adjusting foreign currency holdings according to business needs to mitigate the risk of exchange rate fluctuations.

3. Impact of Inflation on the Company's Profits and Losses and Future Response Measures

In recent years, inflation has led to an increase in raw material prices. The Company and its subsidiaries will closely monitor global political and economic changes as well as market price trends. We will continuously observe price index fluctuations and inflation conditions worldwide. By maintaining good relationships with suppliers and customers, we can timely address the reasonableness of raw material price fluctuations to mitigate the risk of potential increases in raw material costs in the future.

7.6.2 Policies on High-Risk and High-Leverage Investments, Lending to Others, Endorsements and Guarantees, and Derivative Transactions, as well as Main Reasons for Profits or Losses and Future Response Measures in the Most Recent Year and Up to the Date of the Annual Report's Publication

1. Policies on High-Risk and High-Leverage Investments, Main Reasons for Profits or Losses, and Future Response Measures

The Company and its subsidiaries have not engaged in any high-risk or high-leverage investments in the most recent year and up to the date of the annual report's publication.

2. Policies on Lending Funds to Others, Endorsements and Guarantees, and Derivative Transactions, Main Reasons for Profits or Losses, and Future Response Measures

(1) Lending Funds to Others

The Company and its subsidiaries have not engaged in lending funds to others in the most recent year and up to the date of the annual report's publication. In the future, if there is a business need to do so, it will be executed in accordance with the relevant regulations of the competent authorities and the "Procedures for Lending Funds to Others" established by the Company and its subsidiaries.

(2) Endorsements and Guarantees

The Company and its subsidiaries have not engaged in endorsements and guarantees in the most recent year and up to the date of the annual report's publication. In the future, if there is a business need to do so, it will be executed in accordance with the relevant regulations of the competent authorities and the "Procedures for Endorsements and Guarantees" established by the Company and its subsidiaries.

(3) Derivative Transactions

The Company and its subsidiaries have not engaged in derivative transactions in the most recent year and up to the date of the annual report's publication. In the future, if there is a business need to do so, it will be executed in accordance with the "Procedures for Acquisition or Disposal of Assets" and the "Procedures for Derivative Transactions" as the basis for executing derivative financial transactions.

7.6.3 Future R&D Plans and Estimated R&D Expenditure

1. Future R&D Plans

International car manufacturers are increasingly adopting brushless DC fan motors for cooling systems. Compared to traditional brushed motors, brushless DC motors offer higher efficiency, speed, and dynamic response, as well as significantly reduced electrical noise. Based on our established expertise in electrical engineering, our company has been developing brushless DC motors and their LIN Bus (Local Interconnect Network) technology for over 10 years. The future research and development directions are as follows:

(1) Enhancement of Brushless DC Motor and LIN Bus Technology:

In response to the rise of electric vehicles, our company plans to focus on the development of brushless fan motor products that feature low power consumption, low noise, low vibration, and lightweight design. We have already launched more than 300 types of products for European, American, Japanese, and Korean car models. We will expedite the development of motor fans for various electric vehicle models, while comprehensively improving technology and production precision.

(2) Expansion of Product Specifications for Various Vehicle Types:

Our company has long been dedicated to the motor, electronic control, and electronic technology of automotive cooling system fan motors. In addition to steady growth in the aftermarket (AM), we are actively developing the Original Equipment Suppliers (OES) market. We will continue to invest in the development of products required for different types of vehicles such as logistics vehicles, refrigerated trucks, trucks, and buses, to maximize the economic benefits of our existing R&D data, production experience, and sales channels.

2. Estimated R&D Expenditure

The estimated R&D expenditure will be allocated according to the progress and growth of product development. The R&D expenditure for 2023 is expected to be similar to that of 2022. We plan to continue investing in professional technical personnel, equipment, and new technology development to ensure the company's competitive advantage.

Unit: NTD Thousands; %

Item \ Year	2022	2023
Research and Development Expenses	22,771	25,895
Operating Revenue	940,201	1,033,173
Percentage (%)	2.42	2.51

7.6.4 Impact of Significant Domestic and International Policies and Legal Changes on the Company's Financial Business and Response Measures in the Most Recent Year and Up to the Date of the Annual Report's Publication

The Company and its subsidiaries conduct their daily operations in accordance with relevant domestic and international laws and regulations, while continuously monitoring policy developments and collecting information on regulatory changes. This information is reported to management and relevant departments to adjust business strategies accordingly. After evaluating the most recent year and up to the date of the annual report's publication, there have been no significant impacts on the Company's financial business due to changes in domestic or international policies and laws.

7.6.5 Impact of Technological Changes (Including Information Security Risks) and Industry Changes on the Company's Financial Business and Response Measures in the Most Recent Year and Up to the Date of the Annual Report's Publication

The Company and its subsidiaries continuously monitor technological changes and developments within the industry. We strive to enhance our R&D and development capabilities in line with industry and market trends, while keeping abreast of industry dynamics and competitor market information. This allows us to assess the impact on our operations and make necessary adjustments to ensure a competitive market advantage. In the most recent year and up to the date of the annual report's publication, technological changes (including information security risks) and industry changes have not had a significant impact on the Company's financial business.

7.6.6 Impact of Corporate Image Changes on Corporate Crisis Management and Response Measures in the Most Recent Year and Up to the Date of the Annual Report's Publication

The Company and its subsidiaries uphold the principles of professionalism and integrity, valuing corporate image and risk management. In the most recent year and up to the date of the annual report's publication, there have been no instances of corporate image changes leading to crisis management situations for the Company.

7.6.7 Expected Benefits, Potential Risks, and Response Measures for Mergers and Acquisitions in the Most Recent Year and Up to the Date of the Annual Report's Publication

The Company has no plans for mergers and acquisitions in the most recent year and up to the date of the annual report's publication. If there are any merger and acquisition plans in the future, they will be executed in accordance with the Company's "Procedures for Acquisition or Disposal of Assets" and relevant regulations, with a prudent evaluation approach to ensure the interests of the Company and its shareholders.

7.6.8 Expected Benefits, Potential Risks, and Response Measures for Plant Expansion in the Most Recent Year and Up to the Date of the Annual Report's Publication : None.

7.6.9 Risks and Response Measures for Concentration in Purchasing or Sales in the Most Recent Year and Up to the Date of the Annual Report's Publication

1. Purchasing

The Company and its subsidiaries maintain cooperation with multiple suppliers for major raw materials, diversifying procurement to reduce the impact of sudden issues with any single supplier. There have been no instances of supply shortages or interruptions affecting production operations, ensuring stable and reliable supply sources.

2. Sales

The primary products of the Company and its subsidiaries are motor fans for automotive cooling systems and blowers for automotive air conditioning systems. We primarily conduct transactions with reputable sales customers, many of whom are publicly listed companies abroad, maintaining good cooperative relationships. The Company adheres to established credit terms and assesses the reasonableness of payment terms, ensuring proper control and management of operational risks. We also plan to continuously develop new customers to diversify revenue sources and reduce the risk of sales concentration.

7.6.10 Impact, Risks, and Response Measures of Significant Transfers or Changes in Equity by Directors, Supervisors, or Major Shareholders Holding More Than 10% of Shares in the Most Recent Year and Up to the Date of the Annual Report's Publication

In the most recent year and up to the date of the annual report's publication, transfers of the Company's shares by directors, supervisors, or major shareholders holding more than 10% of shares were primarily due to their own financial and inheritance planning adjustments. These transfers, aimed at stabilizing board control and complying with future listing regulations on equity dispersion, are not expected to have significant impacts or risks for the Company.

7.6.11 Impact, Risks, and Response Measures of Changes in Management Rights on the Company : None.

7.6.12 Litigation or non-litigation events should list the major lawsuits that have been decided or are still pending against the company and its directors, supervisors, general managers, substantive persons in charge, major shareholders with a shareholding ratio of more than 10%, and affiliated companies. , non-litigation or administrative disputes, the outcome of which may have a significant impact on shareholders' rights and interests or securities prices, the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling of the situation up to the date of publication of the annual report should be disclosed :None.

7.6.13 Other Important Risks and Response Measures : None.

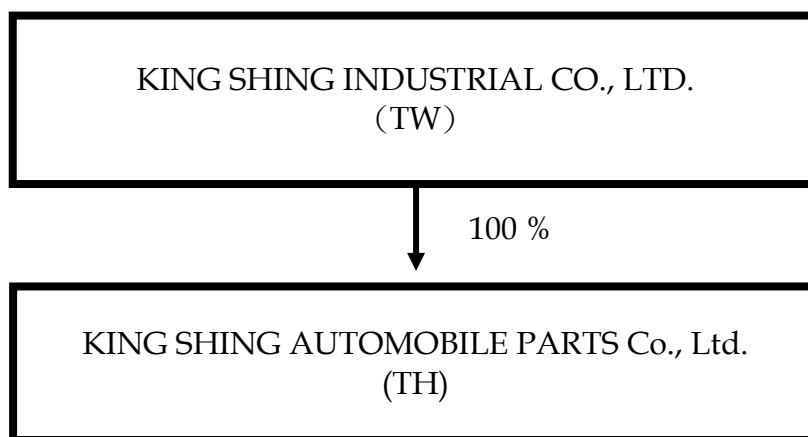
7.7 Other Important Matters: None.

VIII 、Special Provisions

8.1 Related company information

8.1.1 Consolidated Financial Statements of Related Companies

1. Organizational Chart of Related Companies (as of December 31, 2023)



2. Basic Information of Related Companies: December 31, 2023

Company Name	Establishment Date	Address	Paid-up Capital	Principal Business Activities
KING SHING AUTOMOBILE PARTS Co., Ltd.	2005.02	No.191/4, Moo. 2, Nongbondang, Banbueng, Chonburi, 20170 Thailand	TH 440,000,000	Research, Manufacturing, and Sales of Automotive Components

3. Common Shareholder Information for Entities Under Control and Subsidiaries: None.

4. Industries Covered by the Overall Business Operations of Related Companies and Details of Intercompany Division of Labor :

As of December 31, 2023

Company Name	Industry Sector	Intercompany Division of Labor
KING SHING AUTOMOBILE PARTS Co., Ltd.	Manufacturing and Trading	Through the acquisition of Thai King Hing, our company achieves vertical integration encompassing processes such as mold modification and manufacturing, plastic injection molding, metal precision stamping, CNC machining, metal grinding, and cardboard manufacturing. This integration of resources is poised to enhance operational efficiency, enabling the production of products through a one-stop process.

5. Directors, Supervisors, and General Manager of Related Companies :

As of December 31, 2023; Unit: Shares ; %

Company Name	Position	Name or representative	Holdings	
			Number of Shares	Percentage
KING SHING AUTOMOBILE PARTS Co., Ltd.	Director and General Manager	KING SHING INDUSTRIAL CO., LTD.	439,998	100.00
		Representative : Shih, Chun-Chin	1	—
	Director and Vice General Manager	Shih, Meng-Hsin	—	—

6. Financial Condition and Operating Overview of Related Companies :

As of December 31, 2023; Unit: New Taiwan Dollars (NTD) in Thousands

Company Name	KING SHING AUTOMOBILE PARTS Co., Ltd.
Total Assets	620,142
Total Liabilities	76,109
Total Shareholders' Equity	544,033
Operating Revenue	557,512
Operating Profit/Loss	27,474
Net Profit/Loss for the Period	29,224
Earnings per Share	N/A (Not Applicable)

8.1.2 Consolidated Financial Statements of Related Companies :

Our company's financial statements for the year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) are prepared in accordance with the 'Regulations Governing the Preparation of Consolidated Financial Statements of Related Companies, Consolidated Financial Statements, and Related Reports,' and are consistent with the companies required to prepare consolidated financial statements under International Financial Reporting Standards No. 10 recognized by the Financial Supervisory Commission. Furthermore, the relevant information required to be disclosed in the consolidated financial statements of related companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, separate preparation of consolidated financial statements of related companies is deemed unnecessary. Please refer to the consolidated statements of related companies on page Statement.

8.1.3 Related Party Disclosure : Not Applicable.

8.2 Recent and up to the date of printing of the annual report, there have been no private placements of securities.

8.3 Recent and up to the date of printing of the annual report, there have been no holdings or disposals of the company's stock by subsidiaries.

8.4 Other necessary supplementary explanations: None.

IX 、 If there are events specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act that have a significant impact on shareholders' equity or securities prices up to the most recent fiscal year and the publication date of the annual report: None.

X 、 Attachment

【Attachment I】

KING SHING INDUSTRIAL CO., LTD. Statement of Internal Control System

Date: April 8, 2024

Based on the results of self-assessment, our company's internal control system for the 112th year of the Republic of China would like to declare as follows:

1. The Company is fully aware that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established this system. Its purpose is to provide reasonable services to achieve the goals of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency and compliance with relevant norms and relevant laws and regulations. of assurance.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three goals; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system will be affected. May change accordingly. However, the company's internal control system has a self-supervision mechanism. Once deficiencies are identified, the company will take corrective actions.
3. The Company determines whether the design and implementation of the internal control system are effective based on the items for judging the effectiveness of the internal control system stipulated in the "Principles for Establishing Internal Control Systems for Publicly Issuing Companies" (hereinafter referred to as the "Principles"). The internal control system judgment items used in this "processing standard" are based on the management control process, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervise operations. Each component includes several items. Please refer to the provisions of the "Processing Guidelines" for the aforementioned items.
4. The company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.

5. Based on the evaluation results in the preceding paragraph, the Company believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2020, includes understanding the effectiveness of operations and the extent to which efficiency goals are achieved, and the reporting system. The design and implementation of relevant internal control systems that are reliable, timely, transparent and comply with relevant norms and laws and regulations are effective and can reasonably ensure the achievement of the above goals.
6. This statement will become the main content of the company's annual report and prospectus and will be made public. If the above-mentioned disclosed content is found to be false, concealed or otherwise illegal, it will involve legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement was approved by the company's board of directors on April 8, 2013. Among the 9 directors present, 0 objected, and the rest agreed with the contents of this statement and hereby declare it.

KING SHING INDUSTRIAL CO., LTD.

Chairman and President : SHIH, CHUN-CHIN

【Attachment II】

Accountant Internal Control System Review Report for 2023

To: KING SHING Industrial Co., Ltd.

Attached is the statement from KING SHING Industrial Co.,Ltd. (hereinafter referred to as "your company"), declaring that its internal control system related to external financial reporting and asset security was effectively designed and implemented as of June 30, 2023. This statement has been reviewed by our firm with reasonable assurance procedures completed.

Subject Matter, Subject Matter Information, and Applicable Criteria

The subject matter and subject matter information of this assurance engagement are the design and implementation of your company's internal control system related to external financial reporting and asset security as of June 30, 2023, and the statement issued by your company on August 28, 2023, declaring that the internal control system was effectively designed and implemented (collectively referred to as the "assurance subject matter").

The applicable criteria used to measure or evaluate the aforementioned assurance subject matter are the effectiveness assessment items of the internal control system according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies."

Congenital limitations.

Due to inherent limitations in any internal control system, your company's internal control procedures as described above may still fail to prevent or detect errors or fraud that have occurred. Additionally, future changes in the environment could reduce the effectiveness of adherence to internal control procedures. Therefore, the effectiveness of internal control procedures in this period does not guarantee effectiveness in the future.

The responsibility of the management level.

The responsibility of the management level is to establish internal control systems in accordance with relevant laws and regulations, and to continuously review them to ensure the ongoing effectiveness of the design and implementation of these internal

control systems. Following an assessment of their effectiveness, a statement on the internal control system is issued.

The responsibilities of an accountant

The responsibilities of this accountant are to perform necessary procedures in accordance with the "Internal Control System Establishment Guidelines for Publicly Issued Companies" and Assertion Standard No. 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," to obtain reasonable assurance and to express a conclusion on whether the subject matter complies, in all material respects, with applicable criteria and whether the conclusions reached are appropriate.

Independence and Quality Management Standards

This accountant and the accounting firm to which they belong adhere to the provisions regarding independence and other ethical standards in the Accountant's Professional Code of Ethics. The fundamental principles of this code include honesty, fairness, objectivity, professional competence and due care, confidentiality, and professional behavior. Additionally, the accounting firm adheres to quality management standards, maintaining a comprehensive quality management system, including written policies and procedures related to compliance with professional ethics, professional standards, and applicable laws.

Summary of Procedures Performed

This accountant plans and executes necessary procedures based on professional judgment to obtain evidence regarding the relevant subject matter. The procedures performed include understanding the company's internal control system, evaluating management's assessment process for the overall effectiveness of the internal control system, testing and evaluating the effectiveness of internal control system design and implementation related to external financial reporting and safeguarding of assets, and any other review procedures deemed necessary by this accountant. This accountant believes that this review work provides a reasonable basis for the conclusions reached.

Conclusion of Assurance

In this accountant's opinion, based on the criteria for assessing the effectiveness of internal control systems under the "Internal Control System Establishment Guidelines for Publicly Issued Companies," as of June 30, Year 112, your company's internal control system related to external financial reporting and asset safeguarding is effective in all material respects. The statement issued by your company on August 28,

Year 112, asserting the effectiveness of its internal control system related to external financial reporting and asset safeguarding is, in all material respects, appropriate.

Emphasis of Matter

Your company has established relevant operational procedures for asset acquisition or disposal, derivative trading, fund lending, endorsing or guaranteeing for others, managing related-party transactions, managing financial statement preparation processes, and supervising and managing subsidiaries in accordance with the "Internal Control System Establishment Guidelines for Publicly Issued Companies," "Guidelines for Publicly Issued Companies on Acquisition or Disposal of Assets," "Guidelines for Publicly Issued Companies on Fund Lending and Endorsement Guarantees," and other relevant regulations. This accountant has not modified the conclusion of assurance as a result of these procedures.

PricewaterhouseCoopers Taiwan

LIN,SE-KAI

CPA:

LIN,CHUN-YAO

October 17, 2023

【Attachment III】

Audit Committee's Review Report

The Board of Directors prepared and presented the Company's 2023 financial statements, business report and earnings distribution proposal. The 2023 financial statements have been audited by PwC Taiwan, which has issued an independent auditors' report. The above-mentioned financial statements, business report, and earnings distribution statement for 2023 have been reviewed and found to be correct by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit our report. Please verify.

KING SHING INDUSTRIAL CO., LTD.

Chairperson of the Audit Committee: LIU, DENG FA
April 8, 2024

KING SHING INDUSTRIAL CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND
2022
(Stock Code: 7732)

Company Address: No. 3, Gongye 1st Rd., Pingzhen Dist., Taoyuan
City 32461, Taiwan (R.O.C.)
Tel: (03)419-5988

KING SHING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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King Shing Industrial Co., Ltd.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Companies that should be included in the preparation of the consolidated financial statement of affiliated enterprises according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required for the preparation of the consolidated financial statements of parent companies and subsidiaries according to the IFRS 10 in 2023 (from January 1 to December 31, 2023). The relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the above consolidated financial statements of the parent companies and their subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliated enterprises.

Hereby declare

Company name: King Shing Industrial Co., Ltd.

Responsible person: Shih, Chun-Chin

April 8, 2024

To King Shing Industrial Co., Ltd.:

Audit opinions

We have audited the accompanying consolidated balance sheets of King Shing Industrial Co., Ltd. and its Subsidiaries (hereinafter refer to as the “King Shing Group”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows for January 1 to December 31, 2023 and 2022, 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 King Shing Group as of December 31, 2023 and 2022, and its consolidated financial performance and cash flows from January 1 to December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for audit opinions

We conducted our audits of the consolidated financial statements in accordance with the “Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants”, and auditing standards of the Republic of China. Our responsibilities under those standards are further addressed in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the King Shing Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities in accordance with the Norm. 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 King Shing 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 of the King Shing Group's 2023 consolidated financial statements were as follows:

Evaluation of allowance for inventory valuation losses

Description of matters

Please refer to Note IV(XII) of the consolidated financial report for accounting policies on inventory, Note V(II) for critical accounting estimates and assumptions in relation to inventory valuation, and Note VI(IV) for details of inventories.

King Shing Group is primarily engaged in manufacturing and sales of fans and blowers for automotive cooling systems. Considering the useful life of vehicles and the diverse range of products in the after-sales service market, which are available in small quantities, the company needs to prepare adequate inventories to gain market share. This increases the risk of loss on inventory valuation or inventory obsolescence. Each inventory is measured at the lower of cost and net realizable value. Inventory is evaluated for impairment due to normal wear and tear, obsolescence, or changes in selling prices, and valuation losses are recognized accordingly.

As the amounts of inventory are material, considering the estimation of net realizable value of inventory and the adjustment of obsolete inventory exceeding a certain period of its shelf life is subject to the subjective judgment of management, we evaluated that the impact of amount of allowance for inventory valuation losses on the financial statements is significant. Therefore, we consider the allowance for inventory valuation losses to be one of the most important matters for this year's audit.

Audit Procedures in Response

We performed the main response procedures in respect of the specific aspects mentioned in the above key audit matters as summarized below:

1. Understand and evaluate the reasonableness of the company's inventory valuation policies.
2. Understand the annual inventory plan of King Shing Group and participate in the annual inventory taking to evaluate the effectiveness of the management's classification and control of obsolete inventories.
3. Obtain inventory aging reports and verify related supporting documents for the dates on which inventory changes occurred, ensure the age ranges are classified correctly and are consistent with the policies.
4. Obtain reports of which the net realizable value of inventories are evaluated, verify the completeness of the reports, and test the accuracy of the net realizable value and related calculations, thereby evaluating the reasonableness of King Shing Group's decision regarding the allowance for valuation loss.

Sales revenue cutoff

Description of matters

Please refer to Note IV(XXV) of the consolidated financial report for accounting policies on sales revenue. Please refer to Note VI(XV) of the consolidated financial report for the details of sales revenue.

The operating revenue of the King Shing Group derives from manufacturing and selling fans and blowers for automotive cooling systems. There are different types of transactions terms when selling them to the customers. Sales revenue is recognized according to the individually agreed transaction terms with customers and confirmation of transfer of control of goods upon shipment. In particular, whether the control of goods shipped before the end of the reporting period has transferred to the customers in accordance with the agreed transaction terms will affect the period to which sales revenue is attributed in the financial statements. Therefore, we consider the cutoff of sales revenue to be one of the most important matters for this year's audit.

Audit Procedures in Response

We performed the main response procedures in respect of the specific aspects mentioned in the above key audit matters as summarized below:

1. We have acknowledged and evaluated the internal controls regarding the timing of recognition of sales revenue for King Shing Group, and tested the effectiveness of these controls.
2. Cutoff tests were conducted on sales transactions during a certain period before and after the end of the financial reporting period to assess the accuracy of the timing of revenue recognition.

Other matters- Parent company only financial reports

King Shing Industrial Co., Ltd. has prepared the parent company only financial statements for 2023, and 2022. We have issued an audit report with an unqualified opinion, which was filed for reference.

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 Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, and maintain necessary internal controls related to the preparation of consolidated financial statements to ensure that the consolidated financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing King Shing Group's financial reporting process.

Auditor's responsibilities for auditing the consolidated financial statement

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 audit report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 the consolidated financial statements.

We exercise professional judgment and maintain professional skepticism according to the auditing standards of the Republic of China when auditing. We also:

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

We communicate with those charged with governance, including 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to affect our independence (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of King Shing Group's 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a specific 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

Lin, Se-Kai

CPA

Lin, Chun-Yao

Former Securities and Futures Bureau of Financial
Supervisory Commission

Approval certificate number: Order No. Financial-
Supervisory-Securities-IV-0960072936

Former Securities Commission of the Ministry of
Finance

Approval certificate number: Order No. (85) Taiwan-
Ministry of Finance-Securities and Futures Bureau (6)
68702

April 8, 2024

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI(I)	\$ 353,793	18	\$ 121,141	7
1136	Financial assets at amortized cost - current	VI(II) and VIII	6,243	-	127,275	7
1150	Notes receivable, net	VI(III)	4,412	-	4,321	-
1170	Accounts receivable, net	VI(III)	263,368	14	288,681	16
1200	Other receivables		5,684	-	6,733	-
130X	Inventories	VI(IV)	361,217	19	350,068	19
1410	Prepayments		1,484	-	2,986	-
1470	Other current assets		596	-	267	-
11XX	Total current assets		<u>996,797</u>	<u>51</u>	<u>901,472</u>	<u>49</u>
Non-current assets						
1535	Financial assets at amortized cost - non-current	VI(II) and VIII	180	-	-	-
1600	Property, plant and equipment	VI(V) and VIII	909,411	47	890,752	49
1755	Right-of-use assets	VI(VI)	2,970	-	4,009	-
1780	Intangible assets	VI(VIII)	11,072	1	13,145	1
1840	Deferred income tax assets	VI(XXII)	18,408	1	14,162	1
1900	Other non-current assets		3,286	-	2,825	-
15XX	Total non-current assets		<u>945,327</u>	<u>49</u>	<u>924,893</u>	<u>51</u>
1XXX	Total assets		<u>\$ 1,942,124</u>	<u>100</u>	<u>\$ 1,826,365</u>	<u>100</u>

(Continued)

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

	Liabilities and equity	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	VI(IX)	\$ 179,000	9	\$ 354,000	20
2130	Contract liabilities- current	VI(XV)	1,803	-	1,594	-
2170	Accounts payable		78,325	4	91,974	5
2200	Other payables		55,910	3	53,582	3
2230	Current income tax liabilities		35,752	2	33,114	2
2280	Lease liabilities- current		1,040	-	1,006	-
2300	Other current liabilities		6,434	1	6,092	-
21XX	Total current liabilities		<u>358,264</u>	<u>19</u>	<u>541,362</u>	<u>30</u>
	Non-current liabilities					
2570	Deferred income tax liabilities	VI(XXII)	8,226	-	2,772	-
2580	Lease liabilities- non-current		2,008	-	3,028	-
2600	Other non-current liabilities	VI(X)	14,130	1	14,093	1
25XX	Total non-current liabilities		<u>24,364</u>	<u>1</u>	<u>19,893</u>	<u>1</u>
2XXX	Total liabilities		<u>382,628</u>	<u>20</u>	<u>561,255</u>	<u>31</u>
	Equity attributable to owners of the parent					
	Share capital	VI(XII)				
3110	Share capital - common stock		600,000	31	511,860	28
	Capital surplus	VI(XIII)				
3200	Capital surplus		606,111	31	531,028	29
	Retained earnings	VI(XIV)				
3310	Legal reserve		34,574	2	22,413	1
3350	Unappropriated retained earnings		366,134	19	251,508	14
	Other equity interest					
3400	Other equity interest		(47,323)	(3)	(51,699)	(3)
31XX	Total equity attributable to owners of parent		<u>1,559,496</u>	<u>80</u>	<u>1,265,110</u>	<u>69</u>
3XXX	Total equity		<u>1,559,496</u>	<u>80</u>	<u>1,265,110</u>	<u>69</u>
	Significant Events after the Balance Sheet Date	XI				
3X2X	Total liabilities and equity		<u>\$ 1,942,124</u>	<u>100</u>	<u>\$ 1,826,365</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars
(Except for earnings per share expressed in New Taiwan Dollar)

Item	Notes	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	VI(XV)	\$ 1,033,173	100	\$ 940,201	100
5000 Operating costs	VI(IV)(XX) (XXI)	(729,082)	(71)	(682,407)	(73)
5900 Operating profit - gross		<u>304,091</u>	<u>29</u>	<u>257,794</u>	<u>27</u>
Operating expenses	VI(XX) (XXI)				
6100 Selling expenses		(42,788)	(4)	(44,284)	(5)
6200 Administrative expenses		(87,267)	(8)	(77,539)	(8)
6300 Research and development expenses		(25,895)	(3)	(22,771)	(2)
6450 Expected credit impairment loss	XII(II)	(129)	-	(4,977)	(1)
6000 Total operational expenses		(<u>156,079</u>)	(<u>15</u>)	(<u>149,571</u>)	(<u>16</u>)
6900 Operating profit		<u>148,012</u>	<u>14</u>	<u>108,223</u>	<u>11</u>
Non-operating income and expenses					
7100 Interest income	VI(XVI)	7,530	1	2,472	-
7010 Other income	VI(XVII)	3,339	-	2,644	-
7020 Other gains and losses	VI(XVIII)	11,414	1	46,690	5
7050 Finance cost	VI(XIX) and VII	(5,556)	-	(5,405)	-
7000 Total non-operating income and expenses		<u>16,727</u>	<u>2</u>	<u>46,401</u>	<u>5</u>
7900 Profit before income tax		<u>164,739</u>	<u>16</u>	<u>154,624</u>	<u>16</u>
7950 Income tax expense	VI(XXII)	(38,726)	(4)	(35,223)	(4)
8200 Net income for the period		<u>\$ 126,013</u>	<u>12</u>	<u>\$ 119,401</u>	<u>12</u>

(Continued)

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars
(Except for earnings per share expressed in New Taiwan Dollar)

Item	Notes	2023		2022		
		Amount	%	Amount	%	
Other comprehensive income - net						
Components not to be reclassified to profit or loss						
8311	Remeasurements of defined benefit plans	VI(X)	\$ 1,052	-	\$ 2,916	-
8349	Income tax related to components that are not reclassified subsequently to profit or loss	VI(XXII)	(278)	-	(712)	-
8310	Components not to be reclassified to profit or loss - total		774	-	2,204	-
Components that may be reclassified to profit or loss						
8361	Exchange difference arising from translation of foreign financial statements		4,376	1	33,385	4
8360	Components that may be reclassified to profit or loss - total		4,376	1	33,385	4
8300	Other comprehensive income - net		\$ 5,150	1	\$ 35,589	4
8500	Total comprehensive income (loss)		\$ 131,163	13	\$ 154,990	16
Net profit attributable to:						
8610	Owners of the parent		\$ 126,013	12	\$ 119,401	12
			\$ 126,013	12	\$ 119,401	12
Total comprehensive income attributable to:						
8710	Owners of the parent		\$ 131,163	13	\$ 154,990	16
			\$ 131,163	13	\$ 154,990	16
Basic earnings per share						
9750	Basic earnings per share	VI(XXIII)	\$ 2.36		\$ 2.33	
Diluted earnings per share						
9850	Diluted earnings per share	VI(XXIII)	\$ 2.19		\$ 2.20	

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

	Notes	Equity attributable to owners of the parent						Total equity
		Capital surplus			Retained earnings			
		Share capital - common stock	Share premium	Employee share options	Legal reserve	Unappropriated retained earnings	Exchange difference arising from translation of foreign financial statements	
<u>2022</u>								
Balance - January 1, 2022		\$ 511,860	\$ 514,658	\$ 15,274	\$ 17,625	\$ 134,691	(\$ 85,084)	\$ 1,109,024
Net income for the period		-	-	-	-	119,401	-	119,401
Other comprehensive income		-	-	-	-	2,204	33,385	35,589
Total comprehensive income (loss)		-	-	-	-	121,605	33,385	154,990
Appropriation and distribution of earnings:	VI(XIV)							
Legal reserve recognized		-	-	-	4,788	(4,788)	-	-
Share-based payment transaction	VI(XI)	-	-	1,096	-	-	-	1,096
Balance - December 31, 2022		\$ 511,860	\$ 514,658	\$ 16,370	\$ 22,413	\$ 251,508	(\$ 51,699)	\$ 1,265,110
<u>2023</u>								
Balance - January 1, 2023		\$ 511,860	\$ 514,658	\$ 16,370	\$ 22,413	\$ 251,508	(\$ 51,699)	\$ 1,265,110
Net income for the period		-	-	-	-	126,013	-	126,013
Other comprehensive income		-	-	-	-	774	4,376	5,150
Total comprehensive income (loss)		-	-	-	-	126,787	4,376	131,163
Appropriation and distribution of earnings:	VI(XIV)							
Legal reserve recognized		-	-	-	12,161	(12,161)	-	-
Cash capital increase	VI(XII)	29,000	72,500	-	-	-	-	101,500
Share-based payment transaction	VI(XI)(XII)	59,140	18,953	(16,370)	-	-	-	61,723
Balance - December 31, 2023		\$ 600,000	\$ 606,111	\$ -	\$ 34,574	\$ 366,134	(\$ 47,323)	\$ 1,559,496

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

Notes	January 1 to December 31, 2023	January 1 to December 31, 2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 164,739	\$ 154,624
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss	XII(II) 129	4,977
Depreciation	VI(V)(VI)(XX) 53,195	49,307
Amortization	VI(VIII)(XX) 2,262	2,492
Interest expense	VI(XIX) 5,556	5,405
Interest income	VI(XVI) (7,530)	(2,472)
Profit from lease modification	VI(VI) -	(18)
Share-based payment compensation cost	VI(XI) 2,583	1,096
Gain on disposal of fixed assets	VI(XVIII) (133)	36
Changes in operating assets and liabilities		
Net changes in operating assets		
Notes receivable	(91)	1,568
Accounts receivable	25,184	(79,760)
Other receivables	598	1,006
Inventories	(11,149)	(2,747)
Prepayments	1,502	(722)
Other current assets	(329)	225
Net changes in operating liabilities		
Contract liabilities- current	209	149
Notes payable	-	(20)
Accounts payable	(13,649)	(19,232)
Other payables	4,864	5,398
Other current liabilities	342	1,334
Other non-current liabilities	941	1,249
Cash inflow generated from operating activities	229,223	123,895
Interest received	7,981	1,858
Interest Paid	(5,610)	(5,259)
Income taxes paid	(35,130)	(16,941)
Cash inflow generated from operating activities, net	196,464	103,553

(Continued)

King Shing Industrial Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

	Notes	January 1 to December 31, 2023	January 1 to December 31, 2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Disposal of (acquisition) financial assets at amortized cost		\$ 120,852	(\$ 78,385)
Acquisition of property, plant and equipment	VI(XXIV)	(69,791)	(33,333)
Disposal of property, plant and equipment		176	1,928
Acquisition of intangible assets	VI(VIII)	(185)	(2,075)
Decrease (increase) in refundable deposits		281	(1,067)
Cash inflow (outflow) generated from investing activities, net		51,333	(112,932)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	VI(XXV)	872,000	896,000
Decrease in short-term loans	VI(XXV)	(1,047,000)	(695,000)
Decrease in other payables - related parties	VI(XXV)	-	(175,811)
Repayments for the principal of lease liabilities	VI(XXV)	(1,010)	(611)
Increase in refundable deposits	VI(XXV)	150	-
Cash capital increase	VI(XII)	101,500	-
Share options exercised by the employees		59,140	-
Cash inflow (outflow) generated from financing activities, net		(15,220)	24,578
Effect of changes in exchange rate		75	13,387
Increase in cash and cash equivalents		232,652	28,586
Cash and cash equivalents, beginning of period		121,141	92,555
Cash and cash equivalents, end of period		\$ 353,793	\$ 121,141

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

I. History and Organization

King Shing Industrial Co., Ltd. (hereinafter referred to as “the Company”) was established on March 28, 1989. The Company and subsidiaries (hereinafter collectively referred to as “the Group”) are primarily engaged in the research, development, manufacturing, and sales of automotive parts. The Company’s stock was approved by the Taipei Exchange (TPEX) on March 13, 2024, and is listed for trading on the over-the-counter market of TPEX.

II. Date of Authorization for Issuance of Financial Statements and Procedures for Authorization

The consolidated financial statements were approved for issuance by the Board of Directors on April 8, 2024.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of and amendments to International Financial Reporting

Standards and accounting standards as endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

New, amended and revised IFRSs and accounting standards that have been endorsed by the FSC and become effective beginning in 2023 are stated as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Issued by International Accounting Standards Board (“IASB”)</u>
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 aforementioned standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

(II) Effect of new issuances of and amendments to IFRSs and accounting standards as endorsed by the FSC but not yet adopted by the Company

New, amended and revised IFRSs and accounting standards that have been endorsed by the FSC and become effective beginning in 2024 are stated as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Issued by International Accounting Standards Board (“IASB”)</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
Amendment to IAS 7 and IFRS 7, “Supplier Finance Arrangements”	January 1, 2024

The aforementioned standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

- (III) Effect of IFRSs and accounting standards issued by IASB but not yet endorsed by the FSC
New standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Issued by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”	January 1, 2023
Amendments to IAS 21, “Lack of Exchangeability”	January 1, 2025

The aforementioned standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are addressed below. Unless otherwise stated, these policies are consistently applicable to all periods presented.

(I) Statement of Compliance

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

(II) Basis of preparation

1. Apart from the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared on a historical cost basis.

2. The preparation of consolidated financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise 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 V.

(III) Basis for consolidation

1. Basis for preparation of consolidated financial statements
 - (1) The Group includes all subsidiaries as entities for the preparation of the consolidated financial reports. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed or gains rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. A subsidiary is consolidated from the date the Group gains control over it until the date such control ceases.
 - (2) All transactions, balances and unrealized profit or loss among the companies within the Group have been eliminated in full. Accounting policies of subsidiaries have been adjusted where necessary to maintain consistency with those of the Group.
 - (3) Profit or loss and each component of other comprehensive income are attributed to owners of the parent and non-controlling interests; the total comprehensive income is also attributed to owners of the parent and non-controlling interests, even if it results in the non-controlling interests having a deficit balance.
2. Consolidated subsidiaries are as follows:

Name of investor	Name of subsidiary	Main businesses	Shareholding (%)		Note
			December 31 2023	December 31 2022	
The Company	KING SHING AUTOMOBILE PARTS CO.,LTD.	Manufacturing automotive components	100%	100%	-

3. Subsidiaries not consolidated: None.
4. Adjustment and handling methods for different accounting periods of subsidiaries: Not applicable.
5. Material restriction: Not applicable.
6. Subsidiaries with material non-controlling interests of the Group: None.

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances
 - (1) 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 translating the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing as at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period in which they arise.
- (3) 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 as at the balance sheet date; their translation differences are recognized in profit or loss in the period in which they arise. 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 as at the balance sheet date; their translation differences are recognized 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.
- (4) All other foreign exchange gains and losses are presented in the statements of comprehensive income within “other gains and losses” based on the types of transactions.

2. Translation of foreign operations

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

- (1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate as at the date of the balance sheet.
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period.
- (3) All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Held mainly for trading purposes.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

Assets that meet none of the above criteria are classified by the Group as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Held mainly for trading purposes.
- (3) Liabilities that are to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 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.

Liabilities that meet none of the above criteria are classified by the Group as non-current liabilities.

(VI) Cash equivalents

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

(VII) Financial assets at amortized cost

1. Those that meet all of the following criteria:
 - (1) The financial assets are held under the business model with the objective of collecting contractual cash flows.
 - (2) The financial assets' contractual cash flows generated at specific dates represent solely payments of principal and interest on the principal amount outstanding.
2. Financial assets at amortized cost meeting criteria of regular way purchase or sale are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Subsequently, impairment loss on and interest income from these financial assets is recognized using the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized.
4. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(VIII) Notes and accounts receivable

1. As per contractual agreements, notes and accounts receivable entitle the Group an unconditional legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term notes and accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

For financial assets at amortized cost, the Group measures, at each balance sheet date, the impairment provision at 12-month expected credit losses if there has no significant increase in credit risk since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts; or measures the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition; On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(X) Derecognition of financial assets

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

(XI) Leasing Arrangement (Lessor) - Operating Leases

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

(XII) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods, goods in process, and semi-finished goods comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). However, loan costs are excluded. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of

business less the estimated cost of completion and the estimated cost necessary to make the sale.

(XIII) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.
3. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant in relation to the total cost of the item, it must be depreciated separately.
4. 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. Useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 31 years
Machinery and equipment	3 ~ 10 years
Transportation equipment	2 ~ 10 years
Office equipment	5 ~ 10 years
Mold equipment	2 ~ 10 years
Communication equipment	2 ~ 10 years
Other equipment	2 ~ 10 years

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

1. Lease assets are recognized as right-of-use assets and lease liabilities when they are available for use by the Group. When the lease contract is for a short-term lease or a lease of low-value underlying assets, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. The lease liabilities are recognized at the discounted present value of the unpaid lease payments at the Group's incremental borrowing rate on the lease commencement date. The lease payments include fixed payment, less any rental incentives that may be received.

It is subsequently measured at amortized cost by the interest method, and the interest expense is set aside during the lease period. The lease liabilities will be reassessed and the right-of-use assets will be adjusted accordingly when there is a change in the lease term or lease payment not caused by contractual modification.

3. The right-of-use assets are recognized at cost on the lease commencement date. The costs include:

- (1) The amount of the initial measurement of the lease liability; and
- (2) any lease payments made at or before the commencement date.

The costs will be subsequently measured according to cost model, and the depreciation expense will be recognized over the expiration of the useful life of the right-of-use asset

or the lease term, whichever is earlier. When the lease liabilities are reassessed, the right-of-use assets will be adjusted for any remeasurement of the lease liabilities.

(XV) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

(XVI) 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 recognized 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 disposal costs or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. However, the increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVII) Loans

Loans comprise short-term bank loans. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss as interest expenses over the period of the loans using the effective interest method.

(XVIII) Accounts and notes payable

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

(XIX) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or canceled or expires.

(XX) Provisions for liabilities

Provisions for liabilities are recognized 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 for liabilities are measured at the best estimate of 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 recognized as interest expense. Provisions for liabilities are not recognized for future operating losses.

(XXI) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plans

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

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is calculated based on discounting the future benefits earned by employees for services rendered during the current or past periods, and presented by the present value of the defined benefit obligation as 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 discount rate is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income for the period in which they arise and are presented in retained earnings.

C. Expenses related to prior service costs are recognized immediately in profit or loss.

3. Termination benefits

Termination benefits are provided to employees upon termination of their employment before the normal retirement date or when an employee decides to accept the company's offer for benefits in exchange for termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are not expected to be fully settled within 12 months after the balance sheet date should be discounted.

4. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognized 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 accounting estimates. If employees compensation is paid by stocks, the basis for calculating the number of stocks is to use valuation techniques in accordance with IFRS 2 "Share-based Payment" to evaluate the fair value.

(XXII) 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 recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date, up until the amount of compensation cost is recognized in full on the day the number of equity instruments eventually vest.

(XXIII) Income tax

1. The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in

other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. 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 Group operates and generates taxable income. The management periodically evaluates implementations 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 shareholders resolve to distribute the earnings.
3. Deferred income tax is recognized, 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. The deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction (excluding business combinations) and, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not result in equal taxable and deductible temporary differences. Deferred tax liability is recognized for 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 income 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 income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXIV) Share capital

Common stock is classified as equity. The net amount which is the incremental costs directly attributable to the issuance of new shares or stock options less the income tax is recognized in equity as a contra item.

(XXV) Revenue recognition

1. The Group manufactures and sells automotive fans and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers. 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 customers, and either the customers has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
2. Sales revenue of products such as automotive fans is recognized in the amount equal to its contractual price less the estimated sales discounts and allowance and price

reduction. Sales discount and allowances and price reductions granted to customers are usually calculated based on cumulative amount of sales over a 12-month period. The Group estimates sales discount and allowances and price reductions using the expected value method based on historical experience. Sales revenue is recognized to the extent that a significant reversal is highly improbable. Revenue recognition is revisited at each balance sheet date. The estimated sales discounts and allowances and price reductions related to sales and granted to customers are recognized as refund liabilities as of the balance sheet date. The credit terms for sales transactions are usually from 30 to 120 days after the shipment date. As the time interval between the transfer of goods or services pledged and the payment from customers does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

3. The Group's obligation to provide reparation for faulty products under the standard warranty terms is recognized as a provision.
4. A receivable is recognized when 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.

(XXVI) Segment Information

The segment information of the Group is reported in a consistent manner with the internal management reports provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to segments and evaluating their performance. The chief operating decision maker of the Group is the Board of Directors.

V. Critical Accounting Judgments, Estimates and Assumptions on Uncertainty

The preparation of the consolidated financial statements requires the management to make judgments in applying the Group's accounting policies, as well as accounting estimates and assumptions for the reasonable expectation of future events based on circumstances as of the balance sheet date. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Below details the uncertainties of critical accounting judgments, estimates and assumptions:

(I) Critical judgments in applying the Group's accounting policies

None

(II) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. Due to fast-changing 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 realizable value. Inventory valuation mainly considers the estimation of net realizable value of inventory and adjustment of obsolete inventory exceeding a certain period of its shelf life, which may result in significant changes. Please refer to Note VI(IV) for details on the carrying amount of inventories of the Group as of December 31, 2023.

VI. Details of Significant Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 259	\$ 229
Checking accounts and demand deposits	253,534	120,574
Time deposits	100,000	338
	<u>\$ 353,793</u>	<u>\$ 121,141</u>

1. The Group transacts with a variety of financial institutions with high credit quality for the purpose of spreading credit risk. As such, the probability of counterparty default is expected to be low.
2. For the years ended December 31, 2023 and 2022, the Group classified cash and cash equivalents with restricted purposes, such as deposit with periods exceeding three months and short-term loans, amounting to \$6,423 and \$127,275 respectively, as “ financial assets at amortized cost”. Please refer to Notes VI(II) and Note VIII for details.

(II) Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current assets</u>		
Pledged time deposits	\$ 4,881	\$ 65,846
Time deposits with maturity over three months	1,362	61,429
	<u>6,243</u>	<u>127,275</u>
<u>Non-current assets</u>		
Pledged time deposits	180	-
Total	<u>\$ 6,423</u>	<u>\$ 127,275</u>

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 3,923	\$ 2,060

2. Without taking into account the collateral or other credit enhancements held, the financial assets at amortized cost that best represents the Group at the maximum exposure to credit risk were \$6,423 and \$127,275 on December 31, 2023 and 2022, respectively.
3. For information concerning financial assets at amortized cost pledged as collateral, please refer to Note VIII.
4. For information relating to credit risk of financial assets at amortized cost, please refer to Note XII(II). The trading counterparties of the Group’s investment in time deposit certificates are financial institutions with good credit quality, so it is expected that the probability of default is low.

(III) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 4,412	\$ 4,321
Accounts receivable	272,168	297,352
Less: Allowance for bad debts	(8,800)	(8,671)
	<u>\$ 267,780</u>	<u>\$ 293,002</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 252,226	\$ 4,412	\$ 197,667	\$ 4,321
Within 30 days	10,198	-	64,231	-
31 - 90 days	3,071	-	31,737	-
Over 91 days	6,673	-	3,717	-
	<u>\$ 272,168</u>	<u>\$ 4,412</u>	<u>\$ 297,352</u>	<u>\$ 4,321</u>

The table above shows an aging analysis based on the number of days overdue.

2. The balances of accounts receivable and notes receivable as of December 31, 2023 and 2022 were all generated by customer contracts, and the balance of accounts receivable (including notes receivable) for the customer contracts as of January 1, 2022 amounted to \$223,481.
3. Without taking into account the collateral or other credit enhancements held, the notes receivable that best represents the Group at the maximum exposure to credit risk were \$4,412 and \$4,321 on December 31, 2023 and 2022, respectively. The accounts receivable that best represents the Group at the maximum exposure to credit risk were \$263,368 and \$288,681 on December 31, 2023 and 2022, respectively.
4. Information concerning credit risks of accounts and notes receivable is provided in Note XII(II).

(IV) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 174,712	(\$ 47,886)	\$ 126,826
Work in process and semi-finished goods	266,063	(62,123)	203,940
Finished goods	35,133	(4,757)	30,376
Goods	85	(10)	75
	<u>\$ 475,993</u>	<u>(\$ 114,776)</u>	<u>\$ 361,217</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 184,675	(\$ 46,586)	\$ 138,089
Work in process and semi-finished goods	216,875	(50,971)	165,904
Finished goods	50,544	(4,636)	45,908
Goods	174	(7)	167
	<u>\$ 452,268</u>	<u>(\$ 102,200)</u>	<u>\$ 350,068</u>

Amount recognized as cost of goods sold for the current period is as follows:

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 716,529	\$ 684,198
Losses on retirement of inventories	116	172
Valuation loss (gain from price recovery)	12,444	(1,618)
Inventory overage	(7)	(345)
	<u>\$ 729,082</u>	<u>\$ 682,407</u>

The Group recognized a decrease in cost of goods sold in 2022 due to the recovery of net realizable value from the destocking of products that had previously been recognized for valuation loss.

(The following is left blank)

(V) Property, plant and equipment2023

	<u>Land</u>		<u>Buildings and structures</u>				<u>Machinery and equipment</u>	<u>Mold equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment pending acceptance</u>	<u>Total</u>
	<u>For self-use</u>	<u>For lease</u>	<u>For self-use</u>	<u>For lease</u>							
January 1											
Cost	\$ 395,343	\$ 112,796	\$ 369,060	\$ 558	\$ 189,603	\$ 239,540	\$ 40,459	\$ 4,102	\$ 1,351,461		
Accumulated depreciation	-	-	(181,996)	(380)	(151,703)	(93,984)	(32,646)	-	(460,709)		
	<u>\$ 395,343</u>	<u>\$ 112,796</u>	<u>\$ 187,064</u>	<u>\$ 178</u>	<u>\$ 37,900</u>	<u>\$ 145,556</u>	<u>\$ 7,813</u>	<u>\$ 4,102</u>	<u>\$ 890,752</u>		
January 1	\$ 395,343	\$ 112,796	\$ 187,064	\$ 178	\$ 37,900	\$ 145,556	\$ 7,813	\$ 4,102	\$ 890,752		
Additions	-	-	3,976	-	2,012	16,923	3,313	40,343	66,567		
Disposals	-	-	-	-	(35)	(8)	-	-	(43)		
Transfers	(66,304)	66,304	482	109	9,842	3,019	1,086	(14,538)	-		
Depreciation	-	-	(15,997)	(150)	(8,499)	(24,265)	(3,220)	-	(52,131)		
Net exchange difference	231	-	812	-	1,958	1,206	24	35	4,266		
December 31	<u>\$ 329,270</u>	<u>\$ 179,100</u>	<u>\$ 176,337</u>	<u>\$ 137</u>	<u>\$ 43,178</u>	<u>\$ 142,431</u>	<u>\$ 9,016</u>	<u>\$ 29,942</u>	<u>\$ 909,411</u>		
December 31											
Cost	\$ 329,270	\$ 179,100	\$ 375,111	\$ 900	\$ 200,832	\$ 261,908	\$ 44,688	\$ 29,942	\$ 1,421,751		
Accumulated depreciation	-	-	(198,774)	(763)	(157,654)	(119,477)	(35,672)	-	(512,340)		
	<u>\$ 329,270</u>	<u>\$ 179,100</u>	<u>\$ 176,337</u>	<u>\$ 137</u>	<u>\$ 43,178</u>	<u>\$ 142,431</u>	<u>\$ 9,016</u>	<u>\$ 29,942</u>	<u>\$ 909,411</u>		

2022

	<u>Land</u>		<u>Buildings and structures</u>				Machinery and equipment	Mold equipment	Other equipment	Construction in progress and equipment pending acceptance	<u>Total</u>
	<u>For self-use</u>	<u>For lease</u>	<u>For self-use</u>	<u>For lease</u>							
January 1											
Cost	\$ 393,534	\$ 112,796	\$ 353,905	\$ 558	\$ 175,353	\$ 201,353	\$ 36,867	\$ 2,641	\$ 1,277,007		
Accumulated depreciation	-	-	(159,132)	(287)	(136,644)	(67,012)	(28,680)	-	(391,755)		
	<u>\$ 393,534</u>	<u>\$ 112,796</u>	<u>\$ 194,773</u>	<u>\$ 271</u>	<u>\$ 38,709</u>	<u>\$ 134,341</u>	<u>\$ 8,187</u>	<u>\$ 2,641</u>	<u>\$ 885,252</u>		
January 1	\$ 393,534	\$ 112,796	\$ 194,773	\$ 271	\$ 38,709	\$ 134,341	\$ 8,187	\$ 2,641	\$ 885,252		
Additions	-	-	929	-	4,070	21,732	4,420	5,361	36,512		
Disposals	-	-	-	-	(-)	(133)	(1,831)	-	(1,964)		
Transfers	-	-	-	-	846	2,814	82	(3,744)	(2)		
Depreciation	-	-	(15,309)	(93)	(8,274)	(21,795)	(3,194)	-	(48,665)		
Net exchange difference	1,809	-	6,671	-	2,549	8,597	149	(156)	19,619		
December 31	<u>\$ 395,343</u>	<u>\$ 112,796</u>	<u>\$ 187,064</u>	<u>\$ 178</u>	<u>\$ 37,900</u>	<u>\$ 145,556</u>	<u>\$ 7,813</u>	<u>\$ 4,102</u>	<u>\$ 890,752</u>		
December 31											
Cost	\$ 395,343	\$ 112,796	\$ 369,060	\$ 558	\$ 189,603	\$ 239,540	\$ 40,459	\$ 4,102	\$ 1,351,461		
Accumulated depreciation	-	-	(181,996)	(380)	(151,703)	(93,984)	(32,646)	-	(460,709)		
	<u>\$ 395,343</u>	<u>\$ 112,796</u>	<u>\$ 187,064</u>	<u>\$ 178</u>	<u>\$ 37,900</u>	<u>\$ 145,556</u>	<u>\$ 7,813</u>	<u>\$ 4,102</u>	<u>\$ 890,752</u>		

For information on guarantees provided by property, plant and equipment, please refer to Note VIII.

(VI) Lease Transactions - Lessee

1. The underlying assets leased by the Group include land and official vehicles. The lease contract period are usually between 2 and 8 years. The lease contract is negotiated individually and contains various terms and conditions. No other restrictions are imposed except that the leased assets cannot be used as loan guarantees.
2. The information on the book value of the right-of-use assets and the recognized depreciation expense is as follows:

	December 31, 2023	December 31, 2022
	Book value	Book value
Land	\$ 369	\$ 451
Transportation equipment	2,601	3,558
	<u>\$ 2,970</u>	<u>\$ 4,009</u>

	2023	2022
	Depreciation	Depreciation
Land	\$ 92	\$ 90
Transportation equipment	972	552
	<u>\$ 1,064</u>	<u>\$ 642</u>

3. The increases in the Group's right-of-use assets for 2023 and 2022 amounted to \$10 and \$3,901 respectively.
4. The information on the profit and loss items related to the lease contract is as follows:

Items affecting current profit and loss	2023	2022
Interest expense of lease liabilities	\$ 135	\$ 73
Expenses on short-term lease contracts	1,346	1,361
Expenses on lease of low-value assets	111	101
Profit from lease modification	-	18
5. The total cash outflows used in the Group's leases for 2023 and 2022 amounted to \$2,602 and \$2,146 respectively.
6. The Group adopted the practical expedient for "COVID-19-Related Rent Concessions" and recognized a gain or loss of \$18 from changes in lease payments due to rent concessions as other income in 2022.

(VII) Lease Transactions - Lesser

1. The underlying assets leased to others by the Group include land and buildings. The lease contract period are usually between 1 to 2 years. The lease contract is negotiated individually and contains various terms and conditions.
2. The Group recognized rental income of \$2,910 and \$2,160 respectively in 2023 and 2022 based on the operating lease contracts, with no variable lease payments included.
3. The maturity date analysis of the lease payments by the Group under operational leasing is as follows:

	December 31, 2023		December 31, 2022
2024	\$ 1,350	2023	\$ 2,000
2025	-	2024	400
	<u>\$ 1,350</u>		<u>\$ 2,400</u>

(VIII) Intangible assets

	2023		2022	
	<u>Computer software</u>		<u>Computer software</u>	
January 1				
Cost	\$	21,160	\$	10,484
Accumulated amortization	(	8,015)	(	5,329)
	\$	<u>13,145</u>	\$	<u>5,155</u>
January 1	\$	13,145	\$	5,155
Acquisition		185		2,075
Amortization	(	2,262)	(	2,492)
Reclassification		-		8,391
Net foreign exchange gains and losses		4		16
December 31	\$	<u>11,072</u>	\$	<u>\$13,145</u>
December 31				
Cost	\$	21,374	\$	21,160
Accumulated amortization	(	10,302)	(	8,015)
	\$	<u>\$11,072</u>	\$	<u>13,145</u>

1. The details of amortization of intangible assets are as follows:

	2023		2022	
Operating costs	\$	1,595	\$	1,789
Selling expenses		71		73
Administrative expenses		381		423
Research and development expenses		215		207
	\$	<u>2,262</u>	\$	<u>2,492</u>

2. The Group has no intangible assets provided as collateral.

(IX) Short-term loans

Type of loans	December 31, 2023	Interest rate range	Collateral
Bank loans			
Secured loans	\$ 149,000	1.760%	Land, buildings and structures
Credit loans	30,000	1.760%	None
	<u>\$ 179,000</u>		
Type of loans	December 31, 2022	Interest rate range	Collateral
Bank loans			
Secured loans	\$ 317,000	1.635%~1.8587%	Land, buildings and structures, time deposits
Credit loans	37,000	1.675%	None
	<u>\$ 354,000</u>		

Interest expenses recognized in the profit or loss for 2023 and 2022 amounted to \$5,421 and \$3,879 respectively.

(X) Pensions

1. 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 Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (inclusive) 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 six months prior to retirement. The Company contributes monthly an amount of \$100 to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Also, the Company assesses the balance in the aforementioned labor pension reserve account at year end each 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 the end of next March.
2. The pension system applicable to the company in Thailand within the merged companies adheres to the local "Thailand Labor Protection Act" which is a defined benefit pension plan. The payment of employee pensions is calculated based on years of service and wages before the approved retirement date, and the company is obligated to provide a specified retirement payment upon the employee's retirement according to labor regulations.
3. Defined benefit plans
 - (1) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	(\$ 25,148)	(\$ 24,367)
Fair value of plan assets	<u>11,528</u>	<u>10,634</u>
Net defined benefit liabilities	<u>(\$ 13,620)</u>	<u>(\$ 13,733)</u>

(2) The changes in the net defined benefit liabilities are as follows:

	2023		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 24,367)	\$ 10,634	(\$ 13,733)
Service cost of the current period	(1,797)	-	(,797)
Interest (expense) income	(551)	155	(396)
	<u>(26,715)</u>	<u>10,789</u>	<u>(15,926)</u>
Remeasurements:			
Return on plan assets	-	74	74
Impact of changes in financial assumptions	74	-	74
Experience adjustments	904	-	904
	<u>978</u>	<u>74</u>	<u>1,052</u>
Contribute to the retirement fund	-	1,200	1,200
Pension payment	682	(535)	147
Foreign exchange gain or loss	(93)	-	(93)
December 31	<u>(\$ 25,148)</u>	<u>\$ 11,528</u>	<u>(\$ 13,620)</u>
		2022	
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 24,424)	\$ 9,024	(\$ 15,400)
Service cost of the current period	(1,430)	-	(1,430)
Interest (expense) income	(363)	60	(303)
	<u>(26,217)</u>	<u>9,084</u>	<u>(17,133)</u>
Remeasurements:			
Return on plan assets	-	669	669
Impact of changes in financial assumptions	2,091	-	2,091
Experience adjustments	156	-	156
	<u>2,247</u>	<u>669</u>	<u>2,916</u>
Contribute to the retirement fund	-	1,200	1,200
Pension payment	319	(319)	-
Foreign exchange gain or loss	(716)	-	(716)
December 31	<u>(\$ 4,367)</u>	<u>\$ 10,634</u>	<u>(\$ 13,733)</u>

- (3) The management of fund assets of the Company's defined benefit retirement plan is delegated to Bank of Taiwan, following the proportions and amounts specified in the Annual Plan for Investment and Utilization of the Funds, and is managed according to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (such as deposit in domestic and foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate securitization products). Relevant management of these assets is supervised by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be 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, Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company has no rights to participate in the operation and management of the fund, it is unable to disclose the classification of fair value of plan assets according to paragraph 142 of IAS 19. For details on the fair value of the total assets comprising the Fund for December 31, 2023, and 2022, please refer to the annual Labor Retirement Fund Utilization Reports announced by the government.
- (4) The summary of actuarial assumptions regarding pension is as follows:

	2023	2022
Discount rate	<u>1.25%~3.43%</u>	<u>1.375%~3.48%</u>
Future salary increase rate	<u>2.75%~5%</u>	<u>3%~5%</u>

The assumption regarding future mortality rates is based on statistics and empirical estimates announced by each country.

The analysis of the present value of defined benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on the present value of defined benefit obligation	(\$ 756)	\$ 789	725(\$	699)
	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on the present value of defined benefit obligation	(\$ 730)	\$ 763	702(\$	676)

The sensitivity analysis above is the analysis of the effect of changes in one single assumption while keeping other assumptions unchanged. In practice, changes in many assumptions may be interrelated. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods adopted and assumptions used for the sensitivity analysis prepared for the current period are the same as those used in the previous period.

- (5) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$1,324.

- (6) As of December 31, 2023, the weighted average duration of that pension plan is 10.4~19 years.

The maturity analysis on pension payments is as follows:

Less than 1 year	\$	427
1 - 2 years		865
2 - 5 years		4,569
Over 5 years		21,708
	\$	<u>27,569</u>

4. (1) Effective July 1, 2005, the Company 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. According to the labor pension systems opted by employees as per the “Labor Pension Act”, the Company makes a monthly contribution based on 6% of the employees’ monthly salaries and wages to their individual pension accounts at the Bureau of Labor Insurance. The pensions accrued in employees’ individual accounts and the amounts of accumulated gains are paid monthly or in lump sum.

- (2) The pension costs recognized by the Group in accordance with the above pension regulations for 2023 and 2022 amounted to \$6,635 and \$6,949 respectively.

(XI) Share-based payment

1. The share-based payment arrangements of the Company for 2023 and 2022 are as follows:

Type of agreement	Grant date	Number of stocks granted	Contract period	Vesting conditions
Employee share option plan	2020.11.18	5,744 (shares in thousands)	3 years	6 ~ 18 months of service
Employee share option plan	2023.04.21	170 (shares in thousands)	3 years	Vested immediately

The share-based payment arrangements mentioned above are equity-settled.

2. The detailed information regarding the share-based payment arrangements mentioned above is as follows:

	2023		2022	
	Number of share options	Weighted average exercise price (NT\$)	Number of share options	Weighted average exercise price (NT\$)
Share options outstanding as of January 1	5,744	\$ 10	5,744	\$ 10
Share options granted for the current period	170	10	-	-
Share options exercised for the current period	(5,914)	10	-	-
Share options outstanding as of December 31	<u>-</u>	<u>-</u>	<u>5,744</u>	<u>10</u>
Exercisable share options as of December 31	<u>-</u>	<u>-</u>	<u>5,744</u>	<u>10</u>

- As of December 31, 2023 and 2022, the share options outstanding have an exercise price of NT\$10, with remaining contract periods of 2.3 years and 0.9 years, respectively.
- The fair value of share option for the share-based payment transaction granted at the grant date was estimated using with the Black-Scholes option evaluation model. The relevant information is as follows:

Type of agreement	Grant date	Stock price	Exercise price	Expected volatility (Note)	Expected duration	Expected dividends	Risk-free rate	Fair value per unit
					1.75			NT\$2.76
Employee share option plan	2020.11.18	NT\$11.75	NT\$10	30.17% ~31.06%	~2.25 years	-	0.14%~ 0.16%	~ NT\$3.02
Employee share option plan	2023.04.21	NT\$25.04	NT\$10	26.13%	1.5 years	-	1.01%	NT\$15.19

Note: The expected volatility is estimated using the stock prices from the most recent period equivalent to the expected duration of the share options, and the standard deviation of the stock returns within that period.

- Expenses arising from share-based payment transactions are as follows:

	2023	2022
Equity-settled	\$ 2,583	\$ 1,096

(XII) Share capital

- The Company's authorized capital amounted to \$800,000, and the paid-in capital was \$600,000 with a par value of \$10 (in dollars) per share on December 31, 2023. All proceeds from shares issued have been collected.
- The reconciliation of the number of shares of common stock outstanding at the beginning and end of the period is as follows:

	2023	2022
	Number of shares (In thousands)	Number of shares (In thousands)
January 1	51,186	51,186
Share options exercised by the employees	5,914	-
Cash capital increase	2,900	-
December 31	60,000	51,186

- Pursuant to the resolution adopted by the Board of Directors on October 19, 2023, the Company issued 2,900 thousand ordinary shares to effect a cash capital increase, with a subscription price of NT\$35 per share. The baseline date for the capital increase was November 15, 2023, and the registration for the change has been completed.

(XIII) Capital surplus

- Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership when the Company has no accumulated deficit. Furthermore, the Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above not exceeding 10% of the paid in capital each year. Capital reserve should not be used to cover accumulated deficit even though the surplus reserve is insufficient.
- The Company has distributed cash dividends from the capital surplus amounting to \$32,400 (NT\$0.54 per share), which was approved by the Board of Directors on April 8, 2024.

(XIV) Retained earnings

1. If there are any earnings on the final financial statement, the Company shall first pay tax and make up for the accumulated losses, and then set aside 10% of such earnings as a legal reserve, unless the legal reserve has reached the Company's paid-in capital. Furthermore, the special reserve shall be set aside or reversed as required by the regulations or by the competent authority. The balance shall be added to the unappropriated retained earnings at the beginning of the period as distributable earnings. After careful consideration of retention, the Board of Directors shall prepare a profit distribution proposal for approval from the shareholders' meeting before distribution.
2. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash by a resolution approved by more than half of the directors present at a meeting with the presence of more than two-thirds of the directors and submitted to the Shareholders' Meeting.
3. The Company's dividend policies are as follows:
The Company is at the growing stage. The Company's stock dividend is appropriated based on accumulated distributable earnings, dividends shall take into consideration the Company's current and future investment environment, capital needs, domestic and overseas competition and capital budget, along with shareholders' profit and the Company's long-term financial plans. At least 10% of the dividends distributed for the current year should be allocated as cash dividends. But the Board of Directors may adjust this ratio according to the overall operating conditions at the time and shall submit it to the Shareholders' Meeting for resolution.
4. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
5. 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.
6. The earnings distribution for 2022 and 2021 was adopted in the shareholders' meeting on June 30, 2023 and July 29, 2022. Details are summarized below:

	2022		2021	
	Amount	Dividends per share	Amount	Dividends per share
Legal reserve	\$ 12,161		\$ 4,788	
Cash dividends	-	\$ -	-	\$ -
	<u>\$ 12,161</u>		<u>\$ 4,788</u>	

7. The earnings distribution for 2023 was adopted in the Board of Directors on Monday, April 8, 2024. Details are summarized below:

	2023	
	Amount	Dividends per share
Legal reserve	\$ 12,679	
Special reserve	47,323	
Cash dividends	66,720	\$ 1.112
	<u>\$ 126,722</u>	

For information on the distribution of earnings, please proceed to the Market Observation Post System for reference.

(XV) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts	\$ 1,033,173	\$ 940,201

1. The Group's main business activities are manufacturing and selling automotive parts. The Group's revenue is derived from transfer of goods at a certain point of time to customers.

	<u>2023</u>	<u>2022</u>
Types of fans	\$ 963,079	\$ 845,887
Blowers	50,166	75,815
Others	19,928	18,499
	<u>\$ 1,033,173</u>	<u>\$ 940,201</u>

2. Contract liabilities

The contract liabilities related to revenue from customer contracts recognized by the Group in December 31, 2023, December 31, 2022, and January 1, 2022, were \$1,803, \$1,594, and \$1,445, respectively, representing advance sales receipts.

The balance of the contract liabilities at the beginning of the period recognized as revenue for the current period is as follows:

	<u>2023</u>	<u>2022</u>
The balance of the contract liabilities at the beginning of the period recognized as revenue for the current period		
Advance sales receipts	<u>\$ 1,594</u>	<u>\$ 1,445</u>

(XVI) Interest income

	<u>2023</u>	<u>2022</u>
Interest income from financial assets at amortized cost	\$ 3,923	\$ 2,060
Interest income from bank deposits	3,588	403
Other interest income	19	9
	<u>\$ 7,530</u>	<u>\$ 2,472</u>

(XVII) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 2,910	\$ 2,160
Government grants income	-	119
Miscellaneous income	429	365
	<u>\$ 3,339</u>	<u>\$ 2,644</u>

(XVIII) Other gains and losses

	2023		2022
Foreign exchange gains	\$ 11,310	\$	46,277
Gain (loss) on disposal of assets	133	(	36)
Gain on financial assets at fair value through profit or loss	-		712
Miscellaneous disbursements	(29 )	(	263)
	<u>\$ 11,414</u>	\$	<u>46,690</u>

(XIX) Finance cost

	2023		2022
Interest on loans	\$ 5,421	\$	5,332
Interest on lease liabilities	135		73
	<u>\$ 5,556</u>	\$	<u>5,405</u>

(XX) Additional disclosures related to expenses

	2023		2022
Employee benefit expenses	\$ 282,575	\$	271,243
Property, plant and equipment depreciation expenses	52,131		48,665
Right-of-use assets depreciation expenses	1,064		642
Amortization	2,262		2,492

(XXI) Employee benefit expenses

	2023		2022
Wages and salaries	\$ 233,358	\$	224,022
Labor and health insurance fees	19,161		17,974
Pension costs	8,828		8,682
Other personnel expenses	21,228		20,565
	<u>\$ 282,575</u>	\$	<u>271,243</u>

1. In accordance with the Company's Articles of Incorporation, after deducting accumulated losses based on the profitability of the current year, if there is still a surplus, the Company shall allocate not less than 1% for employee remuneration and not more than 5% for directors' and supervisors' remuneration.
2. The estimated amount of employee remuneration for 2023 and 2022 amounted to \$1,660 and \$1,532, respectively, and the estimated amount of directors' and supervisors' remuneration were \$0. The aforementioned amounts were recognized in operating expenses.
3. For 2023, the remuneration was estimated at 1% and 0%, respectively, of the annual profits. The actual distributed amount resolved by the Board of Directors is \$1,660 and \$0, respectively, of which employee remuneration will be distributed in cash. The amounts of employee remuneration and directors' and supervisors' remuneration for 2022, as resolved by the Board of Directors, were in line with amounts recognized in the 2022 financial report.

(XXII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Current tax:	\$ 32,281	\$ 33,718
Additional unappropriated retained earnings	4,978	1,873
Amount of income tax underestimated (overestimated) for prior years	489	(931)
Total current tax	<u>37,748</u>	<u>34,660</u>
Deferred tax:		
Origination and reversal of temporary differences	978	563
Income tax expense	<u>\$ 38,726</u>	<u>\$ 35,223</u>

(2) The income tax expenses relating to components of other comprehensive income are as follows:

	<u>2023</u>	<u>2022</u>
Remeasurements of defined benefit obligation	<u>\$ 278</u>	<u>\$ 712</u>

2. The relationship between income tax expense and accounting profit.

	<u>2023</u>	<u>2022</u>
Income tax calculated based on profit before tax at the statutory rate	\$ 38,793	\$ 34,620
Expenses to be excluded according to tax laws	29	56
Income exempt from tax according to tax laws	(40)	(395)
Impact of investment tax credit on income tax	(5,523)	-
Amount of income tax underestimated (overestimated) for prior years	489	(931)
Additional unappropriated retained earnings	4,978	1,873
Income tax expense	<u>\$ 38,726</u>	<u>\$ 35,223</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences are as follows:

	2023				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets:					
Temporary differences:					
Loss on inventory valuation	\$ 6,220	\$ 2,489	\$ -	\$ 26	\$ 8,735
Remeasurements of defined benefit plans	2,300	169	(278)	19	2,210
Unused vacation bonus	1,853	96	-	3	1,952
Others	3,789	1,722	-	-	5,511
	<u>\$ 14,162</u>	<u>\$ 4,476</u>	<u>(\$ 278)</u>	<u>\$ 48</u>	<u>\$ 18,408</u>
Deferred income tax liabilities:					
Temporary differences:					
Unrealized foreign exchange gains	\$ 391	(\$ 391)	\$ -	\$ -	\$ -
Overseas investment income	2,381	5,845	-	-	8,226
	<u>\$ 2,772</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,226</u>
	<u>\$ 11,390</u>	<u>(\$ 978)</u>	<u>(\$ 278)</u>	<u>\$ 48</u>	<u>\$ 10,182</u>
	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets:					
Temporary differences:					
Loss on inventory valuation	\$ 6,328	(\$ 323)	\$ -	\$ 215	\$ 6,220
Remeasurements of defined benefit plans	2,387	491	(712)	134	2,300
Unused vacation bonus	1,481	355	-	17	1,853
Others	2,669	1,120	-	-	3,789
	<u>\$ 12,865</u>	<u>\$ 1,643</u>	<u>(\$ 712)</u>	<u>\$ 366</u>	<u>\$ 14,162</u>
Deferred income tax liabilities:					
Temporary differences:					
Unrealized foreign exchange gains	566	(\$ 175)	\$ -	\$ -	\$ 391
Overseas investment income	-	2,381	-	-	2,381
	<u>\$ 566</u>	<u>\$ 2,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,772</u>
	<u>\$ 12,299</u>	<u>(\$ 563)</u>	<u>(\$ 712)</u>	<u>\$ 366</u>	<u>\$ 11,390</u>

4. The details of investment tax credit available to the Group and the related amounts of deferred income tax assets not recognized are as follows:

December 31, 2023			
Deduction	Unused tax credit	Unrecognized tax for deferred income tax assets	Final creditable year
Investment tax credit for equipment	\$ 5,271	\$ 5,271	2025

5. Deductible temporary differences that are not recognized as deferred income tax assets:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 71,102	\$ 71,102

6. The Company's income tax returns through 2021 have been assessed and approved by the tax authorities.

(XXIII) Earnings per share

2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent	\$ 126,013	53,309	\$ 2.36
<u>Diluted earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent	\$ 126,013	53,309	
Potential effect of dilutive ordinary shares			
Employee share options	-	4,142	
Employees' remuneration	-	87	
Net profit attributable to ordinary shareholders of the parent plus effect of all potential ordinary shares	\$ 126,013	57,538	\$ 2.19
2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent	\$ 119,401	51,186	\$ 2.33
<u>Diluted earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent	\$ 119,401	51,186	
Potential effect of dilutive ordinary shares			
Employee share options	-	3,093	
Employees' remuneration	-	84	
Net profit attributable to ordinary shareholders of the parent plus effect of all potential ordinary shares	\$ 119,401	54,363	\$ 2.20

(XXIV) Supplemental cash flow information

Investing activities with partial cash payments:

	2023	2022
Purchase of property, plant and equipment	\$ 66,567	\$ 36,512
Add: Ending balance of prepaid equipment	1,169	427
Add: Opening balance of payables on equipment	2,835	194
Add: Transfer to intangible assets	-	8,389
Less: Opening balance of prepaid equipment	(427)	(9,354)
Less: Ending balance of payables on equipment	(353)	(2,835)
Cash paid during the period	<u>\$ 69,791</u>	<u>\$ 33,333</u>

(XXV) Changes in liabilities from financing activities

	2023				
	Short-term loans	Other payables - related parties	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
January 1	\$ 354,000	\$ -	\$ 4,034	\$ 360	\$ 358,394
Cash flow	(175,000)	-	(1,010)	150	(175,860)
Interest expense of lease liabilities paid (Note)	-	-	(135)	-	(135)
Non-cash flow					
Changes in leases	-	-	159	-	159
December 31	<u>\$ 179,000</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 510</u>	<u>\$ 182,558</u>
	2022				
	Short-term loans	Other payables - related parties	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
January 1	\$ 153,000	\$ 175,811	\$ 769	\$ 360	\$ 329,940
Cash flow	(201,000)	(175,811)	(611)	-	(24,578)
Interest expense of lease liabilities paid (Note)	-	-	(73)	-	(73)
Non-cash flow					
Changes in leases	-	-	3,949	-	3,949
December 31	<u>\$ 354,000</u>	<u>\$ -</u>	<u>\$ 4,034</u>	<u>\$ 360</u>	<u>\$ 358,394</u>

Note: Presented as cash flows from operating activities.

VII. Related Party Transactions

(I) Names and relationship of related parties

Names of related parties	Relationship with the Group
Shih, Chun-Chin	Chairman of the Company
Ku, Ying-Chen	Close relative of the Company's director

(II) Transactions with related parties

1. Loans to related parties

Borrow from related parties

Interest expense

	2023	2022
Shih, Chun-Chin	\$ -	\$ 954
Ku, Ying-Chen	-	499
	<u>\$ -</u>	<u>\$ 1,453</u>

The terms and conditions of loan from related parties are to pay monthly interests. The interest for 2022 is at an annual interest rate of 1.01% to 1.51%.

(III) Information about remunerations to the major management:

	2023	2022
Salary and short-term employee benefits	\$ 12,345	\$ 13,614
Retirement benefits	294	365
Share-based payment	-	443
Total	<u>\$ 12,639</u>	<u>\$ 14,422</u>

VIII. Pledged Assets

The details of assets provided as collateral by the Group are as follows:

Assets	Book value		Purpose of collateral
	December 31, 2023	December 31, 2022	
Time deposits (presented as “financial assets at amortized cost”)	\$ 5,061	\$ 65,846	Loan limit guarantee, electric power consumption guarantee, and credit card guarantee
Land	301,809	301,809	Short-term loans
Buildings and structures	84,585	89,149	“
	<u>\$ 391,455</u>	<u>\$ 456,804</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

The earnings distribution for 2023 was adopted in the Board of Directors on Monday, April 8, 2024. Please refer to Notes VI(XIV) for details.

XII. Others

(I) Capital management

The objective of the Group's capital management is to ensure that the company continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital and provide returns to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instruments

1. Classification of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 353,793	\$ 121,141
Financial assets at amortized cost	6,243	127,275
Notes receivable	4,412	4,321
Accounts receivable	263,368	288,681
Other receivables	5,684	6,733
Refundable deposits (recognized in "other non-current assets")	2,117	2,398
	<u>\$ 635,617</u>	<u>\$ 550,549</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 179,000	\$ 354,000
Accounts payable	78,325	91,974
Other payable	55,910	53,582
Refundable deposits (recognized in "other non-current liabilities")	510	360
	<u>\$ 313,745</u>	<u>\$ 499,916</u>
Lease liabilities	<u>\$ 3,048</u>	<u>\$ 4,034</u>

2. Risk management policies

- (1) The daily operations of the Group are affected by various kinds of financial risks, including market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.
- (2) Risk management is executed by the Group treasury by following policies approved by the Board. Through collaboration with operating units within the Group, the Group treasury is responsible for identifying, evaluating and mitigating financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. As the Group is a multinational company, the Group and the subsidiaries are exposed to exchange rate risks arising from transactions denominated in

currencies other than their functional currency, primarily USD. The related exchange rate risks arise from future business transactions and recognized assets and liabilities.

- B. The Group's management has set up policies requiring companies within the Group to manage the exchange rate risks of their functional currencies. The Group hedges the overall exchange rate risk through the Group treasury. The measurement of exchange rate risk is based on the highly probable expected transactions paid in USD, and foreign exchange forward transactions and foreign exchange swap contracts are adopted to mitigate the impact of exchange rate fluctuations on the anticipated cost of purchasing inventory.
- C. The Group hedges exchange rate risk through foreign exchange forward transactions and foreign exchange swap contracts, however hedge accounting is not applied.
- D. The Group's businesses involve several nonfunctional currencies (the functional currency of the Company is NTD, and the functional currency of the subsidiaries is THB), therefore, it is subject to the impact of exchange rate fluctuations. Information on foreign currency assets and liabilities significantly affected by exchange rate fluctuations is as follows:

				December 31, 2023		
				Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial Assets</u>						
<u>Monetary items</u>						
	USD: NTD	\$	9,084	30.71	\$	278,938
	USD: THB		2,267	34.05		69,578
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	\$	1,930	30.71	\$	59,262
	USD: THB		762	34.39		23,642
				December 31, 2022		
				Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial Assets</u>						
<u>Monetary items</u>						
	USD: NTD	\$	15,905	30.72	\$	488,508
	USD: THB		2,364	34.38		72,682
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	\$	2,238	30.72	\$	68,745
	USD: THB		1,039	34.73		32,272

- E. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for 2023 and 2022 amounted to a gain of \$11,310 and \$46,277, respectively.

F. The analysis of foreign currency market risk that is materially affected by exchange rate fluctuations for the Group is as follows:

		2023		
		Sensitivity analysis		
		Extent of variation	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
	USD: NTD	1%	\$ 2,789	\$ -
	USD: THB	1%	696	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD: NTD	1%	\$ 593	\$ -
	USD: THB	1%	236	-
		2022		
		Sensitivity analysis		
		Extent of variation	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
	USD: NTD	1%	\$ 4,885	\$ -
	USD: THB	1%	727	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD: NTD	1%	\$ 687	\$ -
	USD: THB	1%	323	-

Cash flow and fair value interest rate risk

G. A. The Group's interest rate risk mainly arises from short-term loans calculated at floating interest rates, exposing the Group to cash flow interest rate risk. In 2023 and 2022, the Group's loans and other payable - related parties are denominated in NTD.

H. B. If the loan interest rate denominated in NTD increases or decreases by 1%, while all other factors remain constant, the profit after income tax for 2023 and 2022 will decrease or increase by \$1,192 and \$2,832, respectively. This is mainly due to the changes in interest expenses resulting from loans at floating-rates and other payable - related parties.

(2) Credit risk

A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments. The risk mainly arises from counterparties' inability to settle notes receivable and accounts receivable according to credit terms.

- B. Credit risk management is initiated from the Group's perspective. According to the Group's credit policy, each entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored.
- C. The Group adopts IFRS 9, assuming that a default been occurred when contractual payments are past due over 90 days based on the terms.
- D. The Group adopts IFRS 9 to provide the following assumptions as the basis for determining whether there has been a significant increase in credit risk of financial instruments since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. The indicators used by the Group to determine credit impairment of debt instrument investments are as follows:
- (A) It becomes probable when the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (B) The issuer's financial difficulties have resulted in the disappearance of the active market for the financial assets.
 - (C) Default or delinquency in interest or principal repayments;
 - (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- F. The Group classifies accounts receivable based on the characteristics of customers and estimates the ECLs using simplified approach and the provision matrix as basis.
- G. The Group adjusts the credit loss that is based on historical and recent information by taking into account the forecasts of the Taiwan Institute of Economic Research's economic forecast report to estimate the loss allowance for accounts receivable. The provision matrices for December 31, 2023, and 2022 are as follows:

	December 31, 2023		
	Expected loss rate	Total book value	Allowance for doubtful accounts
Not past due	0%~3.06%	\$ 252,226	\$ 1,083
Within 30 days	0%~15.78%	10,198	677
31~90 days	0%~50.20%	3,071	367
Over 91 days	100%	6,673	6,673
		<u>\$ 272,168</u>	<u>\$ 8,800</u>
	December 31, 2022		
	Expected loss rate	Total book value	Allowance for doubtful accounts
Not past due	0%~1.40%	\$ 197,667	\$ 588
Within 30 days	0%~9.72%	64,231	1,282
31~90 days	0%~35.11%	31,737	3,084
Over 91 days	100%	3,717	3,717
		<u>\$ 297,352</u>	<u>\$ 8,671</u>

H. Movements of loss allowance for notes receivable and accounts receivable, adopting the simplified approach by the Group, are as follows:

	2023		2022	
	Accounts receivable		Accounts receivable	
January 1	\$	8,671	\$	3,694
Recognize impairment losses		129		4,977
December 31	\$	8,800	\$	8,671

(3) Liquidity risk

A. Cash flow forecast is performed by each operating entity of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient funds to meet operational needs and maintains adequate unused committed facilities at all times.

B. When the residual funds of each operating entity exceed the need for working capital management they will be transferred back to the Group treasury. The Group treasury shall invest the residual funds in interest-bearing demand and time deposits. The instruments selected have appropriate maturity dates or sufficient liquidity to respond to the above forecast and provide adequate liquidity buffers. The Group held positions in the money market of \$355,155 and \$182,570, respectively, in December 31, 2023 and 2022, with the expectation of managing liquidity risks by generating instant cash flows.

C. Details of unused loan limit of the Group are as follows:

	December 31, 2023		December 31, 2022	
Floating rates				
Maturing within one year	\$	411,000	\$	171,287

D. The table below analyzes the Group's non-derivative financial liabilities categorized into relevant maturity groups, i.e. based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the undiscounted contractual cash flows.

December 31, 2023	Less than 3 months	Between 3	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
		months to 1 year			
<u>Non-derivative financial liabilities:</u>					
Short-term loans	\$ 93,685	\$ 86,262	\$ -	\$ -	\$ -
Accounts payable	78,325	-	-	-	-
Other payables	55,910	-	-	-	-
Lease liabilities	286	859	985	1,173	-
December 31, 2022	Less than 3 months	Between 3 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>					
Short-term loans	\$ 271,155	\$ 84,259	\$ 84,259	\$ -	\$ -
Accounts payable	91,974	-	-	-	-
Other payables	53,582	-	-	-	-
Lease liabilities	285	855	1,141	1,973	167

E. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount would be significantly different.

(III) Fair value information

1. The different levels of inputs used in the valuation techniques for measuring the fair value of financial and non-financial instruments are 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 when 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.

2. Financial instruments not measured at fair value

The carrying amount of cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables, refundable deposits, short-term loans, notes and accounts payable, other payables and refundable deposits are approximate to their fair values.

3. For 2023 and 2022, there were no movements between Level 1 and Level 2.

4. For 2023 and 2022, there was no transfer into or out from Level 3.

XIII. Supplementary Disclosures

(I) Significant transactions information

1. Loans to others: None.

2. Provision of endorsements and guarantees to others: None.

3. Marketable securities held at the end of the period (excluding subsidiaries, associates and joint ventures): None.

4. Acquisition or sale of the same security with the accumulated cost of NT\$300 million or 20% of paid-in capital or more: None.

5. Acquisition of property of NT\$300 million or 20% of paid-in capital or more: None.

6. Disposal of property of NT\$300 million or 20% of paid-in capital or more: None.

7. Purchases or sales of goods from or to related parties of NT\$100 million or 20% of paid-in capital or more: Table 1.

8. Receivables from related parties of NT\$100 million or 20% of paid-in capital or more: None.

9. Trading in derivatives undertaken during the reporting periods: None.

10. Significant inter-company transactions during the reporting period: Please refer to Table 2.

(II) Information on investees

Names, locations and other information of investee companies (excluding investees in Mainland China): Please refer to Table 3.

(III) Information on investments in Mainland China

None.

XIV. Segment Information

(I) General information

The Group operates business only in a single industry. and the Group's Board of Directors evaluates performance and allocates resources to the Group as a whole. They have identified the Group as the reportable segment.

(II) Measurement of segment information

The Board of Directors of the Group evaluates the performance of the segments based on profits and losses before tax.

(III) Information on segment profit and loss, assets, and liabilities

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

	2023	2022
Segment revenue		
External revenue	\$ 1,033,173	\$ 940,201
Profit before tax	\$ 164,739	\$ 154,624
	December 31, 2023	December 31, 2022
Segment assets	\$ 1,942,124	\$ 1,826,365
Segment liabilities	\$ 382,628	\$ 561,255

(IV) Information on the reconciliation of the segment profit and loss

Sales transactions between segments are conducted in accordance with the fair value principle. The external revenue reported to chief operating decision maker is measured using the same method as the revenue in the income statement.

(V) Product category and service category information

The Group's product category information for 2023 and 2022 is as follows:

	2023	2022
Types of fans	\$ 963,079	\$ 845,887
Blowers	50,166	75,815
Others	19,928	18,499
Total	\$ 1,033,173	\$ 940,201

(VI) Region category information

The Group's region category information for 2023 and 2022 is as follows:

	2023	2022
	Revenue (Note)	Revenue (Note)
USA	\$ 790,211	\$ 693,448
Taiwan	119,298	102,352
Others	123,664	144,401
Total	\$ 1,033,173	\$ 940,201
	December 31, 2023	December 31, 2022
	Non-current assets	Non-current assets
Taiwan	\$ 593,769	\$ 595,774
Thailand	333,150	314,957
Total	\$ 926,919	\$ 910,731

Note: Revenue is classified based on the country in which the customer is located.

(VII) Important customers information

The Group's important customers information for 2023 and 2022 is as follows:

	2023	2022
	Revenue	Revenue
Party B	\$ 435,494	\$ 329,216
Party A	267,220	254,211

King Shing Industrial Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties of NT\$100 million or 20% of paid-in capital or more
January 1 to December 31, 2023

Table 1

Unit: Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction			Differences in transaction terms and reasons		Notes/Accounts receivable (payable)		Note	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO.,LTD.	Subsidiary of the Company	Purchases	\$ 434,069	70%	Same as general suppliers	\$ -	-	(\$ 58,670)	(57%)	

King Shing Industrial Co., Ltd. and subsidiaries
 Significant inter-company transactions during the reporting period
 January 1 to December 31, 2023

Table 2

Unit: Expressed in thousands of New Taiwan Dollars
 (Except as otherwise indicated)

Trader name	Counterparty	Relationship with the trader (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
			General ledger account	Amount	Transaction terms	
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	The parent company to the consolidated subsidiary	Purchases	\$ 434,069	According to the agreed price and conditions by both parties	42%
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	The parent company to the consolidated subsidiary	Accounts payable	58,670	60 days after arrival at port	3%

King Shing Industrial Co., Ltd. and subsidiaries
Names, locations and other information of investee companies (excluding investees in Mainland China)
January 1 to December 31, 2023

Unit: Expressed in thousands of New
Taiwan Dollars
(Except as otherwise indicated)

Table 3

Name of investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at end of period			Net profit (loss) of the investee for the current period	Investment income (loss) recognized by the Company for the current period	Note
				End of the period	End of last year	Number of shares	Ownership (%)	Book value			
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	Thailand	Manufacturing automotive components	\$ 456,718	\$ 456,718	439,998	100%	\$ 542,421	\$ 542,421	\$ 28,870	Subsidiaries

KING SHING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Stock Code: 7732)

Company Address: No. 3, Gongye 1st Rd., Pingzhen
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Tel: (03)419-5988

KING SHING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditors' Report

(2024) Financial Review No. 23005002

To King Shing Industrial Co., Ltd.:

Audit opinions

We have audited the accompanying parent company only balance sheets of King Shing Industrial Co., Ltd. as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only statements of cash flows for January 1 to December 31, 2023 and 2022, 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 parent company only financial position of the King Shing Industrial Co., Ltd. as of December 31, 2023 and 2022, and its parent company only financial performance and cash flows from January 1 to December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

Basis for audit opinions

We conducted our audits of the parent company only financial statements in accordance with the "Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants", and auditing standards of the Republic of China. Our responsibilities under those standards are further addressed in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the King Shing Industrial Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities in accordance with the Norm. 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 King Shing Industrial Co., Ltd.'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 of the King Shing Industrial Co., Ltd.'s 2023 parent company only financial statements were as follows:

Evaluation of allowance for inventory valuation losses

Description of matters

Please refer to Note IV(XI) of the parent company only financial report for accounting policies on inventory, Note V(II) for critical accounting estimates and assumptions in relation to inventory valuation, and Note VI(IV) for details of inventories.

King Shing Industrial Co., Ltd. is primarily engaged in manufacturing and sales of fans and blowers for automotive cooling systems. Considering the useful life of vehicles and the diverse range of products in the after-sales service market, which are available in small quantities, the company needs to prepare adequate inventories to gain market share. This increases the risk of loss on inventory valuation or inventory obsolescence. Each inventory is measured at the lower of cost and net realizable value. Inventory is evaluated for impairment due to normal wear and tear, obsolescence, or changes in selling prices, and valuation losses are recognized accordingly.

The aforementioned matters also exist in King Shing Industrial Co., Ltd.'s subsidiary, which is recognized in investments accounted for using equity method. As the amounts of inventory are material, considering the estimation of net realizable value of inventory and the adjustment of obsolete inventory exceeding a certain period of its shelf life is subject to the subjective judgment of management, we evaluated that the impact of amount of allowance for inventory valuation losses on the financial statements is significant. Therefore, we consider the allowance for inventory valuation losses to be one of the most important matters for this year's audit.

Audit Procedures in Response

We performed the main response procedures in respect of the specific aspects mentioned in the above key audit matters as summarized below:

1. Understand and evaluate the reasonableness of the company's inventory valuation policies.
2. Understand the annual inventory plan of King Shing Industrial Co., Ltd. and participate in the annual inventory taking to evaluate the effectiveness of the management's classification and control of obsolete inventories.
3. Obtain inventory aging reports and verify related supporting documents for the dates on which inventory changes occurred, ensure the age ranges are classified correctly and are consistent with the policies.
4. Obtain reports of which the net realizable value of inventories are evaluated, verify the completeness of the reports, and test the accuracy of the net realizable value and related calculations, thereby evaluating the reasonableness of King Shing Industrial Co., Ltd.'s decision regarding the allowance for valuation loss.

Sales revenue cutoff

Description of matters

Please refer to Note IV(XXV) of the parent company only financial report for accounting policies on sales revenue. Please refer to Note VI(XVI) of the parent company only financial report for the details of sales revenue.

The operating revenue of the Company derives from manufacturing and selling fans and blowers for automotive cooling systems. There are different types of transactions terms when selling them to the customers. Sales revenue is recognized according to the individually agreed transaction terms with customers and confirmation of transfer of control of goods upon shipment. In particular, whether the control of goods shipped before the end of the reporting period has transferred to the customers in accordance with the agreed transaction terms will affect the period to which sales revenue is attributed in the financial

statements. Therefore, we consider the cutoff of sales revenue to be one of the most important matters for this year's audit.

Audit Procedures in Response

We performed the main response procedures in respect of the specific aspects mentioned in the above key audit matters as summarized below:

1. We have acknowledged and evaluated the internal controls regarding the timing of recognition of sales revenue for King Shing Industrial Co., Ltd., and tested the effectiveness of these controls.
2. Cutoff tests were conducted on sales transactions during a certain period before and after the end of the financial reporting period to assess the accuracy of the timing of revenue recognition.

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 Preparations of Financial Reports by Securities Issuers, and maintain necessary internal controls related to the preparation of parent company only financial statements to ensure that parent company only financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing King Shing Industrial Co., Ltd.'s financial reporting process.

Auditor's responsibilities for auditing the parent company only financial statement

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 audit report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 the parent company only financial statements.

We exercise professional judgment and maintain professional skepticism according to the auditing standards of the Republic of China when auditing. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform appropriate audit procedures responsive to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of King Shing Industrial Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the King Shing Industrial Co., Ltd.'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 King Shing Industrial Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes) and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the King Shing Industrial Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit of entities. We are responsible for our audit opinion.

We communicate with those charged with governance, including 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to affect our independence (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of King Shing Industrial Co., Ltd.'s 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a specific 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

Lin, Se-Kai

CPA

Lin, Chun-Yao

Former Securities and Futures Bureau of Financial Supervisory
Commission

Approval certificate number: Order No. Financial-Supervisory-
Securities-IV-0960072936

Former Securities Commission of the Ministry of Finance

Approval certificate number: Order No. (85) Taiwan-Ministry of
Finance-Securities and Futures Bureau (6) 68702

April 8, 2024

King Shing Industrial Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents	\$ 318,309	16	\$ 98,127	5
1136	Financial assets at amortized cost - current	3,078	-	125,931	7
1150	Notes receivable, net	4,088	1	3,333	-
1170	Accounts receivable, net	259,796	13	284,522	15
1180	Net accounts receivable - related parties	1,293	-	1,540	-
1200	Other receivables	2,650	-	3,298	-
1210	Other receivables - related parties	-	-	191	-
130X	Inventories	233,664	12	232,747	13
1410	Prepayments	1,224	-	1,854	-
1470	Other current assets	22	-	95	-
11XX	Total current assets	<u>824,124</u>	<u>42</u>	<u>751,638</u>	<u>40</u>
Non-current assets					
1550	Investments accounted for using equity method	542,421	27	508,836	27
1600	Property, plant and equipment	577,678	29	579,223	31
1755	Right-of-use assets	1,470	-	2,182	-
1780	Intangible assets	10,836	1	12,866	1
1840	Deferred income tax assets	12,819	1	8,637	1
1900	Other non-current assets	3,785	-	1,858	-
15XX	Total non-current assets	<u>1,149,009</u>	<u>58</u>	<u>1,113,602</u>	<u>60</u>
1XXX	Total assets	<u>\$ 1,973,133</u>	<u>100</u>	<u>\$ 1,865,240</u>	<u>100</u>

(Continued)

King Shing Industrial Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

Liabilities and equity	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term loans	VI(X)	\$ 179,000	9	\$ 354,000	19
2130	Contract liabilities- current	VI(XVI) and VII	33,637	2	33,531	2
2170	Accounts payable		43,481	2	58,673	3
2180	Accounts payable - related parties	VII	58,670	3	66,779	4
2200	Other payables		45,726	2	42,161	2
2230	Current income tax liabilities		35,748	2	31,028	2
2280	Lease liabilities- current		725	-	712	-
2300	Other current liabilities		5,567	-	5,502	-
21XX	Total current liabilities		<u>402,554</u>	<u>20</u>	<u>592,386</u>	<u>32</u>
Non-current liabilities						
2570	Deferred income tax liabilities	VI(XXII)	8,473	1	2,772	-
2580	Lease liabilities- non-current		767	-	1,484	-
2600	Other non-current liabilities	VI(XI)	1,843	-	3,488	-
25XX	Total non-current liabilities		<u>11,083</u>	<u>1</u>	<u>7,744</u>	<u>-</u>
2XXX	Total liabilities		<u>413,637</u>	<u>21</u>	<u>600,130</u>	<u>32</u>
Equity						
Share capital						
VI(XIII)						
3110	Share capital - common stock		600,000	30	511,860	27
Capital surplus						
VI(XIV)						
3200	Capital surplus		606,111	31	531,028	29
Retained earnings						
VI(XV)						
3310	Legal reserve		34,574	2	22,413	1
3350	Unappropriated retained earnings		366,134	18	251,508	14
Other equity interest						
3400	Other equity interest		(47,323)	(2)	(51,699)	(3)
3XXX	Total equity		<u>1,559,496</u>	<u>79</u>	<u>1,265,110</u>	<u>68</u>
Significant Events after the Balance Sheet Date						
XI						
3X2X	Total liabilities and equity		<u>\$ 1,973,133</u>	<u>100</u>	<u>\$ 1,865,240</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars
(Except for earnings per share expressed in New Taiwan Dollar)

	Item	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	VI(XVI) and VII	\$ 1,019,547	100	\$ 929,530	100
5000	Operating costs	VI(IV)(XX)(XXI) and VII	(799,173)	(78)	(742,169)	(80)
5900	Operating profit - gross		<u>220,374</u>	<u>22</u>	<u>187,361</u>	<u>20</u>
	Operating expenses	VI(XX)(XXI)				
6100	Selling expenses		(21,266)	(2)	(21,441)	(2)
6200	Administrative expenses		(52,452)	(5)	(48,098)	(5)
6300	Research and development expenses		(25,895)	(3)	(22,771)	(2)
6450	Expected credit impairment loss	XII(II)	(84)	-	(4,977)	(1)
6000	Total operational expenses		(99,697)	(10)	(97,287)	(10)
6900	Operating profit		<u>120,677</u>	<u>12</u>	<u>90,074</u>	<u>10</u>
	Non-operating income and expenses					
7100	Interest income	VI(XVII)	7,352	1	2,444	-
7010	Other income		3,254	-	2,415	-
7020	Other gains and losses	VI(XVIII)	9,634	1	44,832	5
7050	Finance cost	VI(XIX) and VII	(5,450)	(1)	(5,347)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	VI(V)	<u>28,870</u>	<u>3</u>	<u>17,219</u>	<u>2</u>
7000	Total non-operating income and expenses		<u>43,660</u>	<u>4</u>	<u>61,563</u>	<u>6</u>
7900	Profit before income tax		<u>164,337</u>	<u>16</u>	<u>151,637</u>	<u>16</u>
7950	Income tax expense	VI(XXII)	(38,324)	(4)	(32,236)	(3)
8200	Net income for the period		<u>\$ 126,013</u>	<u>12</u>	<u>\$ 119,401</u>	<u>13</u>
	Other comprehensive income					
	Components not to be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	VI(XI)	\$ 629	-	\$ 2,106	-
8330	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - components not to be reclassified to profit or loss	VI(V)	339	-	648	-
8349	Income tax related to components that are not reclassified subsequently to profit or loss	VI(XXII)	(194)	-	(550)	-
8310	Components not to be reclassified to profit or loss - total		<u>774</u>	<u>-</u>	<u>2,204</u>	<u>-</u>
	Components that may be reclassified to profit or loss					
8361	Exchange difference arising from translation of foreign financial statements	VI(V)	<u>4,376</u>	<u>1</u>	<u>33,385</u>	<u>4</u>
8360	Components that may be reclassified to profit or loss - total		<u>4,376</u>	<u>1</u>	<u>33,385</u>	<u>4</u>
8300	Other comprehensive income - net		<u>\$ 5,150</u>	<u>1</u>	<u>\$ 35,589</u>	<u>4</u>
8500	Total comprehensive income (loss)		<u>\$ 131,163</u>	<u>13</u>	<u>\$ 154,990</u>	<u>17</u>
	Basic earnings per share	VI(XXIII)				
9750	Basic earnings per share		<u>\$ 2.36</u>		<u>\$ 2.33</u>	
	Diluted earnings per share	VI(XXIII)				
9850	Diluted earnings per share		<u>\$ 2.19</u>		<u>\$ 2.20</u>	

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd.
Parent Company Only Statements of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

	Notes	Capital surplus			Retained earnings		Exchange difference arising from translation of foreign financial statements	Total equity
		Share capital - common stock	Share premium	Employee share options	Legal reserve	Unappropriated retained earnings		
<u>2022</u>								
Balance - January 1, 2022		\$ 511,860	\$ 514,658	\$ 15,274	\$ 17,625	\$ 134,691	(\$ 85,084)	\$ 1,109,024
Net income for the period		-	-	-	-	119,401	-	119,401
Other comprehensive income		-	-	-	-	2,204	33,385	35,589
Total comprehensive income (loss)		-	-	-	-	121,605	33,385	154,990
Appropriation and distribution of earnings:	VI(XV)							
Legal reserve recognized		-	-	-	4,788	(4,788)	-	-
Share-based payment transaction	VI(XII)	-	-	1,096	-	-	-	1,096
Balance - December 31, 2022		\$ 511,860	\$ 514,658	\$ 16,370	\$ 22,413	\$ 251,508	(\$ 51,699)	\$ 1,265,110
<u>2023</u>								
Balance - January 1, 2023		\$ 511,860	\$ 514,658	\$ 16,370	\$ 22,413	\$ 251,508	(\$ 51,699)	\$ 1,265,110
Net income for the period		-	-	-	-	126,013	-	126,013
Other comprehensive income		-	-	-	-	774	4,376	5,150
Total comprehensive income (loss)		-	-	-	-	126,787	4,376	131,163
Appropriation and distribution of earnings:	VI(XV)							
Legal reserve recognized		-	-	-	12,161	(12,161)	-	-
Cash capital increase	VI(XIII)	29,000	72,500	-	-	-	-	101,500
Share-based payment transaction	VI(XII)(XIII)	59,140	18,953	(16,370)	-	-	-	61,723
Balance - December 31, 2023		\$ 600,000	\$ 606,111	\$ -	\$ 34,574	\$ 366,134	(\$ 47,323)	\$ 1,559,496

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars

	Notes	January 1 to December 31, 2023	January 1 to December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 164,337	\$ 151,637
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	VI(VI)(VII)(XX)	9,969	9,480
Amortization	VI(IX)(XX)	2,215	2,400
Expected credit impairment loss	XII(II)	84	4,977
Interest expense	VI(XIX)	5,450	5,347
Interest income	VI(XVII)	(7,352)	(2,444)
Profit from lease modification	VI(VII)	-	(18)
Share-based payment compensation cost	VI(XII)	2,583	1,096
Share of profit of associates and joint ventures accounted for using equity method		28,870	(17,219)
Loss (gain) on disposal of fixed assets	VI(XVIII)	(48)	267
Changes in operating assets and liabilities			
Net changes in operating assets			
Notes receivable		(755)	2,360
Accounts receivable		24,642	(78,568)
Accounts receivable - related parties		247	1,374
Other receivables		198	435
Other receivables - related parties		191	(191)
Inventories		(917)	11,141
Prepayments		630	66
Other current assets		73	(78)
Net changes in operating liabilities			
Contract liabilities- current		106	10,057
Notes payable		-	(20)
Accounts payable		(15,192)	(18,969)
Accounts payable - related parties		(8,109)	24,814
Other payables		6,102	2,129
Other current liabilities		65	1,345
Other non-current liabilities		(1,166)	(1,164)
Cash inflow generated from operating activities		154,483	107,506
Interest received		7,802	1,830
Interest Paid		(5,505)	(5,201)
Income taxes paid		(32,279)	(12,068)
Cash inflow generated from operating activities, net		<u>124,501</u>	<u>92,067</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of (acquisition) financial assets at amortized cost- current		122,853	(78,288)
Acquisition of property, plant and equipment	VI(XXIV)	(12,411)	(2,800)
Disposal of property, plant and equipment		48	1,564
Acquisition of intangible assets	VI(IX)	(185)	(2,021)
Decrease (increase) in refundable deposits		300	100
Cash inflow (outflow) generated from investing activities, net		<u>110,605</u>	<u>(81,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	VI(XXV)	872,000	896,000
Decrease in short-term loans	VI(XXV)	(1,047,000)	(695,000)
Decrease in other payables - related parties	VI(XXV)	-	(175,811)
Cash capital increase	VI(XIII)	101,500	-
Share options exercised by the employees	VI(XII)	59,140	-
Repayments for the principal of lease liabilities	VI(XXV)	(714)	(444)
Increase in refundable deposits	VI(XXV)	150	-
Cash inflow (outflow) generated from financing activities, net		<u>(14,924)</u>	<u>24,745</u>
Increase in cash and cash equivalents		220,182	35,167
Cash and cash equivalents, beginning of period		98,127	62,960
Cash and cash equivalents, end of period		<u>\$ 318,309</u>	<u>\$ 98,127</u>

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman: Shih, Chun-Chin

Manager: Shih, Chun-Chin

Accounting supervisor: Lai, Tsung-Yen

King Shing Industrial Co., Ltd.
Notes to the Parent Company Only Financial Statements
2023 and 2022

Unit: Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

I. History and Organization

King Shing Industrial Co., Ltd. (hereinafter referred to as “the Company”) was established on March 28, 1989. The Company is primarily engaged in the research, development, manufacturing, and sales of automotive parts. The Company’s stock was approved by the Taipei Exchange (TPEX) on March 13, 2024, and is listed for trading on the over-the-counter market of TPEX.

II. Date of Authorization for Issuance of Financial Statements and Procedures for Authorization

The parent company only financial statements were approved for issuance by the Board of Directors on April 8, 2024.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of and amendments to International Financial Reporting

Standards and accounting standards as endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

New, amended and revised IFRSs and accounting standards that have been endorsed by the FSC and become effective beginning in 2023 are stated as follows:

New Standards, Interpretations and Amendments	Effective Date Issued by International Accounting Standards Board (“IASB”)
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 aforementioned standards and interpretations have no significant impact on the Company’s financial position and financial performance based on the Company’s assessment.

(II) Effect of new issuances of and amendments to IFRSs and accounting standards as endorsed by the FSC but not yet adopted by the Company

New, amended and revised IFRSs and accounting standards that have been endorsed by the FSC and become effective beginning in 2024 are stated as follows:

New Standards, Interpretations and Amendments	Effective Date Issued by International Accounting Standards Board (“IASB”)
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
Amendment to IAS 7 and IFRS 7, “Supplier Finance Arrangements”	January 1, 2024

The aforementioned standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

(III) Effect of IFRSs and accounting standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC are as follows:

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

The aforementioned standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the parent company only financial statements are addressed below. Unless otherwise stated, these policies are consistently applicable to all periods presented.

(I) Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Apart from the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the parent company only financial statements have been prepared on a historical cost basis.
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively, "IFRSs") requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note V.

(III) Foreign currency translation

Items included in the Company's parent company only financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in "New Taiwan Dollars" (NTD), which is the Company's functional and presentation currency.

1. Foreign currency transactions and balances
 - (1) 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 translating the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing as at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period in which they arise.
- (3) 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 as at the balance sheet date; their translation differences are recognized in profit or loss in the period in which they arise. 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 as at the balance sheet date; their translation differences are recognized 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.
- (4) All other foreign exchange gains and losses are presented in the statements of comprehensive income within “other gains and losses” based on the types of transactions.

2. Translation of foreign operations

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

- (1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate as at the date of the balance sheet.
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period.
- (3) All resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Held mainly for trading purposes.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

Assets that meet none of the above criteria are classified by the Company as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Held mainly for trading purposes.
- (3) Liabilities that are to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 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.

Liabilities that meet none of the above criteria are classified by the Company as non-current assets.

(V) Cash equivalents

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

(VI) Financial assets at amortized cost

1. Those that meet all of the following criteria:
 - (1) The financial assets are held under the business model with the objective of collecting contractual cash flows.
 - (2) The financial assets' contractual cash flows generated at specific dates represent solely payments of principal and interest on the principal amount outstanding.
2. Financial assets at amortized cost meeting criteria of regular way purchase or sale are recognized and derecognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Subsequently, impairment loss on and interest income from these financial assets is recognized using the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized.
4. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(VII) Notes and accounts receivable

1. As per contractual agreements, notes and accounts receivable entitle the Company an unconditional legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term notes and accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(VIII) Impairment of financial assets

For financial assets at amortized cost, the Company measures, at each balance sheet date, the impairment provision at 12-month expected credit losses if there has no significant increase in credit risk since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts; or measures the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition; On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(IX) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(X) Leasing Arrangement (Lessor) - Operating Leases

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

(XI) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods, goods in process, and

semi-finished goods comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). However, loan costs are excluded. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(XII) Investments accounted for using equity method- subsidiary

1. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed or gains rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.
2. Unrealized gains or losses on transactions between the Company and its subsidiaries have been eliminated in full. Accounting policies of subsidiaries have been adjusted where necessary to maintain consistency with those of the Company.
3. The Company's share of profits or losses after the acquisition of subsidiaries is recognized in profit or loss, and its share of other comprehensive income after acquisition is recognized in other comprehensive income. When the Company's share of losses recognized in a subsidiary equals or exceeds the equity in that subsidiary, the Company shall continue to recognize loss in proportion to its shareholding.
4. According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the current period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the current period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XIII) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.
3. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant in relation to the total cost of the item, it must be depreciated separately.
4. 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. Useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 31 years
Machinery and equipment	3 - 10 years
Transportation equipment	2 ~ 5 years

Office equipment	5 years
Mold equipment	2 - 3 years
Communication equipment	2 ~ 5 years
Other equipment	2 ~ 10 years

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

1. Lease assets are recognized as right-of-use assets and lease liabilities when they are available for use by the Company. When the lease contract is for a short-term lease or a lease of low-value underlying assets, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. The lease liabilities are recognized at the discounted present value of the unpaid lease payments at the Company's incremental borrowing rate on the lease commencement date. The lease payments include fixed payment, less any rental incentives that may be received.

It is subsequently measured at amortized cost by the interest method, and the interest expense is set aside during the lease period. The lease liabilities will be reassessed and the right-of-use assets will be adjusted accordingly when there is a change in the lease term or lease payment not caused by contractual modification.

3. The right-of-use assets are recognized at cost on the lease commencement date. The costs include:
 - (1) The amount of the initial measurement of the lease liability; and
 - (2) any lease payments made at or before the commencement date.

The costs will be subsequently measured according to cost model, and the depreciation expense will be recognized over the expiration of the useful life of the right-of-use asset or the lease term, whichever is earlier. When the lease liabilities are reassessed, the right-of-use assets will be adjusted for any remeasurement of the lease liabilities.

(XV) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

(XVI) 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 recognized 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 disposal costs or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. However, the increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVII) Loans

Loans comprise short-term bank loans. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss as interest expenses over the period of the loans using the effective interest method.

(XVIII) Notes and accounts payable

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

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

(XIX) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or canceled or expires.

(XX) Provisions for liabilities

Provisions for liabilities are recognized 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 for liabilities are measured at the best estimate of 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 recognized as interest expense. Provisions for liabilities are not recognized for future operating losses.

(XXI) Employee benefits

1. 1. Short-term employee benefits

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

2. Pensions

- (1) Defined contribution plans

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

- (2) Defined benefit plans

- A. Net obligation under a defined benefit plan is calculated based on discounting the future benefits earned by employees for services rendered during the current or past periods, and presented by the present value of the defined benefit obligation as 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 discount rate is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income for the period in which they arise and are presented in retained earnings.

- C. Expenses related to prior service costs are recognized immediately in profit or loss.

3. Termination benefits

Termination benefits are provided to employees upon termination of their employment before the normal retirement date or when an employee decides to accept the company's offer for benefits in exchange for termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are not expected to be fully settled within 12 months after the balance sheet date should be discounted.

4. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognized 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 accounting estimates. If employees compensation is paid by stocks, the basis for calculating the number of stocks is to use valuation techniques in accordance with IFRS 2 "Share-based Payment" to evaluate the fair value.

(XXII) 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 recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date, up until the amount of compensation cost is recognized in full on the day the number of equity instruments eventually vest.

(XXIII) Income tax

1. The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. 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 operates and generates taxable income. The management periodically evaluates implementations 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 shareholders resolve to distribute the earnings.
3. Deferred income tax is recognized, 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. The deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction (excluding business combinations) and, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not result in equal taxable and deductible temporary differences. Deferred tax liability is recognized for 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 income 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 income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts

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

(XXIV) Share capital

Common stock is classified as equity. The net amount which is the incremental costs directly attributable to the issuance of new shares or stock options less the income tax is recognized in equity as a contra item.

(XXV) Revenue recognition

1. The Company manufactures and sells automotive fans and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers. 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 customers, and either the customers has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
2. Sales revenue of products such as automotive fans is recognized in the amount equal to its contractual price less the estimated sales discounts and allowance and price reduction. Sales discount and allowances and price reductions granted to customers are usually calculated based on cumulative amount of sales over a 12-month period. The Company estimates sales discount and allowances and price reductions using the expected value method based on historical experience. Sales revenue is recognized to the extent that a significant reversal is highly improbable. Revenue recognition is revisited at each balance sheet date. The estimated sales discounts and allowances and price reductions related to sales and granted to customers are recognized as refund liabilities as of the balance sheet date. The credit terms for sales transactions are usually from 30 to 120 days after the shipment date. As the time interval between the transfer of goods or services pledged and the payment from customers does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
3. The Company's obligation to provide reparation for faulty products under the standard warranty terms is recognized as a provision.
4. A receivable is recognized when 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.

V. Critical Accounting Judgments, Estimates and Assumptions on Uncertainty

The preparation of the parent company only financial statements requires the management to make judgments in applying the Company's accounting policies, as well as accounting estimates and assumptions for the reasonable expectation of future events based on circumstances as of the balance sheet date. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Below details the uncertainties of critical accounting judgments, estimates and assumptions:

(I) Critical judgments in applying the Group's accounting policies

None.

(II) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. Due to fast-changing 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 realizable value. Inventory valuation mainly considers the estimation of net realizable value of inventory and adjustment of obsolete inventory exceeding a certain period of its shelf life, which may result in significant changes. Please refer to Note VI(IV) for details on the carrying amount of inventories of the Company as of December 31, 2023.

VI. Details of Significant Accounting Items

(I) Cash

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 217	\$ 182
Checking accounts and demand deposits	218,092	97,945
Time deposits	100,000	-
	<u>\$ 318,309</u>	<u>\$ 98,127</u>

1. The Company transacts with a variety of financial institutions with high credit quality for the purpose of spreading credit risk. As such, the probability of counterparty default is expected to be low.
2. For the years ended December 31, 2023 and 2022, the Company classified cash with restricted purposes, such as deposits with periods exceeding three months and short-term loans, amounting to \$3,078 and \$125,931 respectively, as “ financial assets at amortized cost”. Please refer to Notes VI(II) and Note VIII for details.

(II) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current items:</u>		
Pledged time deposits	\$ 3,078	\$ 64,502
Time deposits with maturity over three months	-	61,429
	<u>\$ 3,078</u>	<u>\$ 125,931</u>

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 3,915	\$ 2,053

2. Without taking into account the collateral or other credit enhancements held, the financial assets at amortized cost that best represents the Company at the maximum exposure to credit risk were \$3,078 and \$125,931 on December 31, 2023 and 2022, respectively.
3. For information concerning financial assets at amortized cost pledged as collateral, please refer to Note VIII.
4. For information relating to credit risk of financial assets at amortized cost, please refer to Note XII(II). The trading counterparties of the Company’s investment in time deposit certificates are financial institutions with good credit quality, so it is expected that the probability of default is low.

(III) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 4,088	\$ 3,333
Accounts receivable	268,551	293,193
Less: Allowance for bad debts	(8,755)	(8,671)
	<u>\$ 263,884</u>	<u>\$ 287,855</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 248,884	\$ 4,088	\$ 194,015	\$ 3,333
Within 30 days	10,051	-	63,903	-
31 - 90 days	2,974	-	31,558	-
Over 91 days	6,642	-	3,717	-
	<u>\$ 268,551</u>	<u>\$ 4,088</u>	<u>\$ 293,193</u>	<u>\$ 3,333</u>

The table above shows an aging analysis based on the number of days overdue.

2. The balances of accounts receivable and notes receivable as of December 31, 2023 and 2022 were all generated by customer contracts, and the balance of accounts receivable (including notes receivable) for the customer contracts as of January 1, 2022 amounted to \$220,318.
3. The Company has no notes receivable or accounts receivable provided as pledge guarantee.
4. Without taking into account the collateral or other credit enhancements held, the notes receivable that best represents the Company at the maximum exposure to credit risk were \$4,088 and \$3,333 on December 31, 2023 and 2022, respectively. The accounts receivable that best represents the Company at the maximum exposure to credit risk were \$259,796 and \$284,522 on December 31, 2023 and 2022, respectively.
5. Information concerning credit risks of accounts and notes receivable is provided in Note XII(II).

(IV) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 132,431	(\$ 41,002)	\$ 91,429
Work in process and semi-finished goods	172,497	(54,787)	117,710
Finished goods	21,897	(3,716)	18,181
Goods	62	(3)	59
Inventory in transit	6,285	-	6,285
	<u>\$ 333,172</u>	<u>(\$ 99,508)</u>	<u>\$ 233,664</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 136,730	(\$ 38,832)	\$ 97,898
Work in process and semi-finished goods	149,761	(44,257)	105,504
Finished goods	28,434	(3,512)	24,922
Goods	127	(3)	124
Inventory in transit	4,299	-	4,299
	<u>\$ 319,351</u>	<u>(\$ 86,604)</u>	<u>\$ 232,747</u>

Amount recognized as cost of goods sold for the current period is as follows:

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 786,426	\$ 741,840
Valuation loss (gain from price recovery)	12,904 (	49)
Inventory (overage) shortage	(157)	378
	<u>\$ 799,173</u>	<u>\$ 742,169</u>

The Company recognized a decrease in cost of goods sold in 2022 due to the recovery of net realizable value from the destocking of products that had previously been recognized for valuation loss.

(V) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
January 1	\$ 508,836	\$ 457,584
Share of profit on investments accounted for using equity method	28,870	17,219
Changes in other equity interest	4,715	34,033
December 31	<u>\$ 542,421</u>	<u>\$ 508,836</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
KING SHING AUTOMOBILE PARTS CO.,LTD.	<u>\$ 542,421</u>	<u>\$ 508,836</u>

The share of profits and losses on investments recognized using the equity method by the Company for 2023 and 2022 were \$28,870 and \$17,219, respectively, and were reviewed by the independent auditors based on the financial statements from the investee companies during the same period.

(The following is left blank)

(VI) Property, plant and equipment

2023

	Land		Buildings and structures		Machinery and equipment	Mold equipment	Others	Total
	For self-use	For lease	For self-use	For lease				
January 1								
Cost	\$ 368,113	\$ 112,796	\$ 154,360	\$ 558	\$ 17,928	\$ 2,921	\$ 21,370	\$ 678,046
Accumulated depreciation	-	-	(64,430)	(380)	(15,023)	(2,313)	(16,677)	(98,823)
	<u>\$ 368,113</u>	<u>\$ 112,796</u>	<u>\$ 89,930</u>	<u>\$ 178</u>	<u>\$ 2,905</u>	<u>\$ 608</u>	<u>\$ 4,693</u>	<u>\$ 579,223</u>
January 1	\$ 368,113	\$ 112,796	\$ 89,930	\$ 178	\$ 2,905	\$ 608	\$ 4,693	\$ 579,223
Additions	-	-	2,945	-	2,114	350	2,293	7,702
Transfers	(66,304)	66,304	(109)	109	-	-	-	-
Depreciation	-	-	(5,147)	(150)	(1,127)	(346)	(2,477)	(9,247)
December 31	<u>\$ 301,809</u>	<u>\$ 179,100</u>	<u>\$ 87,619</u>	<u>\$ 137</u>	<u>\$ 3,892</u>	<u>\$ 612</u>	<u>\$ 4,509</u>	<u>\$ 577,678</u>
December 31								
Cost	\$ 301,809	\$ 179,100	\$ 156,963	\$ 900	\$ 20,042	\$ 3,271	\$ 23,381	\$ 685,466
Accumulated depreciation	-	-	(69,344)	(763)	(16,150)	(2,659)	(18,872)	(107,788)
	<u>\$ 301,809</u>	<u>\$ 179,100</u>	<u>\$ 87,619</u>	<u>\$ 137</u>	<u>\$ 3,892</u>	<u>\$ 612</u>	<u>\$ 4,509</u>	<u>\$ 577,678</u>

2022

	Land		Buildings and structures		Machinery and equipment	Mold equipment	Others	Total
	For self-use	For lease	For self-use	For lease				
January 1								
Cost	\$ 368,113	\$ 112,796	\$ 153,998	\$ 558	\$ 16,150	\$ 2,521	\$ 20,039	\$ 674,175
Accumulated depreciation	-	-	(59,380)	(287)	(14,314)	(1,810)	(14,295)	(90,086)
	<u>\$ 368,113</u>	<u>\$ 112,796</u>	<u>\$ 94,618</u>	<u>\$ 271</u>	<u>\$ 1,836</u>	<u>\$ 711</u>	<u>\$ 5,744</u>	<u>\$ 584,089</u>
January 1	\$ 368,113	\$ 112,796	\$ 94,618	\$ 271	\$ 1,836	\$ 711	\$ 5,744	\$ 584,089
Additions	-	-	362	-	1,778	400	3,439	5,979
Disposals	-	-	-	-	-	(1,831)	(1,831)	(1,831)
Depreciation	-	-	(5,050)	(93)	(709)	(503)	(2,659)	(9,014)
December 31	<u>\$ 368,113</u>	<u>\$ 112,796</u>	<u>\$ 89,930</u>	<u>\$ 178</u>	<u>\$ 2,905</u>	<u>\$ 608</u>	<u>\$ 4,693</u>	<u>\$ 579,223</u>
December 31								
Cost	\$ 368,113	\$ 112,796	\$ 154,360	\$ 558	\$ 17,928	\$ 2,921	\$ 21,370	\$ 678,046
Accumulated depreciation	-	-	(64,430)	(380)	(15,023)	(2,313)	(16,677)	(98,823)
	<u>\$ 368,113</u>	<u>\$ 112,796</u>	<u>\$ 89,930</u>	<u>\$ 178</u>	<u>\$ 2,905</u>	<u>\$ 608</u>	<u>\$ 4,693</u>	<u>\$ 579,223</u>

For information on guarantees provided by property, plant and equipment, please refer to Note VIII.

(VII) Lease Transactions - Lessee

1. The underlying assets leased by the Company include land and official vehicles. The lease contract period are usually between 3 and 8 years. The lease contract is negotiated individually and contains various terms and conditions. No other restrictions are imposed except that the leased assets cannot be used as loan guarantees.
2. The information on the book value of the right-of-use assets and the recognized depreciation expense is as follows:

	December 31, 2023		December 31, 2022	
	Book value	Depreciation	Book value	Depreciation
Land	\$ 369	\$ 92	\$ 451	\$ 90
Transportation equipment	1,101	630	1,731	376
	<u>\$ 1,470</u>	<u>\$ 722</u>	<u>\$ 2,182</u>	<u>\$ 466</u>

3. The increases in the Company's right-of-use assets for 2023 and 2022 amounted to \$10 and \$1,889 respectively.
4. The information on the profit and loss items related to the lease contract is as follows:

Items affecting current profit and loss	2023	2022
Interest expense of lease liabilities	\$ 28	\$ 15
Expenses on short-term lease contracts	1,346	1,361
Expenses on lease of low-value assets	111	101
Profit from lease modification	-	18

5. The total cash outflows used in the Company's leases for 2023 and 2022 amounted to \$2,199 and \$1,921 respectively.
6. The Company adopted the practical expedient for "COVID-19-Related Rent Concessions" and recognized a gain or loss of \$18 from changes in lease payments due to rent concessions as other income in 2022.

(VIII) Lease Transactions - Lesser

1. The underlying assets leased to others by the Company include land and buildings. The lease contract period are usually between 1 to 2 years. The lease contract is negotiated individually and contains various terms and conditions.
2. The Company recognized rental income of \$2,910 and \$2,160 respectively in 2023 and 2022 based on the operating lease contracts, with no variable lease payments included.
3. The maturity date analysis of the lease payments by the Company under operational leasing is as follows:

	December 31, 2023		December 31, 2022	
2024	\$ 1,350	2023	\$ 2,000	
2025	-	2024	400	
	<u>\$ 1,350</u>		<u>\$ 2,400</u>	

(IX) Intangible assets

	2023		2022	
	<u>Computer software</u>		<u>Computer software</u>	
January 1				
Cost	\$	17,936	\$	7,526
Accumulated amortization	(	5,070)	(	2,670)
	\$	<u>12,866</u>	\$	<u>4,856</u>
January 1	\$	12,866	\$	4,856
Acquisition		185		2,021
Reclassification		-		8,389
Amortization	(	2,215)	(	2,400)
December 31	\$	<u>10,836</u>	\$	<u>12,866</u>
December 31				
Cost	\$	18,121	\$	17,936
Accumulated amortization	(	7,285)	(	5,070)
	\$	<u>10,836</u>	\$	<u>12,866</u>

1. The details of amortization of intangible assets are as follows:

	2023		2022	
Operating costs	\$	1,595	\$	1,789
Selling expenses		71		73
Administrative expenses		334		331
Research and development expenses		215		207
	\$	<u>2,215</u>	\$	<u>2,400</u>

2. The Company has no intangible assets provided as collateral.

(X) Short-term loans

Type of loans	December 31, 2023	Interest rate range	Collateral
Bank loans			
Secured loans	\$ 149,000	1.76%	Land, buildings and structures
Credit loans	30,000	1.76%	None
	<u>\$ 179,000</u>		
Type of loans	December 31, 2022	Interest rate range	Collateral
Bank loans			
Secured loans	\$ 317,000	1.635%~1.8587%	Land, buildings and structures, time deposits
Credit loans	37,000	1.675%	None
	<u>\$ 354,000</u>		

Interest expenses recognized in the profit or loss for 2023 and 2022 amounted to \$5,422 and \$3,879 respectively.

(XI) Pensions

1. 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 Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (inclusive) 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 six months prior to retirement. The Company contributes monthly an amount of \$100 to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Also, the Company assesses the balance in the aforementioned labor pension reserve account at year end each 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 the end of next March.

(1) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	(\$ 12,861)	(\$ 13,762)
Fair value of plan assets	<u>11,528</u>	<u>10,634</u>
Net defined benefit liabilities	<u>(\$ 1,333)</u>	<u>(\$ 3,128)</u>

(The following is left blank)

(2) The changes in the net defined benefit liabilities are as follows:

	2023		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 13,762)	\$ 10,634	(\$ 3,128)
Interest (expense) income	(189)	155	(34)
	(13,951)	10,789	(3,162)
Remeasurements:			
Return on plan assets	-	74	74
Impact of changes in financial assumptions	159	-	159
Experience adjustments	396	-	396
	555	74	629
Contribute to the retirement fund	-	1,200	1,200
Pension payment	535	(535)	-
December 31	(\$ 12,861)	\$ 11,528	(\$ 1,333)
	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 15,422)	\$ 9,024	(\$ 6,398)
Interest (expense) income	(96)	60	(36)
	(15,518)	9,084	(6,434)
Remeasurements:			
Return on plan assets	-	669	669
Impact of changes in financial assumptions	1,194	-	1,194
Experience adjustments	243	-	243
	1,437	669	2,106
Contribute to the retirement fund	-	1,200	1,200
Pension payment	319	(319)	-
December 31	(\$ 13,762)	\$ 10,634	(\$ 3,128)

(3) The management of fund assets of the Company's defined benefit retirement plan is delegated to Bank of Taiwan, following the proportions and amounts specified in the Annual Plan for Investment and Utilization of the Funds, and is managed according to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (such as deposit in domestic and foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate securitization products). Relevant management of these assets is supervised by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be 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, Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company has no rights to participate in the operation and management of the fund, it is unable to disclose the classification of fair value of plan assets according to paragraph 142 of IAS 19. For details on the fair value of the total assets comprising the Fund for December 31, 2023, and 2022, please refer to the annual Labor Retirement Fund Utilization Reports announced by the government.

- (4) The summary of actuarial assumptions regarding pension is as follows:

	2023	2022
Discount rate	1.250%	1.375%
Future salary increase rate	2.75%	3.00%

The assumption regarding future mortality rates is based on statistics and empirical estimates announced by each country.

The analysis of the present value of defined benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on the present value of defined benefit obligation	(\$ 329)	\$ 342	\$ 331	(\$ 321)
<u>December 31, 2022</u>				
Effect on the present value of defined benefit obligation	(\$ 367)	\$ 382	\$ 369	(\$ 357)

The sensitivity analysis above is the analysis of the effect of changes in one single assumption while keeping other assumptions unchanged. In practice, changes in many assumptions may be interrelated. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods adopted and assumptions used for the sensitivity analysis prepared for the current period are the same as those used in the previous period.

- (5) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$1,200.
- (6) As of December 31, 2023, the weighted average duration of that pension plan is 10.4 years. The maturity analysis on pension payments is as follows:

Less than 1 year	\$ 303
1 - 2 years	223
2 - 5 years	4,086
Over 5 years	2,168
	<u>\$ 6,780</u>

2. Effective July 1, 2005, the Company 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. According to the labor pension systems opted by employees as per the "Labor Pension Act", the Company makes a monthly contribution based on 6% of the employees' monthly salaries and wages to their individual pension accounts at the Bureau of Labor Insurance. The pensions accrued in employees' individual accounts and the amounts of accumulated gains are paid monthly or in lump sum.

The pension costs recognized by the Company in accordance with the above pension regulations for 2023 and 2022 amounted to \$6,635 and \$6,949 respectively.

(XII) Share-based payment

1. The share-based payment arrangements of the Company for 2023 and 2022 are as follows:

Type of agreement	Grant date	Number of stocks granted	Contract period	Vesting conditions
Employee share option plan	2020.11.18	5,744 (shares in thousands)	3 years	6 ~ 18 months of service
Employee share option plan	2023.04.21	170 (shares in thousands)	3 years	Vested immediately

The share-based payment arrangements mentioned above are equity-settled.

2. The detailed information regarding the share-based payment arrangements mentioned above is as follows:

	2023		2022	
	Number of share options	Weighted average exercise price (NT\$)	Number of share options	Weighted average exercise price (NT\$)
Share options outstanding as of January 1	5,744	\$ 10	5,744	\$ 10
Share options granted for the current period	170	10	-	-
Share options exercised for the current period	(5,914)	10	-	-
Share options outstanding as of December 31	-	-	5,744	10
Exercisable share options as of December 31	-	-	5,744	10

3. As of December 31, 2023 and 2022, the share options outstanding have an exercise price of NT\$10, with remaining contract periods of 2.3 years and 0.9 years, respectively.
4. The fair value of share option for the share-based payment transaction granted at the grant date was estimated using with the Black-Scholes option evaluation model. The relevant information is as follows:

Type of agreement	Grant date	Stock price	Exercise price	Expected volatility (Note)	Expected duration	Expected dividends	Risk-free rate	Fair value per unit
Employee share option plan	2020.11.18	NT\$11.75	NT\$10	30.17% ~31.06%	1.75 ~ 2.25 years	-	0.14% ~0.16%	NT\$2.76 ~ NT\$3.02
Employee share option plan	2023.04.21	NT\$25.04	NT\$10	26.13%	1.5 years	-	1.01%	NT\$15.19

Note: The expected volatility is estimated using the stock prices from the most recent period equivalent to the expected duration of the share options, and the standard deviation of the stock returns within that period.

5. Expenses arising from share-based payment transactions are as follows:

	2023	2022
Equity-settled	\$ 2,583	\$ 1,096

(XIII) Share capital

1. The Company's authorized capital amounted to \$800,000, and the paid-in capital was \$600,000 with a par value of \$10 (in dollars) per share on December 31, 2023. All proceeds from shares issued have been collected.
2. The reconciliation of the number of shares of common stock outstanding at the beginning and end of the period is as follows:

	2023	2022
	Number of shares (In thousands)	Number of shares (In thousands)
January 1	51,186	51,186
Share options exercised by the employees	5,914	-
Cash capital increase	2,900	-
December 31	60,000	51,186

3. Pursuant to the resolution adopted by the Board of Directors on October 19, 2023, the Company issued 2,900 thousand ordinary shares to effect a cash capital increase, with a subscription price of NT\$35 per share. The baseline date for the capital increase was November 15, 2023, and the registration for the change has been completed.

(XIV) Capital surplus

1. Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of ordinary shares and donations shall be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership when the Company has no accumulated deficit. Furthermore, the Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above not exceeding 10% of the paid in capital each year. Capital reserve should not be used to cover accumulated deficit even though the surplus reserve is insufficient.
2. The Company has distributed cash dividends from the capital surplus amounting to \$32,400 (NT\$0.54 per share), which was approved by the Board of Directors on April 8, 2024.

(XV) Retained earnings

1. If there are any earnings on the final financial statement, the Company shall first pay tax and make up for the accumulated losses, and then set aside 10% of such earnings as a legal reserve, unless the legal reserve has reached the Company's paid-in capital. Furthermore, the special reserve shall be set aside or reversed as required by the regulations or by the competent authority. The balance shall be added to the unappropriated retained earnings at the beginning of the period as distributable earnings. After careful consideration of retention, the Board of Directors shall prepare a profit distribution proposal for approval from the shareholders' meeting before distribution.
2. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash by a resolution approved by more than half of the directors present at a meeting with the presence of more than two-thirds of the directors and submitted to the Shareholders' Meeting.
3. The Company's dividend policies are as follows:
The Company is at the growing stage. The Company's stock dividend is appropriated based on accumulated distributable earnings, dividends shall take into consideration the Company's current and future investment environment, capital needs, domestic and overseas competition and capital budget, along with shareholders' profit and the Company's long-term financial plans. At least 10% of the dividends distributed for the current year should be allocated as cash dividends. But the Board of Directors may

adjust this ratio according to the overall operating conditions at the time and shall submit it to the Shareholders' Meeting for resolution.

4. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
5. 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.
6. The earnings distribution for 2022 and 2021 was adopted in the shareholders' meeting on June 30, 2023 and July 29, 2022. Details are summarized below:

	2022		2021	
	Amount	Dividends per Share (NT\$)	Amount	Dividends per Share (NT\$)
Legal reserve	\$ 12,161		\$ 4,788	
Cash dividends	- \$	-	- \$	-
	<u>\$ 12,161</u>		<u>\$ 4,788</u>	

7. The earnings distribution for 2023 was adopted in the Board of Directors on Monday, April 8, 2024. Details are summarized below:

	2023	
	Amount	Dividends per Share (NT\$)
Legal reserve	\$ 12,679	
Special reserve	47,323	
Cash dividends	66,720	\$ 1.112
	<u>\$ 126,722</u>	

For information on the distribution of earnings, please proceed to the Market Observation Post System for reference.

(XVI) Operating revenue

	2023	2022
Revenue from customer contracts	<u>\$ 1,019,547</u>	<u>\$ 929,530</u>

1. The Company's main business activities are manufacturing and selling automotive parts. The Company's revenue is derived from transfer of goods at a certain point of time to customers.

	2023	2022
Types of fans	\$ 950,397	\$ 838,035
Blowers	47,792	75,622
Others	21,358	15,873
	<u>\$ 1,019,547</u>	<u>\$ 929,530</u>

2. Contract liabilities

The contract liabilities related to revenue from customer contracts recognized by the Company in December 31, 2023, December 31, 2022, and January 1, 2022, were \$33,637, \$33,531, and \$23,474, respectively, representing advance sales receipts.

The balance of the contract liabilities at the beginning of the period recognized as revenue for the current period is as follows:

	2023	2022
The balance of the contract liabilities at the beginning of the period recognized as revenue for the current period		
Advance sales receipts	\$ 33,531	\$ 23,474
(XVII) <u>Interest income</u>		
	2023	2022
Interest income from bank deposits	\$ 3,418	\$ 382
Interest income from financial assets at amortized cost	3,915	2,053
Other interest income	19	9
	<u>\$ 7,352</u>	<u>\$ 2,444</u>
(XVIII) <u>Other gains and losses</u>		
	2023	2022
Gain (loss) on disposal of property, plant and equipment	\$ 48	(\$ 267)
Gain on foreign exchange	9,586	44,387
Gain on financial assets at fair value through profit or loss	-	712
	<u>\$ 9,634</u>	<u>\$ 44,832</u>
(XIX) <u>Finance cost</u>		
	2023	2022
Interest on loans	\$ 5,422	\$ 5,332
Interest on lease liabilities	28	15
	<u>\$ 5,450</u>	<u>\$ 5,347</u>
(XX) <u>Additional disclosures related to expenses</u>		
	2023	2022
Employee benefit expenses	\$ 160,869	\$ 162,870
Property, plant and equipment depreciation expenses	9,247	9,014
Right-of-use assets depreciation expenses	722	466
Amortization	2,215	2,400
(XXI) <u>Employee benefit expenses</u>		
	2023	2022
Wages and salaries	\$ 129,710	\$ 130,760
Labor and health insurance fees	15,636	15,761
Pension costs	6,669	6,985
Other personnel expenses	8,854	9,364
	<u>\$ 160,869</u>	<u>\$ 162,870</u>

1. In accordance with the Company's Articles of Incorporation, after deducting accumulated losses based on the profitability of the current year, if there is still a surplus, the Company shall allocate not less than 1% for employee remuneration and not more than 5% for directors' and supervisors' remuneration.
2. The estimated amount of employee remuneration for 2023 and 2022 amounted to \$1,660 and \$1,532, respectively, and the estimated amount of directors' and supervisors' remuneration were \$0. The aforementioned amounts were recognized in operating expenses.
3. For 2023, the remuneration was estimated at 1% and 0%, respectively, of the annual profits. The actual distributed amount resolved by the Board of Directors is \$1,660 and \$0, respectively, of which employee remuneration will be distributed in cash.

The amounts of employee remuneration and directors' and supervisors' remuneration for 2022, as resolved by the Board of Directors, were in line with amounts recognized in the 2022 financial report.

(XXII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2023	2022
Current tax:	\$ 31,543	\$ 29,306
Additional unappropriated retained earnings	4,978	1,873
Amount of income tax overestimated and underestimated for prior years	478	36
Total current tax	<u>36,999</u>	<u>31,215</u>
Deferred tax:		
Origination and reversal of temporary differences	1,325	1,021
Income tax expense	<u>\$ 38,324</u>	<u>\$ 32,236</u>

(2) The income tax expenses relating to components of other comprehensive income are as follows:

	2023	2022
Remeasurements of defined benefit obligation	<u>\$ 194</u>	<u>\$ 550</u>

2. The relationship between income tax expense and accounting profit.

	2023	2022
Income tax calculated based on profit before tax at the statutory rate	\$ 32,868	\$ 30,327
Amount of income tax underestimated for prior years	478	36
Additional unappropriated retained earnings	4,978	1,873
Income tax expense	<u>\$ 38,324</u>	<u>\$ 32,236</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 3,100	\$ 2,581	\$ -	\$ 5,681
Remeasurements of defined benefit plans	179	(179)		-
Unused vacation bonus	1,568	67	-	1,635
Others	3,790	1,713	-	5,503
	<u>\$ 8,637</u>	<u>\$ 4,182</u>	<u>\$ -</u>	<u>\$ 12,819</u>
Deferred income tax liabilities:				
Temporary differences:				
Unrealized foreign exchange gains	\$ 391	(\$ 391)	\$ -	\$ -
Remeasurements of defined benefit plans	-	54	194	248
Profits on investments accounted for using equity method	2,381	5,844	-	8,225
	<u>\$ 2,772</u>	<u>\$ 5,507</u>	<u>\$ 194</u>	<u>\$ 8,473</u>
	<u>\$ 5,865</u>	<u>(\$ 1,325)</u>	<u>(\$ 194)</u>	<u>\$ 4,346</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 3,110	(\$ 10)	\$ -	\$ 3,100
Remeasurements of defined benefit plans	962	(233)	(550)	179
Unused vacation bonus	1,260	308	-	1,568
Others	2,670	1,120	-	3,790
	<u>\$ 8,002</u>	<u>\$ 1,185</u>	<u>(\$ 550)</u>	<u>\$ 8,637</u>
Deferred income tax liabilities:				
Temporary differences:				
Unrealized foreign exchange gains	\$ 566	(\$ 175)	\$ -	\$ 391
Profits on investments accounted for using equity method	-	2,381	-	2,381
	<u>\$ 566</u>	<u>\$ 2,206</u>	<u>\$ -</u>	<u>\$ 2,772</u>
	<u>\$ 7,436</u>	<u>(\$ 1,021)</u>	<u>(\$ 550)</u>	<u>\$ 5,865</u>

4. Deductible temporary differences that are not recognized as deferred income tax assets

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 71,102</u>	<u>\$ 71,102</u>

5. The Company's income tax returns through 2021 have been assessed and approved by the tax authorities.

(XXIII) Earnings per share

2023			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders	\$ 126,013	53,309	\$ 2.36
<u>Diluted earnings per share</u>			
Net profit attributable to ordinary shareholders	\$ 126,013	53,309	
Potential effect of dilutive ordinary shares			
Employee share options	-	4,142	
Employees' remuneration	-	87	
Net profit of the ordinary shareholders plus effect of all potential ordinary shares	<u>\$ 126,013</u>	<u>57,538</u>	<u>\$ 2.19</u>
<u>2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders			
Owners of the parent	<u>\$ 119,401</u>	<u>\$ 51,186</u>	<u>\$ 2.33</u>
<u>Diluted earnings per share</u>			
Net profit attributable to ordinary shareholders			
Owners of the parent	\$ 119,401	51,186	
Potential effect of dilutive ordinary shares			
Employee share options	-	3,093	
Employees' remuneration	-	84	
Net profit of the ordinary shareholders plus effect of all potential ordinary shares	<u>\$ 119,401</u>	<u>54,363</u>	<u>\$ 2.20</u>

(XXIV) Supplemental cash flow information

Investing activities with partial cash payments:

	2023	2022
Purchase of property, plant and equipment	\$ 7,702	\$ 5,979
Add: Ending balance of prepaid equipment	2,654	427
Add: Opening balance of payables on equipment	2,835	194
Add: Transfer to intangible assets	-	8,389
Less: Opening balance of prepaid equipment	(427)	(9,354)
Less: Ending balance of payables on equipment	(353)	(2,835)
Cash paid during the period	<u>\$ 12,411</u>	<u>\$ 2,800</u>

(XXV) Changes in liabilities from financing activities

	2023				
	Short-term loans	Other payables - related parties	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
January 1	\$ 354,000	\$ -	\$ 2,196	\$ 360	\$ 356,556
Cash flow	(175,000)	-	(714)	150	(175,564)
Interest expense of lease liabilities paid (Note)	-	-	(28)	-	(28)
Non-cash flow					
Changes in leases	-	-	38	-	38
December 31	<u>\$ 179,000</u>	<u>\$ -</u>	<u>\$ 1,492</u>	<u>\$ 510</u>	<u>\$ 181,002</u>

	2022				
	Short-term loans	Other payables - related parties	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
January 1	\$ 153,000	\$ 175,811	\$ 769	\$ 360	\$ 329,940
Cash flow	201,000	(175,811)	(444)	-	24,745
Interest expense of lease liabilities paid (Note)	-	-	(15)	-	(15)
Non-cash flow					
Changes in leases	-	-	1,886	-	1,886
December 31	<u>\$ 354,000</u>	<u>\$ -</u>	<u>\$ 2,196</u>	<u>\$ 360</u>	<u>\$ 356,556</u>

Note: Presented as cash flows from operating activities.

VII. Related Party Transactions

(I) Names and relationship of related parties

<u>Company name</u>	<u>Relationship with the Company</u>
KING SHING AUTOMOBILE PARTS CO., LTD. (King Shing in Thailand)	Subsidiaries
Shih, Chun-Chin	Chairman of the Company
Ku, Ying-Chen	Close relative of the Company's director

(II) Transactions with related parties

1. Operating revenue

	<u>2023</u>	<u>2022</u>
Sales of goods:		
King Shing in Thailand	\$ 2,675	\$ 3,040

The Company's sales to related parties are carried out according to agreed prices, terms and conditions, with sales prices and transaction terms equivalent to those for general customers.

2. Purchases

	<u>2023</u>	<u>2022</u>
Commodity purchase:		
King Shing in Thailand	\$ 434,069	\$ 376,799

In 2023 and 2022, there were no comparable transactions for the Company's purchases from related parties. The transaction terms were carried out according to the agreed prices, terms and conditions between both parties.

3. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
King Shing in Thailand	\$ 1,293	\$ 1,540
Other receivables:		
King Shing in Thailand	\$ -	\$ 191

Receivables from related parties mainly arise from the sale of goods. Payments for sales transactions are due 60 days from the end of the month following the shipment date. The receivables neither contain pledged assets nor are interest-bearing.

4. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
King Shing in Thailand	\$ 58,670	\$ 66,779

Payables to related parties mainly arise from purchase transactions, with payment terms of 60 days from the end of the month following the arrival of goods at port. The payables are non-interest bearing.

5. Contract liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
King Shing in Thailand	\$ 31,837	\$ 31,937

6. Property transactions

Acquisition of property, plant and equipment:

	2023	2022
King Shing in Thailand	\$ 1,485	\$ 400

7. Loans to related parties

Borrow from related parties

Interest expense

	2023	2022
Shih, Chun-Chin	\$ -	\$ 954
Ku, Ying-Chen	-	499
	\$ -	\$ 1,453

The terms and conditions of loan from related parties are to pay monthly interests. The interest for 2022 is at an annual interest rate of 1.01% to 1.51%.

(III) Information about remunerations to the major management:

	2023	2022
Salary and short-term employee benefits	\$ 9,672	\$ 11,173
Retirement benefits	294	365
Share-based payment	-	443
	\$ 9,966	\$ 11,981

VIII. Pledged Assets

The details of assets provided as collateral by the Company are as follows:

Assets	Book value		Purpose of collateral
	December 31, 2023	December 31, 2022	
Time deposits (presented as “financial assets at amortized cost- current”)	\$ 3,078	\$ 64,502	Short-term loans, derivative deposit
Land	301,809	301,809	Short-term loans
Buildings and structures	84,585	89,149	"
	\$ 389,472	\$ 455,460	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

The earnings distribution for 2023 was adopted in the Board of Directors on Monday, April 8, 2024. Please refer to Notes VI(XV) for details.

XII. Others

(I) Capital management

The objective of the Company’s capital management is to ensure that the company continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital and provide returns to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instruments

1. Classification of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 318,309	\$ 98,127
Financial assets at amortized cost	3,078	125,931
Notes receivable	4,088	3,333
Accounts receivable (including related parties)	261,089	286,062
Other receivables (including related parties)	2,650	3,489
Refundable deposits (recognized in "other non-current assets")	1,131	1,431
	<u>\$ 590,345</u>	<u>\$ 518,373</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 179,000	\$ 354,000
Accounts payable (including related parties)	102,151	125,452
Other payable	45,726	42,161
Refundable deposits (recognized in "other non-current liabilities")	510	360
	<u>\$ 327,387</u>	<u>\$ 521,973</u>
Lease liabilities	<u>\$ 1,492</u>	<u>\$ 2,196</u>

2. Risk management policies

- (1) The daily operations of the Company are affected by various kinds of financial risks, including market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.
- (2) Risk management is executed by the Company treasury by following policies approved by the Board. Through collaboration with operating units within the Company, the Company treasury is responsible for identifying, evaluating and mitigating financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. As the Company is a multinational company, the Company is exposed to exchange rate risks arising from transactions denominated in currencies other than their functional currency, primarily USD and THB. The related exchange rate risks arise from future business transactions, recognized assets and liabilities and net investments on foreign operations.
- B. The Company's management has set up policies requiring companies to manage the exchange rate risks of their functional currencies. The company hedges the overall exchange rate risk through the treasury. The measurement of exchange rate risk is based on the highly probable expected transactions paid in USD, and foreign exchange forward transactions and foreign exchange swap contracts are adopted to mitigate the impact of exchange rate fluctuations on the anticipated cost of purchasing inventory.
- C. The Company hedges exchange rate risk through foreign exchange forward transactions and foreign exchange swap contracts, however hedge accounting is not applied.

- D. The Company's businesses involve several nonfunctional currencies (the functional currency of the Company is NTD), therefore, it is subject to the impact of exchange rate fluctuations. Information on foreign currency assets and liabilities significantly affected by exchange rate fluctuations is as follows:

December 31, 2023			
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 9,084	30.71	\$ 278,938
<u>Non-monetary items</u>			
THB: NTD	\$ 603,341	0.9017	\$ 542,421
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,930	30.71	\$ 59,262

December 31, 2022			
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 15,905	30.72	\$ 488,508
<u>Non-monetary items</u>			
THB: NTD	\$ 570,511	0.8941	\$ 508,836
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,238	30.72	\$ 68,745

- E. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for 2023 and 2022 amounted to a gain of \$9,586 and \$44,387, respectively.
- F. The analysis of foreign currency market risk that is materially affected by exchange rate fluctuations for the Company is as follows:

2023			
Sensitivity analysis			
	Extent of variation	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,789	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 593	\$ -

	2022		
	Sensitivity analysis		
	Extent of variation	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 4,885	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 687	\$ -

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly arises from short-term loans calculated at floating interest rates, exposing the company to cash flow interest rate risk. In 2023 and 2022, the Company's loans and other payable— related parties are denominated in NTD.
- B. If the loan interest rate denominated in NTD increases or decreases by 1%, while all other factors remain constant, the profit after income tax for 2023 and 2022 will decrease or increase by \$1,192 and \$2,832, respectively. This is mainly due to the changes in interest expenses resulting from loans at floating-rates and other payable - related parties.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments. The risk mainly arises from counterparties' inability to settle notes receivable and accounts receivable according to credit terms.
- B. Credit risk management is initiated from the Company's perspective. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored.
- C. The Company adopts IFRS 9, assuming that a default been occurred when contractual payments are past due over 90 days based on the terms.
- D. The Company adopts IFRS 9 to provide the following assumptions as the basis for determining whether there has been a significant increase in credit risk of financial instruments since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. The indicators used by the Company to determine credit impairment of debt instrument investments are as follows:
 - (A) It becomes probable when the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- (B) The issuer's financial difficulties have resulted in the disappearance of the active market for the financial assets.
- (C) Default or delinquency in interest or principal repayments;
- (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- F. The Company classifies accounts receivable based on the characteristics of customers and estimates the ECLs using simplified approach and the provision matrix as basis.
- G. The Company adjusts the credit loss that is based on historical and recent information by taking into account the forecasts of the Taiwan Institute of Economic Research's economic forecast report to estimate the loss allowance for accounts receivable. The provision matrices for December 31, 2023, and 2022 are as follows:

December 31, 2023			
	Expected loss rate	Total book value	Allowance for doubtful accounts
Not past due	0.20%~3.06%	\$ 248,884	\$ 1,080
Past due 1~30 days	1.67%~15.78%	10,051	675
Past due 31~90 days	0%~50.20%	2,974	358
Past due over 91 days	100%	6,642	6,642
		<u>\$ 268,551</u>	<u>\$ 8,755</u>
December 31, 2022			
	Expected loss rate	Total book value	Allowance for doubtful accounts
Not past due	0%~1.4%	\$ 194,014	\$ 587
Past due 1~30 days	0%~9.72%	63,903	1,282
Past due 31~90 days	3%~35.11%	31,559	3,085
Past due over 91 days	100%	3,717	3,717
		<u>\$ 293,193</u>	<u>\$ 8,671</u>

- H. Movements of loss allowance for notes receivable and accounts receivable (including related parties), adopting the simplified approach by the Company, are as follows:

	2023	2022
	Notes and accounts receivable	Notes and accounts receivable
January 1	\$ 8,671	\$ 3,694
Recognize impairment losses	84	4,977
December 31	<u>\$ 8,755</u>	<u>\$ 8,671</u>

(3) Liquidity risk

- A. Cash flow forecast is performed and aggregated by the company's treasury. The company's treasury monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient funds to meet operational needs and maintains adequate unused committed facilities at all times.
- B. When the company's residual funds exceed the need for working capital management, the company's treasury shall invest the residual funds in interest-

bearing demand and time deposits. The instruments selected have appropriate maturity dates or sufficient liquidity to respond to the above forecast and provide adequate liquidity buffers. The Company held positions in the money market of \$318,309 and \$159,556, respectively, in December 31, 2023 and 2022, with the expectation of managing liquidity risks by generating instant cash flows.

C. Details of unused loan limit of the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rates		
Maturing within one year	\$ 411,000	\$ 171,287

D. The table below analyzes the Company's non-derivative financial liabilities categorized into relevant maturity groups, i.e. based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the undiscounted contractual cash flows.

December 31, 2023	Between 3				
	<u>Less than 3 months</u>	<u>months to 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative</u>					
<u>financial liabilities:</u>					
Short-term loans	\$ 93,685	\$ 86,262	\$ -	\$ -	\$ -
Accounts payable (including related parties)	102,151	-	-	-	-
Other payables	45,726	-	-	-	-
Lease liabilities	185	556	581	196	-

December 31, 2022	Between 3				
	<u>Less than 3 months</u>	<u>months to 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative</u>					
<u>financial liabilities:</u>					
Short-term loans	\$ 271,155	\$ 84,259	\$ -	\$ -	\$ -
Accounts payable (including related parties)	125,452	-	-	-	-
Other payables	42,161	-	-	-	-
Lease liabilities	185	555	739	770	-

E. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount would be significantly different.

(III) Fair value information

1. The different levels of inputs used in the valuation techniques for measuring the fair value of financial and non-financial instruments are 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 when 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.
2. Financial instruments not measured at fair value
The carrying amount of cash and cash equivalents, financial assets at amortized cost-current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, short-term loans, notes payable, accounts payable (including related parties), other payables (including related parties) and refundable deposits are approximate to their fair values.
3. For 2023 and 2022, there were no movements between Level 1 and Level 2.
4. For 2023 and 2022, there was no transfer into or out from Level 3.

XIII. Supplementary Disclosures

(I) Significant transactions information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Marketable securities held at the end of the period (excluding subsidiaries, associates and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost of NT\$300 million or 20% of paid-in capital or more: None.
5. Acquisition of property of NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of property of NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties of NT\$100 million or 20% of paid-in capital or more: Table 1.
8. Receivables from related parties of NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivatives undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting period: Please refer to Table 2.

(II) Information on investees

Names, locations and other information of investee companies (excluding investees in Mainland China): Please refer to Table 3.

(III) Information on investments in Mainland China

None.

XIV. Segment Information

Not applicable.

(The following is left blank)

King Shing Industrial Co., Ltd.
Purchases or sales of goods from or to related parties of NT\$100 million or 20% of paid-in capital or more
January 1 to December 31, 2023

Table 1

Unit: Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Purchases (Sales)	Transaction			Differences in transaction terms and reasons		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO.,LTD.	Subsidiary of the Company	Purchases	\$ 434,069	70%	Same as general suppliers	\$ -	-	(\$ 58,670)	(57%)	

King Shing Industrial Co., Ltd.
 Significant inter-company transactions during the reporting period
 January 1 to December 31, 2023

Table 2

Unit: Expressed in thousands of New Taiwan Dollars
 (Except as otherwise indicated)

Trader name	Counterparty	Relationship with the trader (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
			General ledger account	Amount	Transaction terms	
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	The parent company to the consolidated subsidiary	Purchases	\$ 434,069	According to the agreed price and conditions by both parties	42%
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	The parent company to the consolidated subsidiary	Accounts payable	58,670	60 days after arrival at port	3%

King Shing Industrial Co., Ltd.

Names, locations and other information of investee companies (excluding investees in Mainland China)

January 1 to December 31, 2023

Table 3

Unit: Expressed in thousands of New Taiwan Dollars

(Except as otherwise indicated)

Name of investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at end of period			Net profit (loss) of the investee for the current period	Investment income (loss) recognized by the Company for the current period	Note
				End of the period	End of last year	Number of shares	Ownership (%)	Book value			
King Shing Industrial Co., Ltd.	KING SHING AUTOMOBILE PARTS CO., LTD.	Thailand	Manufacturing automotive components	\$ 456,718	\$ 456,718	439,998	100%	\$ 542,421	\$ 29,224	\$ 28,870	Subsidiaries

KING SHING INDUSTRIAL CO., LTD.

Chairman : Shih, Chun-Chin