Stock Code: 3032

偉訓科技股份有限公司
COMPUCASE ENTERPRISE CO., LTD.

2023

Annual Report

Date of Publication: April 22, 2024

For this annual report, please visit: http://mops.twse.com.tw
http://www.hec-group.com.tw

Compucase Enterprise Co., Ltd.

I. Names, titles, telephone numbers and email addresses of the spokesperson and deputy spokesperson:

	Spokesperson	Deputy spokesperson
Name	Wang Chun-Tung	Lee Chia-Ching
Title	President	Vice President
Telephone	06-3560606	06-3560606
Email	hec-stock@hec-group.com.tw	hec-stock@hec-group.com.tw

II. Addresses and telephone numbers of the headquarters and factories

Headquarters: No. 225, Ln. 54, Sec. 2, Anhe Rd., Tainan City   Telephone: 06-3560606

Factory: No. 225, Ln. 54, Sec. 2, Anhe Rd., Tainan City   Telephone: 06-3560606

III. Name, address, website and telephone number of the stock transfer agent

Name: Registrar and Transfer Department, Yuanta Securities Co., Ltd.

Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City

Website: http：//www.yuanta.com.tw

Telephone: 02-2586-5859

IV. Names of the CPAs certifying the financial report of the most recent year, and the name, address, website and telephone number of their accounting firm

CPAs: Wang Teng-Wei, Li Chi-Chen

Name of accounting firm: Deloitte Taiwan

Address: 13F, No. 189, Sec. 1, Yongfu Rd., West Central Dist., Tainan City

Website: http：//www.deloitte.com.tw

Telephone: 06-213-9988

V. Name of the exchange where foreign securities are listed and traded, and the method of access to the information of such foreign securities: None.

VI. Company website: http：//www.hec-group.com.tw

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Chapter I Letter to Shareholders

Dear Shareholders,

I. Results of implementation of the 2023 business plan

(I) Results of implementation of the business plan

In 2023, we recorded a net operating revenue of NTD6,422,503 thousand, a decrease of 55% from NTD4,132,961 thousand in 2022, and a consolidated net operating revenue of NTD8,134,733 thousand, a decrease of 28% from NTD6,375,442 thousand in 2022. We also recorded a consolidated gross operating profit of NTD1,872,713 thousand, a decrease of 37% from that in 2022, and a consolidated after-tax net profit of NTD747,506 thousand, an increase of 47% from that in 2022. Our earnings per share was NTD5.41.

(II) Budget implementation

We are not required to disclose any information regarding such implementation since we did not publish any financial forecast in 2023.

(III) Analysis of financial revenues and expenses and profitability

1. Financial revenues and expenses

Unit: NTD thousand

Item/Year	2023	2023 (consolidated)
Net operating revenue	6,422,503	8,134,733
Net profit (loss) on non-operating revenues and expenses	410,799	86,078
Operating cost	5,669,887	6,262,020
Operating expense	480,077	1,024,873
Pre-tax net profit	685,233	933,918
After-tax net profit	605,857	747,506

2. Profitability analysis

Item/Year	2023	2023 (consolidated)
Return on assets (%)	10%	9%
Return on equity (%)	22%	19%
Net profit margin (%)	9%	9%
Earnings per share (NTD)	5.41	5.41

Note:

1. Prepared according to the 2023 parent-only and consolidated financial statements of subsidiaries.
2. The data of earnings per share is based on the retroactively adjusted number of outstanding shares as of the end of 2023.

(IV) Performance in research and development

Being committed to satisfying customers' demands and expectations for better quality, we invested NTD145,108 thousand in R&D in 2023, a decrease of 13% from NTD127,922 thousand in 2022. The following is our future direction in R&D:

Computer chassis:

(1) To increase the selling points and differentiation of our products, we introduce the technology of evaporative wrapping and bend glass and apply it to gaming products.

(2) We enhance the technology of water-cooled server cabinets, strengthen the expansion of cloud demand and AI server cabinets application to increase the revenue of server cabinets.

(3) We expand into the new energy field, including high-end charging piles and vehicle busbar technology.

(4) We will continue to invest in niche products, such as our own brand/IPCs/servers, to increase the gross profit of our products.

Products of power supplies:

(1) The new version of Intel ATX 3.1 models has been developed and cost-optimized to seek more orders of high-end models including gold/platinum-brand ones.

(2) The power supply noise has been continuously optimized and improved to achieve a higher noise level on professional websites and to build a good image for our power supply.

(3) Copper foil transformers have been developed and applied to make the products of power supplies more competitive and unique.

(4) Digital power supplies are being developed to support customized new features and to expand the product line for existing customer collaborations.

(5) The rise of AI PCs requires an early assessment of the compatibility of UPS-equipped PC power supplies to meet the power requirements of the next generation.

(6) Titanium (80Plus highest efficiency rating) power supply models have been developed, using third-generation semiconductors to elevate the level of power supply technology.

Products of our own brand COUGAR:

(1) The COUGAR Case series will soon launch the innovative fish tank-themed FV270 computer case in February of Q1. It breaks through the current market with its unique optimized cooling airflow design, featuring a 270-degree glass viewing experience and practical heat dissipation. It is the representative model of the COUGAR brand image in the first half of 2024. The MX600 and Duoface Pro models, which have received positive market feedback since their launch, are also planned to be followed by new models in the second half of 2024. The goal is to continue the reputation of the MX600 and Duoface Pro models and to sustain the growth in the sales volume of the cases.

(2) In the COUGAR power supply section, the second generation ATX3.0 PCI-E5.0 full modular gold products will be launched. It improves on the issues of the first generation products and optimizes costs. It will become the flagship power supply product series for COUGAR in 2024. In addition, the third generation product line of the mainstream copper plate machine model will also be launched, which can optimize current product

issues and enhance product competitiveness. Regarding the flagship power supply products, 1600w/2000w high-wattage gold-rated products will also be launched to develop strategies to meet the demands of the AI market.

(3) In 2024, two ergonomic gaming chairs from the COUGAR Gaming chair series will be launched. They combine ergonomic comfort design with gaming elements in appearance, creating unique products that bridge the gaming and office markets. COUGAR will also be launching a series of gaming sofa products in 2024. From high-end electrically adjustable sofas to entry-level cost-effective products, the full lineup has been fully laid out. They will be launched before June 2024, providing COUGAR with strong growth momentum in the gaming chair product category.

(4) Regarding COUGAR Cooling, the wireless modular fan Apolar has been mass-produced and launched to solve the annoying problem of fan wiring connection, with a design that combines aesthetics and functionality. Another Poseidon Ultra water cooling product has achieved outstanding heat dissipation performance in media reviews. It surpasses other leading brands and is expected to establish a good reputation and new growth momentum for COUGAR's water cooling product line.

II. Overview of the 2024 business plan and the strategy for future development

(I) Overview of 2024 Business Plan

1. We will introduce automated manufacturing processes to save time and reduce costs.
2. We will develop digital power supplies and increase the number of product lines on which we have engaged in cooperation with our current customers.
3. Titanium (80Plus highest efficiency rating) power supply models have been developed to actively pursue high-end power supply orders.
4. We will continue to optimize and improve the electrical specifications and characteristics of power supplies in order to gain high ratings on professional websites for our PSU products and to build a good image for our power supply technologies.
5. We will develop benchmark gaming computer chassis as flagship products and actively seek orders for them to increase our revenue and profit.
6. We will continue to introduce a complete product line for the COUGAR brand, such as gaming chairs, headsets and water-cooled products, with the aims of enhancing the reputation and market share of the brand and increasing our revenue and profit.

(II) Future strategy for development of HEC

1. HEC will strengthen cooperation with high-quality customers to generate profits and expand our market share.
2. To meet customer demand and attract orders, HEC will actively integrate the internal core technological advantages of our suppliers and group and add multiple elements of design.
3. HEC will integrate the resources of all subsidiaries under our group to raise the status of HEC among its peer companies.
4. HEC will optimize our human resources and organizational arrangement and engage in more effective management and decision-making to improve our operating performance.
5. HEC will seek growth and stable revenues and profits to enhance the interests of our shareholders and the welfare of our employees.

III. Effects of external competition, legal environment and overall business environment

(I) With regard to external competition, facing rapidly changing industrial technologies and diverse customer demands, HEC will continue to expand the scale and scope of R&D and effectively integrate our resources to enhance our R&D capability. HEC will meet the demands of different customers through product diversification, and we will extend our market reach to various areas to explore new markets, with the expectation of accelerating growth in our revenues and profits.

(II) With regard to the legal environment, in response to increasingly stringent requirements for environmental protection and labor rights worldwide and in Mainland China, we will continue to improve and keep fulfilling our social responsibilities as a green business and in caring for our employees in order to reduce the restrictions of the legal environment. Our management team will constantly stay informed and take the most appropriate measures in response in a timely manner.

(III) With regard to the overall business environment, looking ahead to the Taiwanese economy in 2024, as both the US and China face challenges in consumption and investment respectively, although other major economies such as Europe are expected to show signs of recovery, and the economic performance of emerging markets and developing economies is better than in 2023, it is still difficult to support the sluggish situation in the US and Chinese economies. Therefore, major international forecasting agencies believe that the global economic growth rate in 2024 will be slightly lower than in 2023. However, there is still an expectation of a gradual recovery in global commodity trade, which should help stabilize Taiwan's external trade performance.

We will keep strengthening the integration of external and internal resources in order to enhance our advantage in market competition, improve our overall operating performance, increase the welfare of our employees and satisfy the interests of our shareholders under an overall constantly changing business environment.

Best wishes

to you all,

May you have good health and may all your endeavors be successful.

Chairman and President: Wang Chun-Tung

Chapter II About HEC

I. Date of incorporation: February 16, 1979

II. History of HEC

1. 1979 — HEC was founded with an amount of capital of NTD3 million as a company manufacturing and selling automotive wheel rim covers.
2. 1982 — The amount of capital of HEC increased to NTD6 million.
3. 1983 — A factory dedicated to manufacturing automotive wheel rim covers was established on Beian Rd., Tainan City.
4. 1987 — The amount of capital of HEC increased to NTD15 million.
5. 1989 — HEC introduced technologies for development and design of computer chassis.
6. 1991 — The amount of capital of HEC increased to NTD28 million.

   — HEC purchased automated machines and equipment, including automated stamping presses and automated painting equipment, for the production of computer chassis.
7. 1994 — The amount of capital of HEC increased to NTD15 million.
8. 1996 — Due to widening of the road on which HEC was originally located, it moved to its current location on Anhe Rd., Tainan City.

   — A factory dedicated to manufacturing computer chassis was established in Shenzhen, Mainland China.

   — Compucase Investment Co., Ltd. acquired 3,000,000 shares of HEC.

   — HEC received the ISO-9002 certification.
9. 1997 — The amount of capital of HEC increased to NTD15 million.

   — HEC introduced technologies for development and design of power supplies.
10. 1998 — Heroichi Electronics Co., Ltd., Wei Shun Int'l Investments Co., Ltd. (B.V.I.) and Grand Victory Group Ltd. (Samoa) were established as investee companies. HEC made indirect investments in Mainland China for the production of computer chassis and power supplies.

    — AOPEN Inc. acquired 10% of the shares of HEC.
11. 1999 — In February, HEC established a British subsidiary with a shareholding of 75% therein.

    — In June, HEC purchased the shares of its US sales branch UCC, acquiring a shareholding of 69.57% therein.

    — In June, HEC established a sales branch in Shanghai, Mainland China.

    — In July, HEC completed a capital increase by cash totaling NTD170 million and a capital increase from earnings totaling NTD60 million, with its capital amounting to NTD380 million. HEC also engaged in public offerings.

    — In December, HEC received the ISO 9001 quality certification.
12. 2000 — In January, HEC established a Japanese subsidiary (JCC) with a shareholding of 60% therein.

    — In April, HEC established Wei Chang Xing Electronics (Shen Zhen) Co., Ltd.

as its third manufacturing branch in Mainland China.

— In July, the company was renamed Compucase Enterprise Co., Ltd.; HEC purchased 30.43% of the shares of UCC.

— In December, HEC's application for OTC trading of its shares was approved.

13. 2001 — In April, the shares of HEC officially became OTC-listed for trading.

— In May, HEC purchased 62% of the shares of GCC.

14. 2002 — In April, HEC completed a capital increase by cash totaling NTD30 million, with its paid-in capital amounting to NTD626 million.

— In June, HEC applied for public listing of its OTC-listed shares.

— In August, the shares of HEC officially became publicly listed.

15. 2003 — In August, HEC's application to the Industrial Development Bureau, Ministry of Economic Affairs for establishment of an operational headquarters was approved.

— In September, HEC completed the renovation of its headquarters.

16. 2004 — In June, HEC established Yu Shuo Electronics (Shenzhen) Co., Ltd. as a manufacturing branch and Wei Yu International Trading (Shenzhen) Co., Ltd. as a trading company for domestic sales in Mainland China.

17. 2005 — In July, HEC purchased 8% of the shares of GCC with its shareholding therein totaling 70%, and purchased 25% of the shares of ECC with its shareholding therein totaling 100%

18. 2006 — In June, HEC established Power Master Co., Ltd. with a shareholding of 60% therein to create channels for domestic sales.

— In November, HEC established Heroichi International Trading Co., Limited as a Hong Kong subsidiary with a shareholding of 100% therein.

— In December, HEC merged with its wholly owned subsidiary Heroichi Electronics Co., Ltd., with the latter being defunct.

19. 2007 — In March, HEC established HEC Korea Co. Ltd. as a South Korean subsidiary with a shareholding of 51% therein to expand the sales in South Korea.

— In November, HEC adjusted the structure of its investment in manufacturing in Mainland China by establishing Global Treasure Holdings Co., Limited and Global Plenum Holdings Co., Limited in Hong Kong, with a shareholding of 100% in each of them.

20. 2008 — In February, HEC consolidated its CASE manufacturers in Mainland China by merging Wei Chang Xing Electronics (Shen Zhen) Co., Ltd. and Wei Shun Computers (Shenzhen) Co., Ltd., with the former continuing to exist and the latter being defunct.

21. 2009 — In January, HEC purchased 5% of the shares of Compucase Japan Co., Ltd. with its shareholding therein totaling 80%.

— In June, HEC sold 20% of the shares of Compucase UK Ltd. to the manager of its local subsidiary, with its shareholding therein following the sale totaling 80%. 22. 2010

22. 2010 — In October, HEC established Wei Sheng Feng Technology (Ji An) Co., Ltd. in Jiangxi Province, Mainland China with a shareholding of 100% therein.

— In December, HEC received the ISO14001 certification for environmental management system.

23. 2011 — In January, HEC purchased 5% of the shares of Compucase Japan Co., Ltd. with its shareholding therein totaling

24. 2012 — In November, HEC received the OHSAS18001 certification for occupational safety and health management system.

25. 2013 — In March, with the decease of HEC's founder Hsu Tung-Fu due to illness, the Board of Directors elected Ko Chi-Yuan, the representative of Compucase Investment Co., Ltd., as the new Chairman.

— In October, HEC purchased 20% of the shares of Unity Industrial Co., Ltd. in Thailand to expand its reach into the automotive market.

26. 2015 — In May, HEC established Dongguan Weichiao Electronics Co., Ltd. in Mainland China with a shareholding of 100% therein.

27. 2016 — In January, WCX, HEC's manufacturing branch in Mainland China, signed an agreement on relocation and compensation with a local developer and was expected to complete relocation in June

— In April, HEC acquired 46.43% of the privately placed shares of LFE and became a major shareholder with a shareholding of no less than 10% therein.

— In April, HEC acquired 60% of the shares of OPT, making the latter a subsidiary of HEC with an investment of no less than 50%.

— In June, HEC acquired 50.48% of the privately placed shares of LFE, making the latter a subsidiary of HEC with an investment of no less than 50%.

— In August, HEC and nine banks, including CTBC Bank, signed a 5-year agreement on medium- to long-term syndicated loans totaling NTD1 billion.

— In September, HEC engaged in a capital increase by cash through private placement of 10 million shares and introduced MiTAC International Corporation as a strategic investor.

— In October, MiTAC International Corporation completed its payment for the privately placed shares, with HEC's capital amounting to NTD1.133 billion following the capital increase.

28. 2017 — In March, HEC fully repaid the syndicated loans from CTBC Bank. In August, HEC terminated the 5-year agreement on medium- to long-term syndicated loans with nine banks including CTBC Bank.

29. 2018 — In May, HEC established Anyuan Weijia Electronic Co., Ltd in Jiangxi Province, Mainland China with a shareholding of 100% therein.

— In June, the relocation of WCX and WSE in Mainland China was completed, with the production capacity for computer chassis and power supplies transferred to LFDG.

— In November, WCX participated in a capital increase by cash at LFDG with RMB85.32 million and acquired 20.13% of the shares of LFDG following the capital increase.

30. 2019 — In May, HEC made a capital increase of USD500 thousand in Anyuan Weijia Electronic Co., Ltd.

— In June, HEC set up an MIT factory at its headquarters in Tainan.

— In December, HEC made a capital increase of USD4.5 million in Anyuan Weijia Electronic Co., Ltd.

31. 2020 — In March, HEC's application for an invention patent in Taiwan for "power supplies capable of limiting inrush current" was approved.

— In August, HEC established Anyuan Weichangfeng Electronic Co., Ltd. in Jiangxi Province, Mainland China with a shareholding of 100% therein.

— In September, HEC received the certification of RBA (Responsible Business Alliance Code of Conduct).

32. 2021 — In January, HEC made a capital decrease of USD8 million in WCX

— In March, HEC's application for an invention patent in Mainland China for "power supplies capable of extending the hold-up time" was approved

33. 2022 — In June, with the term of the former chairman Ko Chi-Yuan expires, the Board of Directors elected Wang Chun-Tung, the representative of Compucase Investment Co., Ltd., as the new Chairman.

34. 2023 — In November, HEC made a capital increase of USD1 million in WCF

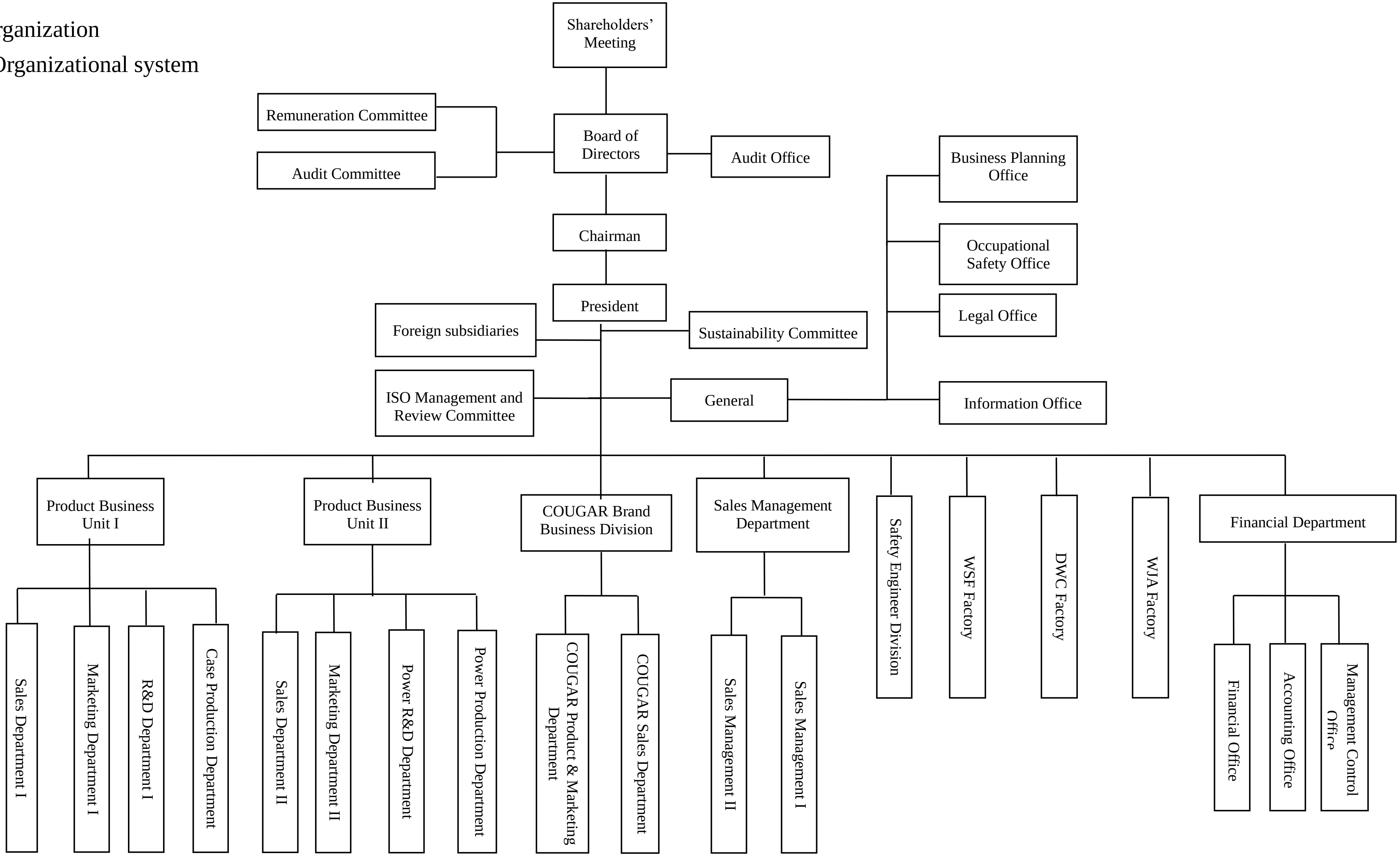
— In December, HEC obtained ISO/IEC 27001 certification for information security management through BSI verification.

III. Mergers or acquisitions, investments in affiliates and reorganizations, substantial transfers or changes of shares held by directors, supervisors or shareholders with a shareholding of more than 10%, changes in management, significant changes in the method of management or the scope of business, and other important events sufficiently to affect shareholders' equity and their effects on HEC: **None.**

Chapter III Corporate Governance Report

I. Organization

(I) Organizational system



(II) Responsibilities of the main departments

Department	Responsibilities
Board of Directors	1. Establishment of corporate governance system for the board of directors. 2. Conducting quarterly board meetings. 3. Reviewing the implementation status of previous meetings. 4. Protecting the interests of stakeholders. 5. Enhancing information transparency. 6. Other relevant governance matters shall be handled in accordance with corporate governance practices.
Audit Office	Implementation of internal controls and internal audits at HEC and its investee companies.
General Administration Department	1. Planning, management and implementation of strategies for long-term and short-term management of HEC. 2. Management of the organization and by-laws of the committees under HEC. 3. Management and planning of human resources. 4. Management and planning of operations and investments. 5. Planning and management of matters concerning computerization. 6. Purchase of raw materials, machines and equipment.
Financial Department	1. Arrangement and management of the finance and funding of HEC, and business dealings with banks. 2. Establishment of accounting systems, and management of accounting and tax matters. 3. Coordination and management of cases of fundraising from the capital market. 4. Management of affairs relating to the shareholders' meeting and shareholding.
Product Business Units (Product Business Unit I, Product Business Unit II and COUGAR Brand Business Division)	1. Promotion of current and new products. 2. Survey and development of markets and promotion and analysis of sales channels for the business above. 3. Collection and analysis of the information of peer competitors, and development of strategies in response. 4. Sales of new products, and formulation and analysis of their sales plans. 5. Development of new customers, and planning of domestic and foreign collaborative projects. 6. Research and development of new business, products and technologies. 7. Control of the costs and prices of current and new products. 8. Research and improvement of the technologies for production of current products. 9. Selling and promoting products to achieve the operating and profit targets set by HEC. 10. Drawing up business expansion plans and developing appropriate and necessary strategies, including determining the target customers, products, territories and sales volumes. 11. Investigating customer credit and creating customer information, and arranging, making statistics of and analyzing sales records. 12. Managing accounts receivable from customers, handling customer complaints, coordinating services, production and sales, and managing shipments to customers.
Production Department (WJA, DWC and WSF)	1. Manufacturing and production of IT products including power supplies and computer peripherals. 2. Purchase of required raw materials and management of materials. 3. Establishment and implementation of a quality assurance system. 4. Reduction of labor costs and improvement of production efficiency. 5. Development and enhancement of production and engineering technologies. 6. Other activities relating to production and manufacturing.

II. Information of directors, president, vice president, assistant vice presidents and managers of departments and branches

Information of directors as of 2024.04.21

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality or country of registration</th><th rowspan="2">Name</th><th rowspan="2">Gender Age</th><th rowspan="2">Date of election (taking office)</th><th rowspan="2">Term</th><th rowspan="2">Date of first election</th><th colspan="2">Shareholding at time of election</th><th colspan="2">Current shareholding</th><th colspan="2">Current shareholding of spouse or minor children</th><th colspan="2">Nominee shareholding</th><th rowspan="2">Main experience (education)</th><th rowspan="2">Concurrent positions at HEC and other companies</th><th colspan="3">Other managers, directors or supervisors with a spousal relationship or a relationship within the second degree of consanguinity</th><th rowspan="2">Remarks (Note)</th></tr>
<tr><th>Number of shares</th><th>Shareholding</th><th>Number of shares</th><th>Shareholding</th><th>Number of shares</th><th>Shareholding</th><th>Number of shares</th><th>Shareholding</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td rowspan="2">Chairman and President</td><td rowspan="2">R.O.C.</td><td rowspan="2">Compucase Investment Co., Ltd.
Representative: Wang Chun-Tung</td><td rowspan="2">Male
51 - 60</td><td rowspan="2">2022.06.23</td><td rowspan="2">3</td><td rowspan="2">2014.06.20</td><td>23,835,605</td><td>21.04%</td><td>23,835,605</td><td>21.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td rowspan="2">MBA Program, National Chengchi University
Bachelor of Electrical Engineering, National Chiao Tung University
Product Manager, BenQ Corporation
Vice President for Production, HEC</td><td rowspan="2">Corporate representative of a subsidiary of HEC
Representative of director at LFE and OPT
Director, FCC</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>424,000</td><td>0.37%</td><td>300,000</td><td>0.26%</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Directors</td><td rowspan="2">R.O.C.</td><td rowspan="2">Compucase Investment Co., Ltd.
Representative: Huang Hsiu-Ling</td><td rowspan="2">Female
61 - 70</td><td rowspan="2">2022.06.23</td><td rowspan="2">3</td><td rowspan="2">2019.06.20</td><td>23,835,605</td><td>21.04%</td><td>23,835,605</td><td>21.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td rowspan="2">Department of Finance and Tax, National Chung Hsing University
Manager, Department of General Administration, Han Rui Technology Co., Ltd.
Director, Loyal Fidelity Aerospace Corp.
Supervisor, MIO Technology Corporation
Supervisor, Tzu Feng Investment Co., Ltd.
Vice President for Finance, MiTAC Holdings Corporation</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>-</td><td>-</td><td>-</td><td>-</td><td>2,000</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Directors</td><td rowspan="2">R.O.C.</td><td rowspan="2">Cheng Li Investment Co., Ltd.
Representative:Ko Chi-Yuan</td><td rowspan="2">Male
71 - 75</td><td rowspan="2">2022.06.23</td><td rowspan="2">3</td><td rowspan="2">2013.06.14</td><td>6,638,193</td><td>5.86%</td><td>6,638,193</td><td>5.86%</td><td>-</td><td>-</td><td>-</td><td>-</td><td rowspan="2">Department of Economics, National Chung Hsing University
Chairman, San Shing Fastech Corp.</td><td rowspan="2">Corporate representative of a South Korea subsidiary of HEC
Representative of director at OPT, LFE and its subsidiaries</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>230,000</td><td>0.20%</td><td>336,000</td><td>0.30%</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Nationality or country of registration	Name	Gender Age	Date of election (taking office)	Term	Date of first election	Shareholding at time of election		Current shareholding		Current shareholding of spouse or minor children		Nominee shareholding		Main experience (education)	Concurrent positions at HEC and other companies	Other managers, directors or supervisors with a spousal relationship or a relationship within the second degree of consanguinity			Remarks (Note)
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	Relationship	
Directors	R.O.C.	Cheng Li Investment Co., Ltd. Representative: Li Ssu-Chia	Female 41 - 50	2022.06.23	3	2013.06.14	6,638,193 3,000	5.86% -	6,638,193 3,000	5.86% -	- -	- -	- -	- -	Master of Accounting, University of Illinois Urbana-Champaign CFO, AB Value Asset Management Co., Ltd.	Supervisor at Compucase Investment Co., Ltd., Cheng Li Investment Co., Ltd., AB Value Investment Co., Ltd. and OPT Director, SAN SHING	-	-	-	-
Directors	R.O.C.	Li Li-Sheng	Male 61 - 70	2022.06.23	3	2013.06.14	602,000	0.53%	302,000	0.27%	-	-	-	-	Graduated from senior high school Chairman, Zong Sine Industries Inc.	Representative of director at LFE and OPT Universal Textile Co., Ltd. Board of Directors	-	-	-	-
Directors	R.O.C.	Chung Ding-Chun	Male 51 - 60	2022.06.23	3	2013.06.14	200,000	0.18%	196,000	0.17%	97,000	0.09%	-	-	Master of Business Administration, College of Management, National Taiwan University President, Japan Asia Asset Management Co., Ltd.	Director at WCX, WSE and WYT Representative of director at LFE and OPT	-	-	-	-
Independent director	R.O.C.	Hua Chih-Chiang	Male 61 - 70	2022.06.23	3	2022.06.23	-	-	-	-	-	-	-	-	PhD in Electrical Engineering, University of Missouri Bachelor of Electrical Engineering, National Cheng Kung University Distinguished Professor, Department of Electrical Engineering, National Yunlin University of Science and	-	-	-	-	-

Title	Nationality or country of registration	Name	Gender Age	Date of election (taking office)	Term	Date of first election	Shareholding at time of election		Current shareholding		Current shareholding of spouse or minor children		Nominee shareholding		Main experience (education)	Concurrent positions at HEC and other companies	Other managers, directors or supervisors with a spousal relationship or a relationship within the second degree of consanguinity			Remarks (Note)
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	Relationship	
															Technology Chief Administrator, Office of Research and Development, National Yunlin University of Science and Technology Dean, College of Engineering, National Yunlin University of Science and Technology					
Independent director	R.O.C.	Chen Jung-Chao	Male 51 - 60	2022.06.23	3	2022.06.23	-	-	-	-	-	-	-	-	LLM, National Chung Cheng University Department of Accounting, College of Law and Commerce, National Chung Hsing University CPA, Water Accountants' Firm Manager and Assistant Vice President, KPMG Taiwan	Member of the Compensation Committee at JUNG SHING 、YAHORNG、SciVision Independent Director at YAHORNG、SciVision	-	-	-	-
Independent director	R.O.C.	Hsu Chia-Te	Male 41 - 50	2022.06.23	3	2022.06.23	-	-	-	-	-	-	-	-	Harvard Extension School International Business Management Certificate Master of International Trade Management, Boston University President, Well-Spring Enterprise Corp. Supervisor, Speed Tech Corp. Director, Ho Li Investment Co., Ltd.	Member of the Compensation Committee and Independent Director at KWONG LUNG Representative of director at SpeedTech	-	-	-	-

Title	Nationality or country of registration	Name	Gender Age	Date of election (taking office)	Term	Date of first election	Shareholding at time of election		Current shareholding		Current shareholding of spouse or minor children		Nominee shareholding		Main experience (education)	Concurrent positions at HEC and other companies	Other managers, directors or supervisors with a spousal relationship or a relationship within the second degree of consanguinity			Remarks (Note)
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	Relationship	
															Member of Remuneration Committee, Kwong Lung Enterprise Co., Ltd.					
Independent director	R.O.C.	Wang Yu-Ling	Female 41 - 50	2023.06.15	2	2023.06.15	-	-	-	-	-	-	-	-	LLM, National Taiwan University Attorney at Hengsheng Law Firm Judge at Taiwan New Taipei District Court	Member of the Compensation Committee and Independent Director at Chung Tai Resource Technology Corp.	-	-	-	-

Note：Where the chairman and the president or any officer with equivalent position (the top manager) at HEC are the same person, in a spousal relationship or related within the first degree of consanguinity, information relating to the reason, reasonableness and necessity of such situation and the measures in response (e.g. increasing the number of independent directors, with a majority of directors not serving concurrently as employees or managers) must be described: **Due to the Chairman's complete industrial experience, understanding of the industry and market, leadership skills and good familiarity with customers, as well as his ability in overall business planning, our measure in response is to increase the number of independent directors.**

1. The following are the major shareholder(s) of each corporate shareholder listed in the table above and the percentage of its shareholding:

2024.04.21

Name of corporate shareholder	Major shareholder of corporate shareholder	Shareholding (%)
Cheng Li Investment Co., Ltd.	Compucase Investment Co., Ltd.	100.00

2. The representative of a corporate shareholder serving as the major shareholder of a corporate shareholder:

2024.04.21

Name of corporate	Major shareholder of corporate	Shareholding (%)
Compucase Investment Co., Ltd.	AB Value Investment Co., Ltd.	100.00

3. The representative of a corporate shareholder serving as the major shareholder of a corporate shareholder:

2024.04.21

Name of corporate shareholder	Major shareholder of corporate shareholder
AB Value Investment Co., Ltd.	Fubridge Asset Management Co., Ltd. (40.22%), Ant Value Capital Investment Limited (21.21%), AB Value Investment Company (10.73%), Ho Hsiu-Chen (9.99%),Li Li-Sheng (9.99%) , Li Jui-Mei (1.96%), Kao Fen-Fen (1.64%), Kao Ming-Chang (1.64%), Chang Chia-Hao (1.26%), Li Yu-Ying (0.98%), Chang Ching-Wen (0.38%)

4. Disclosure of information about the professional qualifications of directors and the independence of independent directors:

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Also an independent director at the following number of other public company(ies)
Chairman and President Representative of Compucase Investment Co., Ltd.: Wang Chun-Tung	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. President, Compucase Enterprise Co., Ltd.	N/A	-
Directors Representative of Compucase Investment Co., Ltd.: Huang Hsiu-Ling	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Vice President for Finance, MiTAC Holdings Corporation.	N/A	-
Directors Representative of Cheng Li Investment Co., Ltd.: Ko Chi-Yuan	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Chairman, San Shing Fastech Corp.	N/A	-
Directors Representative of Cheng Li Investment Co., Ltd.: Li Ssu-Chia	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. A professional or technician who has passed the national examination required for judge, prosecutor, lawyer, accountant or any other business of HEC and has received a certificate thereof. 3. CFO, AB Value Asset Management Co., Ltd.	N/A	-

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Also an independent director at the following number of other public company(ies)
Directors Li Li-Sheng	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Chairman, Zong Sine Industries Inc.	N/A	-
Directors Chung Ding-Chun	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Senior Partner, AB Value Asset Management Co., Ltd.	N/A	-
Independent director Hua Chih-Chiang	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Dean, College of Engineering, National Yunlin University of Science and Technology	(Note 2)	-
Independent director Chen Jung-Chao	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. A professional or technician who has passed the national examination required for judge, prosecutor, lawyer, accountant or any other business of HEC and has received a certificate thereof. 3. CPA, Water Accountants' Firm	(Note 2)	2

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Also an independent director at the following number of other public company(ies)
Independent director Hsu Chia-Te	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. President, Well-Spring Enterprise Corp.	(Note 2)	1
Independent director Wang Yu-Ling	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Judge at Taiwan New Taipei District Court 3. Attorney at Hengsheng Law Firm	(Note 2)	1

Note 1 : None of the circumstances under Article 30 of the Company Act applies to any director.

Note 2 : Also an independent director at less than three other public companies.

The criteria of independence are as follows:

(1) Not an employee of HEC or any of its affiliates.

(2) Not a director or supervisor of HEC or any of its affiliates (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(3) Not a natural-person shareholder whose shareholding, including the shares held by his/her spouse or minor children or through nominees, equals or exceeds 1% of the total outstanding shares of HEC, or who is among the top 10 shareholders of HEC.

(4) Excluding (1) managers listed and (2), (3) individuals' spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship.

(5) Not a director, supervisor or employee of any corporate shareholder who holds at least 5% of the outstanding shares of HEC, is among the top 5 shareholders or has appointed a representative as a director or supervisor of HEC in accordance with paragraph 1 or 2, Article 27 of the Company Act (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(6) Not a director, supervisor or employee of another company where a majority of the seats of director or voting shares are under the control of the same person (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(7) Not a director, supervisor or employee of another company or institution who is also the chairman, president or any officer with equivalent position at HEC or is his/her spouse (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(8) Not a director, supervisor or manager or a shareholder with a shareholding of no less than 5% at any company or institution with a financial or business relationship with HEC (except where that company or institution holds no less than 20% and no more than 50% of the total outstanding shares of HEC, and where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(9) Not a professional or an owner, partner, director, supervisor or manager of any sole proprietorship, partnership, company or institution specialized in commercial, legal, financial, accounting or other related services, who provides auditing services to HEC or any of its affiliates or who has received a cumulative amount of less than NTD500,000 as remuneration in the most recent 2 years, and not his/her spouse, except for any of the members

of the Remuneration Committee, Review Committee for Public Acquisitions or Special Committee for Mergers who perform their duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not a spouse or any relative within the second degree of consanguinity of any other director.

(11) Not elected as a government agency, a corporation or its representative under Article 27 of the Company Act.

5. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors: To strengthen corporate governance and facilitate well-developed composition and structure of the Board of Directors, we promote and respect a policy of diversity of directors, and we believe that a diversification policy is helpful for improving our overall performance. In principle, election of the members of the Board of Directors is exclusively merit based. All of them must have diverse and complementary capabilities in cross-industry areas, and are required to possess industrial experience and relevant skills and the abilities in operational judgment, business management, leadership, decision-making and crisis management. In order to strengthen the functions of the Board of Directors and achieve the ideal goals of corporate governance, all members of the Board of Directors must possess the following abilities:

A. Ability in operational judgment B. Ability in accounting and financial analysis C. Ability in business management D. Ability in crisis management E. Industrial knowledge F. An international market vision G. Leadership ability H. Decision-making ability.

The following is the status of implementation of the policy for diversity of the current members of the Board of Directors:

The current board of directors consists of 10 members, each possessing practical experience in managing operations of listed companies or holding managerial positions in government agencies. Besides having leadership, crisis management, and international market insights, among the 4 independent directors. Wang Yu-Ling, Independent Director, previously served as a judge at the New Taipei District Court, currently practicing law at Hengsheng Law Firm. Hua Chih-Chiang, Independent Director, is Distinguished Professor at the Department of Electrical Engineering, National Yunlin University of Science and Technology. Chen Jung-Chao, Independent Director, works as a CPA at Water Accountants' Firm. Hsu Chia-Te, Independent Director, serves as president in Well-Spring Enterprise Corp. They bring expertise in legal practice, financial accounting, industry knowledge, and operational judgment. Among the 6 non-independent directors; Huang Siu-Ling and Li Si-Chia have expertise in financial accounting. The Chairman Wang Chun-Tung, Directors Ko Chi-Yuan, Li Li-Sheng, and Chung Ting-Chun have held important management positions such as chairman or general manager in listed companies. The company's industry encompasses electronic components, hardware, textiles, and technology, with expertise in marketing, technology, business management, industry knowledge, and operational judgment.

Directors Name	Basic									
	Nationality	Gender	HEC	Age				Term of Independent director		
				41 to 50	51 To 60	61 To 70	71 To 75	Under 3 years	3 to 9 years	9 or more years
Wang Chun-Tung	R.O.C.	Male	V		V					
Ko Chi-Yuan	R.O.C.	Male					V			
Huang Hsiu-Ling	R.O.C.	Female				V				
Li Ssu-Chia	R.O.C.	Female		V						
Li Li-Sheng	R.O.C.	Male				V				
Chung Ding-Chun	R.O.C.	Male			V					
Hua Chih-Chiang	R.O.C.	Male				V		V		
Chen Jung-Chao	R.O.C.	Male			V			V		
Hsu Chia-Te	R.O.C.	Male		V				V		
Wang Yu-Ling	R.O.C.	Female		V				V		

(2) Independence of the Board of Directors:

Our directors serve an average term of five years, and none of our independent directors has served for more than three consecutive terms. The composition of our directors, all of whom are nationals of the Republic of China (Taiwan), includes four independent directors (40%) and one director who is also our employee (10%). The ranges of distribution of the ages of our directors are shown in the table above. Furthermore, we stress the importance of gender equality in the composition of the Board of Directors, whose current members include three women, meaning female directors account for 30% of them. In the future, we will continue to focus on increasing the percentage of female directors.

No spousal relationship or relationship within the second degree of consanguinity exists among our directors.

6. Information of president, vice president, assistant vice presidents and managers of departments and branches April 21, 2024

Title	Nationality	Name	Gender	Date of election (taking office)	Shareholding		Shareholding of spouse or minor children		Nominee shareholding		Main experience (education)	Concurrent position at another company	Manager with a spousal relationship or a relationship within the second degree of consanguinity			Remarks (Note)
					Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	Relationship	
Chairman and President	R.O.C.	Wang Chun-Tung	Male	2006.09.01	300,000	0.26%	-	-	-	-	MBA Program, National Chengchi University Bachelor of Electrical Engineering, National Chiao Tung University Product Manager, BenQ Corporation Vice President for Production, HEC	Corporate representative of a subsidiary of HEC Representative of director at LFE and OPT Director, FCC	-	-	-	-
Senior Vice President for Business Unit	R.O.C.	Lee Chia-Ching	Male	2023.10.01	-	-	-	-	-	-	MBA Program, Southern Taiwan University of Science and Technology Project Manager, Hon Hai Precision Industry Co., Ltd. Vice President of HEC	-	-	-	-	-
Vice President for Business Unit	R.O.C.	Li Chun-Liang	Male	2007.10.01	-	-	-	-	-	-	Graduate Institute of Mechanical Engineering, National Taiwan Ocean University Assistant Manager, R&D Division, Catcher Technology Co., Ltd.	-	-	-	-	-
Vice President for Business Unit	R.O.C.	Huang Li-Chun	Male	2023.10.01	2,000	-	-	-	-	-	Graduate Institute of Industrial Design, Chang Gung University Manager, COUGAR Brand Business Division, HEC	-	-	-	-	-
Assistant Vice President for Business Unit	R.O.C.	Lin Yong-Zong	Male	110.02.01	-	-	-	-	-	-	Graduate Institute of Electronic Engineering, National Kaohsiung University of Applied Sciences	-	-	-	-	-

Title	Nationality	Name	Gender	Date of election (taking office)	Shareholding		Shareholding of spouse or minor children		Nominee shareholding		Main experience (education)	Concurrent position at another company	Manager with a spousal relationship or a relationship within the second degree of consanguinity			Remarks (Note)
					Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	Relationship	
Assistant Vice President for Business Unit	R.O.C.	Hsu Hwa-Teh	Male	2024.03.04	-	-	-	-	-	-	Department of Aerospace Engineering, National Cheng Kung University Manager, LITEON Technology	-	-	-	-	-
Assistant Vice President for Business Planning Office	R.O.C.	Lin Yung-Hsiang	Male	2023.01.03	2,000	-	-	-	-	-	Department of Industrial Management, National Cheng Kung University Special Assistant, HEC	-	-	-	-	-
Chief corporate governance officer	R.O.C.	Li Yu-Ming	Male	2023.03.23	-	-	-	-	-	-	Institute of Financial and Economic Law, Southern Taiwan University of Science and Technology Manager of the Legal Section, HEC	Chief Corporate Governance Officer, Loyalty Founder Enterprise Co., Ltd.	-	-	-	-

Note：Where the president or any officer with equivalent position (the top manager) and the chairman are the same person, in a spousal relationship or related within the first degree of consanguinity, information relating to the reason, reasonableness and necessity of such situation and the measures in response (e.g. increasing the number of independent directors, with a majority of directors not serving concurrently as employees or managers) must be disclosed: **Due to the Chairman's complete industrial experience, understanding of the industry and market, leadership skills and good familiarity with customers, as well as his ability in overall business planning, our measure in response is to increase the number of independent directors.**

7. Remuneration for directors, independent directors, supervisors, president and vice presidents

As the average percentage of pledge created by our directors exceeds 50% in any 3 months of the most recent year, the names and remuneration ranges of our directors will be disclosed on an individual basis.:

1. Where the average percentage of pledge created by directors or supervisors exceeds 50% in any 3 months of the most recent year, the remuneration of the individual directors or supervisors whose percentage of pledge exceeds 50% in each of the months must be disclosed.
2. Where the remuneration received by all directors and supervisors from all companies in the financial report accounts for more than 2% of the after-tax net profit and where any director or supervisor has received an amount of remuneration exceeding NTD15 million, the remuneration of the individual director or supervisor must be disclosed.

(1) Remuneration for directors and independent directors

December 31, 2023; Unit: NTD thousand

Title	Name	Remuneration for directors								The total amount of items A, B, C, and D and the proportion of net profit after tax		Remuneration received by employees in concurrent roles								The total amount of items A, B, C, D, E, F, and G and the proportion of net profit after tax		Receiving remuneration from reinvestments outside of subsidiaries or the parent company.
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C) (Note 1)		Operating expenses (D) (Note 2)				Salary, bonuses, special allowances, etc (E)		Retirement pension (F)		Employee compensation (G) (Note 3)						
																HEC		All companies in the financial statements				
		HEC	All companies in the financial statements	HEC	All companies in the financial statements	HEC	All companies in the financial statements	HEC	All companies in the financial statements	HEC	All companies in the financial statements	HEC	All companies in the financial statements	HEC	All companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	HEC	All companies in the financial statements	
Legal representative director	Compucase Investment Co., Ltd.	-	-	-	-	3,818	3,818	-	-	3,818 0.63%	3,818 0.63%	-	-	-	-	-	--	-	-	3,818 0.63%	3,818 0.63%	-
Chairman	Wang Chun-Tung	-	-	-	-	-	-	50	50	50 0.01%	50 0.01%	5,923	23,044	-	96	14,087	-	19,566	-	20,060 3.31%	42,756 7.06%	-
Representative	Huang Hsiu-Ling	-	-	-	-	-	-	50	50	50 0.01%	50 0.01%	-	-	-	-	-	-	-	-	50 0.01%	50 0.01%	-
Director	Cheng Li Investment Co., Ltd.	-	-	-	-	3,054	3,054	-	-	3,054 0.50%	3,054 0.50%	-	-	-	-	-	-	-	-	3,054 0.50%	3,054 0.50%	-
Representative	Ko Chi-Yuan	-	9,863	-	-	-	-	50	50	50 0.01%	9,913 1.64%	-	-	-	-	-	-	-	-	50 0.01%	9,913 1.64%	-
Representative	Li Ssu-Chia	-	-	-	-	-	-	40	40	40 0.01%	40 0.01%	-	-	-	-	-	-	-	-	40 0.01%	40 0.01%	-
Director	Chung Ding-Chun	-	-	-	-	1,526	1,526	50	50	1576 0.26%	1576 0.26%	-	-	-	-	-	-	-	-	1576 0.26%	1576 0.26%	-
Director	Li Li-Sheng	-	-	-	-	1,526	1,526	50	50	1576 0.26%	1576 0.26%	-	-	-	-	-	-	-	-	1576 0.26%	1576 0.26%	-
Independent director	Hua Chih-Chiang	-	-	-	-	1,526	1,526	120	120	1,646 0.27%	1,646 0.27%	-	-	-	-	-	-	-	-	1,646 0.27%	1,646 0.27%	-
Independent director	Chen Jung-Chao	-	-	-	-	1,526	1,526	120	120	1,646 0.27%	1,646 0.27%	-	-	-	-	-	-	-	-	1,646 0.27%	1,646 0.27%	-
Independent director	Hsu Chia-Te	-	-	-	-	1,526	1,526	120	120	1,646 0.27%	1,646 0.27%	-	-	-	-	-	-	-	-	1,646 0.27%	1,646 0.27%	-
Independent director	Wang Yu-Ling	-	-	-	-	725	725	70	70	795 0.13%	795 0.13%	-	-	-	-	-	-	-	-	795 0.13%	795 0.13%	-

Note 1: The amount of director's remuneration distributed in 2023 is NTD15,227 thousand as decided by the board of directors on March 13, 2024. The amount received by directors is accrued and has not been disbursed as of the date of publication of the annual report.

Note 2: Professional practice expenses refer to transportation allowances for meeting with total NTD720 thousand dollars, which are provided to the Board of Directors, Compensation Committee, and Audit Committee.

Note 3: The amount of employee compensation distributed in 2023 is NTD60,910 thousand as decided by the board of directors on March 13, 2024. The amount of employee remuneration received by the employee in dual roles is accrued and has not been disbursed as of the date of publication of the annual report.

Note 4: Wang Yu-Ling served as an independent director on June 15, 2023.

(2) Remuneration for supervisors: Starting from June 23, 2021, the Audit Committee replaced the supervisors, and there are no longer any supervisors.

(3) Remuneration for president and vice presidents

December 31, 2023; Unit: NTD thousand

Title	Name	Salary (A)		Retirement pay and pension (B)		Bonuses, special allowances, etc.(C)		Amount of remuneration for employee(D)				Sum of A, B, C and D as a % of after-tax net profit (%)		Remuneration received from non-subsidiary investee companies or the parent company
		HEC	All companies in the financial report	HEC	All companies in the financial report	HEC	All companies in the financial report	HEC		All companies in the financial report		HEC	All companies in the financial report	
								Amount of cash dividend	Amount of stock dividend	Amount of cash dividend	Amount of stock dividend			
President	Wang Chun-Tung	3,478	14,602	0	96	2,445	8,442	14,087	0	19,566	0	20,010 3.30%	42,706 7.05%	0
Senior Vice President	Lee Chia-Ching	2,578	3,193	108	108	1,648	1,648	2,028	0	2,028	0	6,362 1.05%	6,977 1.15%	0
Vice President	Li Chun-Liang	2,196	2,196	102	102	872	872	1,352	0	1,352	0	4,522 0.75%	4,522 0.75%	0
Vice President	Huang Li-Chun	1,836	1,836	73	73	1,178	1,178	1,456	0	1,456	0	4,543 0.75%	4,543 0.75%	0

Note 1: "Bonuses, special allowances, etc." include a sedan used by the president for traveling, which was purchased at a cost of NTD3,713 thousand, with a carrying value of NTD1,980 thousand at the end of 2023.

Note 2: On March 13, 2024, the Board of Directors adopted a resolution to distribute NTD60,910 thousand as the remuneration for employees in 2023. The amount of remuneration for employees received by the president and vice presidents is an estimation, which has yet to be distributed as of the date of publication of the annual report.

Note 3: The 2023 remuneration includes the amount recognized by employees for the issuance of treasury stock.

(4) Remuneration for managers receiving the top 5 amounts of remuneration

December 31, 2023; Unit: NTD thousand

Title	Name	Salary (A)		Retirement pay and pension (B)		Bonuses, special allowances, etc.(C)		Amount of remuneration for employee(D)				Sum of A, B, C and D as a % of after-tax net profit (％)		Remuneration received from non-subsidiary investee companies or the parent company
		HEC	All companies in the financial report	HEC	All companies in the financial report	HEC	All companies in the financial report	HEC		All companies in the financial report		HEC	All companies in the financial report	
								Amount of cash dividend	Amount of stock dividend	Amount of cash dividend	Amount of stock dividend			
President	Wang Chun-Tung	3,478	14,602	0	96	2,445	8,442	14,087	0	19,566	0	20,010 3.30%	42,706 7.05%	0
Senior Vice President	Lee Chia-Ching	2,578	3,193	108	108	1,648	1,648	2,028	0	2,028	0	6,362 1.05%	6,977 1.15%	0
Vice President	Li Chun-Liang	2,196	2,196	102	102	872	872	1,352	0	1,352	0	4,522 0.75%	4,522 0.75%	0
Vice President	Huang Li-Chun	1,836	1,836	73	73	1,178	1,178	1,456	0	1,456	0	4,543 0.75%	4,543 0.75%	0
Assistant Vice President	Lin Yong-zong	1,760	1,760	76	76	1,073	1,073	1,687	0	1,687	0	4,596 0.76%	4,596 0.76%	0

Note 1: "Bonuses, special allowances, etc." include a sedan used by the president for traveling, which was purchased at a cost of NTD3,713 thousand, with a carrying value of NTD1,980 thousand at the end of 2023.

Note 2: On March 13, 2024, the Board of Directors adopted a resolution to distribute NTD60,910 thousand as the remuneration for employees in 2023. The amount of remuneration for employees received by the president and vice presidents is an estimation, which has yet to be distributed as of the date of publication of the annual report.

Note 3: The 2023 remuneration includes the amount recognized by employees for the issuance of treasury stock.

(5) Analysis of the total remuneration paid by HEC and all companies in the consolidated financial statements to the directors, supervisors, president and vice presidents of HEC within the most recent 2 years as a percentage of after-tax net profit, and a description of the policy, criteria and combinations for payment of remuneration, the procedures for determination of remuneration, and the relevance to the operating performance and future risks:

Unit: NTD thousand

Year	2023				2022			
Title	Total remuneration		The total as a % of after-tax net profit		Total remuneration		The total as a % of after-tax net profit	
	HEC	All companies in the financial report	HEC	All companies in the financial report	HEC	All companies in the financial report	HEC	All companies in the financial report
Directors	15,947	25,810	2.63%	4.26%	10,186	25,902	2.76%	7.02%
Supervisor	-	-	-	-	1,433	1,433	0.39%	0.39%
President and vice president	35,437	58,748	5.85%	9.70%	19,528	40,844	5.30%	11.08%
Total	51,384	84,558	8.48%	13.96%	31,147	68,179	8.45%	18.49%

1. Analysis of percentage: The information above indicates that in 2023, the total remuneration paid to our directors, president and vice presidents was higher than in 2022, and that the percentage of distribution was higher than in 2022, as a result of an increase in our profit in 2023 leading to the payment of more bonuses and allocation of more remuneration for employees. Therefore, such change is considered reasonable.
2. The policy, criteria and combinations for payment of remuneration, the procedures for determination of remuneration, and the relevance to the operating performance and future risks:

   (1) Policy, criteria and combinations for payment of remuneration:

   1. According to Article 29 of the Articles of Incorporation, the remuneration for each director performing his/her duties shall be determined by the Board of Directors based on the level of his/her participation and the value of his/her contribution, taking into account the general standards of peer companies. Where HEC has a profit in a year, no more than 4% of the profit will be allocated as the remuneration for directors in accordance with Article 29 of the Articles of Incorporation. We regularly assess the remuneration for directors in accordance with the "Regulations for Evaluation of the Performance of the Board of Directors," with the reasonableness of relevant performance evaluations and remuneration reviewed by the Remuneration Committee and the Board of Directors. Based on the level of a director's participation in and the value of his/her contribution to the operations of HEC, his/her remuneration will be allocated according to the weight granted and the weighted result. A director will be granted a basic weight of 1, and an additional weight of 0.5 if he/she serves as the Chairman, with his/her remuneration paid annually. The weight for any director who has served for less than one year will be calculated based on the length of his/her service.

2. Regarding the remuneration for our managers, the "Regulations Governing Remuneration" has specified allowances and bonuses as consideration and reward for the efforts and contributions made by our employees in their jobs, and bonuses are paid based on our annual operating performance, financial conditions and operations and personal job performance. Where HEC has a profit in a year, 2% - 10% of the profit will be allocated as the remuneration for employees in accordance with Article 29 of the Articles of Incorporation. We pay bonuses to our managers based on the results of performance evaluation conducted in accordance with the "Regulations Governing Performance Evaluation." The scope of performance evaluation for managers consists of: 1. Financial Indicators: the level of contribution of each business unit to our profit according to our management and income statements; 2. Non-Financial Indicators: This includes three main aspects: the implementation of the company's core values and operational management capabilities, participation in sustainable management, and the results of corporate governance evaluations. The remuneration for business performance is calculated based on these indicators. If the corporate governance evaluation results reach the fourth level or above, remuneration adjustments will be considered to reward excellent management practices. The remuneration system will be reviewed from time to time based on actual operational conditions and relevant laws.

3. According to the organizational by-laws of the Remuneration Committee, the combinations of remuneration paid by HEC includes cash remuneration, stock options, dividends, retirement benefits or severance pay, allowances and other tangible incentives. Their scope is consistent with the remuneration for directors and managers as stipulated in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(2) Procedures for determination of remuneration:

1. The remuneration for our directors and managers is regularly assessed based on the results of evaluation conducted in accordance with the "Regulations for Evaluation of the Performance of the Board of Directors" and the "Regulations Governing Performance Evaluation," while the remuneration for the Chairman and the President is determined by the Board of Directors with reference to the standards of peer companies in connection with the indicators for our operating performance. To fully reflect the fulfillment of the operating performance indicators, the performance of the Chairman and the President is measured on the basis of the operating, governance and financial results relating to our operating indicators, the scope of whose evaluation includes pre-tax net profit, management of operational safety, supervision over implementation of financial plans, management of revenues, enhancement of internal control, implementation of quality assurance and management and other performance targets relating to the primary job responsibilities, or customer satisfaction as an indicator.

2. The performance assessment and remuneration of the directors and managers of the Company are subject to regular evaluation and review by the Remuneration Committee and the Board of Directors each year. In addition to considering individual performance achievement and contributions to the Company, the assessment also takes into account the

overall operational performance of the Company, future industry risks and development trends, as well as periodic reviews of the compensation system in line with actual operational conditions and relevant regulations. Furthermore, it comprehensively considers current trends in corporate governance and the results of corporate governance evaluations, providing fair compensation to ensure a balance between sustainable operation and risk management of the Company. The actual amounts of remuneration paid to directors and managers for 2023 were determined by the board of directors after review by the Remuneration Committee.

(3) Relevance to the operating performance and future risks:

1. The review of HEC's remuneration policy, related payment standards, and systems is primarily based on the overall operating conditions of HEC. Payment standards are determined based on performance achievement rates and contribution levels to enhance the overall organizational effectiveness of the board of directors and management department. Furthermore, taking reference from industry salary standards, ensure that HEC's remuneration for the management team remains competitive within the industry, in order to retain excellent managerial talent.

2. The performance targets of our managers are associated with "risk control" to ensure all possible risks within the scope of their responsibilities are manageable and preventable, and the results of rating are based on their actual performance and connected with the relevant human resources and remuneration policies. Important decisions by our management are made after considering all relevant risk factors. The performance of relevant decisions is reflected in our profit, creating a link between the remuneration for our management and the performance in risk control.

(6) Names of managers to whom the remuneration for employees is distributed, and the remuneration distributed

December 31, 2023; Unit: NTD thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend (Note)	Total	The total as a % of after-tax net profit (%)
Managers	President	Wang Chun-Tung	-	24,184	24,184	3.99%
	Senior Vice President	Lee Chia-Ching				
	Vice President	Li Chun-Liang				
	Vice President	Huang Li-Chun				
	Assistant Vice President	Hsu Hwa-Teh				
	Assistant Vice President	Lin Yong-Chung				
	Assistant Vice President	Lin Yung-Hsiang				
	Chief corporate governance officer	Li Yu-Ming				
	Accounting and Financial Manager	Chen Hui-Shan				

Note：On March 13, 2024, the Board of Directors adopted a resolution to distribute NTD60,910 thousand as the remuneration for employees in 2023. The amount of remuneration for employees received by the managers is an estimation, which has yet to be distributed as of the date of publication of the annual report.

III. Information of corporate governance

(I) Information of operation of the Board of Directors

In 2023, the Board of Directors held five meetings (A), and the attendance of directors in these meetings is as follows:

Title	Name	Actual number of meetings attended (B)	Number of meetings attended by proxy	Actual rate of attendance (%) [B/A]	Remarks
Chairman	Representative of Compucase Investment Co., Ltd.: Wang Chun-Tung	5	-	100%	
Directors	Representative of Cheng Li Investment Co., Ltd.: Ko Chi-Yuan	5	-	100%	
Directors	Representative of Cheng Li Investment Co., Ltd.: Li Ssu-Chia	4	-	80%	
Directors	Representative of Compucase Investment Co., Ltd.: Huang Hsiu-Ling	5	-	100%	
Directors	Chung Ding-Chun	5	-	100%	
Directors	Li Li-Sheng	5	-	100%	
Independent director	Hua Chih-Chiang	5	-	100%	
Independent director	Chen Jung-Chao	5	-	100%	
Independent director	Hsu Chia-Te	5	-	100%	
Independent director	Wang Yu-Ling	3	-	100%	New 2023.06.15

Other information required:

I. Where any of the following applies to the operations of the Board of Directors, the date and session of the relevant Board of Directors meeting, the proposal(s) for the meeting, all opinions of independent directors and the actions taken by HEC in response to the opinions of independent directors must be specified:

(I) Matters set forth under Article 14-3 of the Securities and Exchange Act subject to resolutions of the Board of Directors: HEC has established an Audit Committee, thus the provisions of Article 14-3 are not applicable.

(II) Matters other than the foregoing ones, for which the Board of Directors have adopted resolutions and for which objections or reservations have been expressed by independent directors in records or written statements: None.

II. With respect to the recusal of any director with a stake in a proposal, the name of the director, the proposal, the reason for recusal and his/her participation in the voting must be specified:

(1) 16th term, 5th meeting on March 23, 2023

Proposal:

Amount of bonuses and remuneration for managers distributed during November 2022 to February 2023.

Director(s) recused due to personal stake:

The Chairman also serving as the President.

Reason for recusal and participation in voting:

In accordance with Article 206 of the Company Act, the Chairman and the President did not participate in the discussion due to recusal and had appointed an acting chairperson, and the proposal was approved with no objection raised by any of the other attending directors following a consultation by the acting chairperson.

Proposal:

The 6th transfer of repurchased shares of HEC to employees in 2022.

Director(s) recused due to personal stake:

The Chairman also serving as the President.

Reason for recusal and participation in voting:

In accordance with Article 206 of the Company Act, the Chairman and the President did not participate in the discussion due to recusal and had appointed an acting chairperson, and the proposal was approved with no objection raised by any of the other attending directors following a consultation by the acting chairperson.

(2) 16th term, 8th meeting on August 09, 2023

Proposal:

Amount of bonuses and remuneration for directors, supervisors and managers distributed.

Director(s) recused due to personal stake:

The Chairman also serving as the President.

Reason for recusal and participation in voting:

Directors and supervisors' remuneration is distributed to all directors and supervisors. In accordance with Article 206 of the Company Act, the Chairman and the President did not participate in the discussion due to recusal and had appointed an acting chairperson, and the proposal was approved with no objection raised by any of the other attending directors following a consultation by the acting chairperson.

Proposal:

Amount of bonuses and remuneration for managers distributed during March 2023 to July 2023.

Director(s) recused due to personal stake:

The Chairman also serving as the President.

Reason for recusal and participation in voting:

In accordance with Article 206 of the Company Act, the Chairman and the President did not participate in the discussion due to recusal and had appointed an acting chairperson, and the proposal was approved with no objection raised by any of the other attending directors following a consultation by the acting chairperson.

III. The following is the status of implementation with regard to information including the cycle, period, scope, method and content of self-evaluation (or peer evaluation) of the Board of Directors:

1. The cycle, period, scope, method and content of self-evaluation (or peer evaluation) of the Board of Directors:

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
Once each year	2023.01.01~2023.12.31	The Board of Directors, individual directors and members of the Remuneration Committee and the Audit Committee	Internal self-evaluation of the Board of Directors, the Remuneration Committee and the Audit Committee, and self-evaluation of directors	Report on the result of internal evaluation of the performance of the Board of Directors

2. Aspects evaluated and scores:

(1) Evaluation of the performance of the Board of Directors:

Item evaluated	Number of questions	Average score
A. Level of participation in the operations of HEC	12	4.83
B. Improvement of the quality of decision-making by the Board of Directors	12	4.97
C. Composition and structure of the Board of Directors	7	5.00
D. Election and continuing training of directors	7	4.93
E. Internal control	7	4.93
Total/Average score	45	4.92

Result of evaluation: The overall operations of the Board of Directors have been effective and met the requirements of corporate governance.

(2) Evaluation of the performance of directors:

Item evaluated	Number of questions	Average score
A. Understanding of the goals and missions of HEC	3	5.00
B. Awareness of the responsibilities of a director	3	5.00
C. Level of participation in the operations of HEC	8	4.96
D. Management and communication regarding internal relationship	3	4.87
E. Professionalism and continuing training of directors	3	5.00
F. Internal control	3	5.00
Total/Average score	23	4.97

Result of evaluation: The overall operations of the directors have been effective and met the requirements of corporate governance.

(3) Evaluation of the performance of Remuneration Committee:

Item evaluated	Number of questions	Average score
A. Level of participation in the operations of HEC	4	5.00
B. Awareness of the responsibilities of remuneration committee	5	4.55
C. Improvement of the quality of decision-making by the remuneration committee	7	4.75
D. Composition and election of members of the remuneration committee	3	5.00
E. Internal control	1	5.00
Total/Average score	20	4.80

Result of evaluation: The overall operations of the Remuneration Committee have been effective and met the requirements of corporate governance.

(4) Evaluation of the performance of Audit Committee:

Item evaluated	Number of questions	Average score
A. Level of participation in the operations of HEC	4	4.94
B. Awareness of the responsibilities of a auditing committee	5	4.90
C. Improvement of the quality of decision-making by a functional committee	7	4.96
D. Composition and election of members of a functional committee	3	5.00
E. Internal control	3	5.00
Total/Average score	22	4.95

Result of evaluation: The overall operations of the Audit Committee have been effective and met the requirements of corporate governance.

3. Assessment cycle and duration, scope, methodology, and content of the external performance evaluation of the board of directors:

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
It is advisable to conduct an assessment at least once every three years	2022.07.01~2023.06.30	for the Board of Directors, individual directors, and	Engage external professional agencies- Taiwan corporate governance associaiton	Please refer to the Investors section on HEC's official website for the Board of Directors' self-performance

		functional committees.		evaluation report for 2023, which includes the external performance assessment of the Board.

The goals of enhancing the functions of the Board of Directors (e.g. establishment of the Audit Committee, improvement of information transparency) in the current and the most recent years, and the evaluation of their implementation:

(1) Pursuant to the rules of procedure for the Board of Directors, the Board of Directors convenes meetings and has included four independent directors to participate in the adoption of resolutions by the Board of Directors. If there is any resolution that includes material information after each meeting of the Board of Directors, it will be disclosed on the MOPS to investors and the public as required.

(2) We have established the "Standard Operating Procedures for Handling Requests from Directors," which designates the Finance Department as the department responsible for handling matters related to the meetings of the Board of Directors: any request from any director at a meeting must be promptly handled by the Financial Office within 7 days. To ensure compliance with the procedures for and all laws and rules applicable to the Board of Directors and maintain good exchange of information between members of the Board of Directors and between directors and managerial departments, all directors will be able to receive assistance from our accounting manager.

(3) We have established organizational by-laws of the Remuneration Committee and the Audit Committee, and set up the Remuneration Committee and the Audit Committee, whose members are composed of independent directors. The by-laws stipulate that the Remuneration Committee and the Audit Committee must fulfill their responsibilities as administrators, faithfully perform their duties, enhance supervisory functions and increase information transparency.

(4) We have obtained liability insurance for all directors. For further information, see p. 50 or visit the MOPS.

(II) Operations of the Audit Committee or participation of supervisors in the operations of the Board of Directors

1. Operations of the Audit Committee:

<u>Information of operations of the Audit Committee</u>

In 2023, the Audit Committee held five meetings (A), and the attendance of members in these meetings is as follows:

Title	Name	Actual number of meetings attended in non-voting capacity (B)	Number of meetings attended by proxy	Actual rate of attendance (%) [B/A]	Remarks
Independent director	Hsu Chia-Te	5	-	100%	
Independent director	Chen Jung-Chao	5	-	100%	
Independent director	Hua Chih-Chiang	5	-	100%	
Independent director	Wang Yu-Ling	3	-	100%	New 2023.06.15

Other information required:

I. Where any of the following applies to the operations of Audit Committee, the date and number of session of the relevant Audit Committee meeting, the proposal(s) for the meeting, the objections, reservations or material suggestions of independent directors, the relevant resolution of the Audit Committee and the actions taken by HEC in response to the opinions of the Audit Committee must be specified.

(I) Matters set forth under Article 14-5 of the Securities and Exchange Act：

Audit Committee	Proposal and subsequent actions taken in response	Resolution	Actions taken by HEC in response to the opinions of the Audit Committee
1st term, 4th meeting 2023.03.23	1. The 2022 business report and financial report. 2. Distribution of earnings for 2022. 3. The 6th transfer of repurchased shares of HEC to employees in 2022. 4. The 2022 statement of internal control system. 5. Matters concerning distribution of the accumulated earnings of foreign subsidiaries with investments from HEC.	Unanimously approved by all committee members.	Submitted to and approved by the Board of Directors.

	6. Amendment to certain provisions of the "Regulations Governing Loaning of Funds to Others." 7. HEC passed the "Pre-Approval Review Procedure for Providing Uncertain Services." 8. HEC passed the Pre-Approval List for Uncertain Services for 2023		
1st term, 5th meeting 2023.05.11	1. The financial statements for Q1 of 2023. 2. Extension of the endorsements/guarantees from HEC to the limit provided by Cathay United Bank for FD. 3. Cancellation of loaning of funds totaling USD3.5 million from HEC to Optima Healthcare Inc. 4. Loaning of funds totaling USD3 million from HEC to Optima Healthcare Inc.	Unanimously approved by all committee members.	Submitted to and approved by the Board of Directors.

Audit Committee	Proposal and subsequent actions taken in response	Resolution	Actions taken by HEC in response to the opinions of the Audit Committee
1st term, 6th meeting 2023.06.15	1. Drafting the "Organizational Regulations of the Sustainability Development Committee" of HEC. 2. Cancellation of capital reduction of USD5 million by WJA in Mainland China. 3. Amendments to the "Accounting System" of HEC.	Unanimously approved by all committee members.	Submitted to and approved by the Board of Directors.
1st term, 7th meeting 2023.08.09	1. The financial statements for Q2 of 2023. 2. HEC's funding loan case for its subsidiary in the US. 3. Endorsements/guarantees totaling USD5 million from HEC to LFDG.	Unanimously approved by all committee members.	Submitted to and approved by the Board of Directors.
1st term, 8th meeting 2023.11.09	1. The financial statements for Q3 of 2023. 2. Evaluation of the independence and competence of the CPAs. 3. Establishment of the 2024 audit plan. 4. Amendments to the organizational structure chart of HEC. 5. Loan of USD 3 million to WII by our subsidiary, HEC.	Unanimously approved by all committee members.	Submitted to and approved by the Board of Directors.

	6. Amendments to the "Major Unforeseen Incident Reporting Procedure" of HEC. 7. Amendments to the "Code of Conduct" of HEC. 8. Amendments to the "Code of Ethics" of HEC. 9. Amendments to the "internal control system" and "internal audit system."		

(II) Matters other than the foregoing ones, which have not been approved by the Audit Committee but have been approved in resolutions by at least two-thirds of all directors： None.

II. With respect to the recusal of any independent director with a stake in a proposal, the name of the independent director, the proposal, the reason for recusal and his/her participation in the voting must be specified: **None**.

III. Communication between independent directors and the chief internal auditor and CPAs:

(I) Communication with the chief internal auditor

(1) The chief auditor submitted an audit report to the independent directors before the end of the next month following the completion of audits, and the independent directors had no objections after reviewing the report.

(2) The chief auditor attended the meetings of the Audit Committee held at least quarterly to give reports on audit activities to the independent directors, and to communicate with its members regarding the results of the audit reports and the implementation of the follow-up reports. The following are the details of communication in the current year:

Date	Meeting session	Details of communication	Result of communication
2023/03/23	One-on-one communication meeting	Explanation of internal control deficiencies and tracking of improvement progress in 2022.	No objections
2023/03/23	1st term, 4st meeting Audit Committee	Report on the implementation of internal audit activities in 2022 and 2023.	No objections
2023/05/11	1st term, 5th meeting Audit Committee	Report on the implementation of internal audit activities in 2023.	No objections
2023/08/09	1st term, 7th meeting Audit Committee	Report on the implementation of internal audit activities in 2023.	No objections
2023/11/09	1st term, 8th meeting Audit Committee	(1) Report on the implementation of internal audit activities in 2023. (2) Discussion of the 2024 internal audit plan. (3) Amendments to the "internal control system" and "internal audit system."	No objections

(II) Communication with CPAs

The independent directors and CPAs hold at least two regular meetings each year. The CPAs give reports on the financial conditions of HEC, the financial conditions and overall operations of domestic and foreign subsidiaries and the status of internal audit to the independent directors, and adequately communicate whether there are any significant adjusting journal entries or impact on the account records due to the amendment of related laws. In the event of any material irregularity, they may hold a meeting at any time.

Date	Meeting session	Details of communication	Result of communication
2023/03/23	One-on-one communication meeting	(1) The CPAs described the scope and method of the annual audit. (2) Key audit matters related to revenue recognition were reviewed, and no significant abnormalities were found during the audit. (3) Audit of management's oversight of control risks was conducted, and no significant abnormalities were found during the audit. (4) Communication between the auditor and the corporate governance unit regarding the pre-approval policy and list of non-assurance services. (5) Other Matters	No objections
2023/11/09	One-on-one communication meeting	(1) The CPAs described the scope and method of the annual audit. (2) As of the third quarter, there were no significant accounting estimates, significant subsequent events, or significant accounting policy changes. (3) Statement on the audit plan for the group. (4) Identification of significant risks and key audit matters. (5) As of the third quarter, no significant concerns arose regarding HEC's ongoing operating capability. (6) Independent auditor's statement. (7) Introduction and disclosure content of IFRS S1/S2. (8) Other relevant provisions regarding corporate governance. (9) Explanation of the responsibilities of the governance unit. (10) Quality management system of the signing auditor firm.	No objections

2. Involvement of supervisors in the operation of the board of directors: Starting from June 23, 2022, the Audit Committee replaced the supervisors, and there are no longer any supervisors.

(III) Information of corporate governance:

Implementation of corporate governance, differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
I. Does your company establish and disclose its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		We have implemented the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and followed its spirit in the internal control system and relevant regulations, and relevant information has been disclosed on the MOPS and our website.	No significant differences
II. The shareholding structure and shareholders' equity of your company				
(I) Does your company establish internal procedures for handling shareholders' suggestions, questions, disputes, and lawsuits? Does your company follow such procedures?	✓		(I) We have appointed a spokesperson and a deputy spokesperson responsible for contacting and communicating with our shareholders and handling shareholders' suggestions, questions, disputes, and lawsuits. No significant differences	No significant differences
(II) Does your company keep a list of major shareholders actually controlling your company and the ultimate controllers of the major shareholders?	✓		(II) All changes in the shareholdings of directors and major shareholders with a shareholding of no less than 10% have been reported to HEC on a monthly basis as required, and HEC and its management have been able to keep clear track of such changes.	No significant differences
(III) Has your company established and implemented a system for risk control and firewalls with its affiliates?	✓		(III) We have established the "Regulations Governing Establishment and Management of Subsidiaries" as the basis of risk control regarding transactions with our affiliates and their operations, and for the management of internal controls.	No significant differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
(IV) Has your company established internal regulations that prevent insiders from trading securities using non-public market information?	✓		(IV) We have established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," according to which any director or manager who has obtain important non-public information must abide by their requirements to prevent insider trading from occurring.	No significant differences
III. Composition and responsibilities of the board of directors (I) Has your board of directors established a diversity policy and specific goals of management? Have such policy and goals been implemented?	✓		(I) 1. The company established the "Corporate Governance Best Practices Guidelines" in 2023, which includes Section 20, Paragraph 3, concerning the "Policy on Board of Directors Diversity." According to this policy, the composition of the board of directors should take into account various needs such as HEC's operational structure, business development direction, and future trends, and should evaluate various aspects of diversity, including basic characteristics and values (such as gender, nationality, age, etc.), professional knowledge and skills (such as legal practice, financial accounting, etc.), and industry experience (such as law, accounting, industry, finance, marketing, or technology).	No significant differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
			The current board of directors consists of 10 members, including 4 independent directors and 6 non-independent directors, all of whom are distinguished figures from academia and industry. The company emphasizes gender equality in the composition of the board of directors, with the goal of increasing the proportion of female directors to over one-third (i.e., 33%). Currently, male directors account for 70% (7 members) and female directors account for 30% (3 members), with efforts underway to increase the number of female directors to achieve the target. 2. For details on the implementation of diversity among board members, please refer to pg 19.	
(II) Has your company, apart from establishing a remuneration committee and an audit committee, voluntarily set up any other functional committee?	✓		(II) Operational processes are currently running smoothly, and various functional committees may be established as needed, such as establishing a Sustainable Development Committee to prepare sustainability reports.	No significant differences
(III) Has your company established regulations and methods for evaluation of the performance of the board of directors?	✓		(III) We have established the "Regulations for Evaluation of the Performance of the Board of Directors" and the methods of such evaluation,	No significant differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
Does your company conduct such performance evaluation on a regular basis each year? Are the results of such performance evaluation submitted to the board of directors and used as reference for the remuneration for individual directors and for their nomination or re-election?			and we have determined that the remuneration for each director will be based on the result of evaluation of his/her performance. Each year, we conduct a regular evaluation of the performance of the Board of Directors, and such evaluation for 2023 had been completed, with a report on the results of evaluation of the performance of the Board of Directors submitted to the Board of Directors meeting on March 13, 2024. No significant differences	
(IV) Does your company assess the independence of CPAs on a regular basis?	✓		(IV) The Audit Committee assesses the independence and competence of the CPAs on an annual basis. The CPAs are required to provide "Audit Quality Indicators (AQIs)," evaluations are conducted based on the standards and 13 AQI indicators specified in Note 1. It has been confirmed that none of the CPAs has any financial interest or business relationship with HEC other than the fees for certification and financial and tax cases, and that none of the family members of the CPAs is in violation of the independence requirements. Base on the information of AQIs, it has been confirmed that the CPAs and their firm are above the average	No significant differences

<table>
<tr><th rowspan="2">Item evaluated</th><th colspan="3">Implementation</th><th rowspan="2">Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>level of peers in terms of auditing experience and training hours. On November 9, 2023, the result of assessment for the most recent year was discussed and approved by the Audit Committee. In addition, the Board of Directors adopted a resolution on the same day to approve the assessment of the independence and competence of the CPAs. :
Evaluation of the independence and competence of the CPAs. :
Note1:
<table><tr><th>Item evaluated</th><th>Independence criteria are met</th></tr><tr><td>Whether the CPA has a direct or material indirect financial interest with HEC</td><td>✓</td></tr><tr><td>Whether the CPA has engaged in financing or guarantees with HEC or any of its directors</td><td>✓</td></tr><tr><td>Whether the CPA has a close business relationship and a potential employment relationship with HEC</td><td>✓</td></tr><tr><td>Whether the CPA or any member of his/her audit service team currently serves, or served within the most recent two years, as a director or manager or in a position with material effect on audit cases at HEC</td><td>✓</td></tr></table></td><td></td></tr>
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<tr><th rowspan="2">Item evaluated</th><th colspan="3">Implementation</th><th rowspan="2">Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Whether the CPA has provided any non-audit service likely to directly affect audit cases</td><td>✓</td></tr>
<tr><td>Whether the CPA has acted as a broker for the shares or other securities issued by HEC</td><td>✓</td></tr>
<tr><td>Whether the CPA has served as a defense counsel for HEC or represented HEC in mediating any conflict with any other third party</td><td>✓</td></tr>
<tr><td>The CPA is a relative of a director, manager or person serving in a position with material effect on audit cases at HEC</td><td>✓</td></tr>
</table></td><td></td></tr>
<tr><td>IV. Does your TWSE/TPEx listed company appoint an appropriate number of competent corporate governance officers and designate a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to providing the information required for directors or supervisors to perform their duties, assisting directors or supervisors in compliance, managing affairs for board of directors meetings and shareholders' meetings as required by law, and preparing minutes for board of directors meetings and shareholders'</td><td>✓</td><td></td><td>(1) The company, based on the resolution of the board of directors on March 23 2023, has appointed Manager Li Yu Ming as the dedicated corporate governance. The corporate governance possesses over three years of experience in holding executive positions related to legal affairs in publicly traded companies. The primary responsibilities of the corporate governance supervisor include handling matters related to board of directors and shareholders' meetings in compliance with the law, preparing minutes of board of directors and shareholders' meetings, assisting directors in their appointment and continuing education, providing</td><td>No significant differences</td></tr>
</table>

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
meetings)?			necessary information for directors to carry out their duties, and assisting directors in complying with laws and regulations. The board of directors has designated the finance department as the secretariat, and the finance department provides the necessary information to directors according to the "Rules of Procedure for the Board of Directors. " If necessary, the audit department provides assistance. (2) In any year when a new election is held, we will provide each of the newly elected directors (including independent directors) with a handbook of information on laws governing directors and supervisors, and will send emails on a non-regular basis to provide information on laws and announcement by the competent authority to assist in compliance, such as reminding all directors not to sell the shares of HEC during the period when HEC purchases treasury stocks. (3) We have also established the "Standard Operating Procedures for Handling Requests from Directors" to assist the directors in performing their duties whenever necessary and enhance the effectiveness of the Board of Directors. The corporate governance did not receive any further education or training in the fiscal year 2023:	

<table>
<tr><th rowspan="2">Item evaluated</th><th colspan="3">Implementation</th><th rowspan="2">Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Date of study</td><td>Organizer</td><td>Course title</td><td>Duration of study</td></tr>
<tr><td>2023/4/10</td><td>Taiwan Investor Relations Association</td><td>Opportunities and Challenges in the Net Zero Trend</td><td>3 hours</td></tr>
<tr><td>2023/7/04</td><td>Taiwan Stock Exchange</td><td>2023 Cathay Sustainable Finance and Climate Change Summit</td><td>6 hours</td></tr>
</table></td><td></td></tr>
</table>

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
V. Does your company establish channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers)? Does your company create a section for stakeholders on its website and give proper responses regarding important issues of corporate social responsibility that concern stakeholders?	✓		(1) We consider the issues that concern stakeholders and the channels of communication with them to be of great importance. We regularly maintain good communication with stakeholders, including banks, shareholders, employees, customers and upstream and downstream suppliers, and matters relating to communication with specific stakeholders are managed by persons from the relevant departments. (2) We have created a section for stakeholders under "Investor Information" on our website (http://www.hec-group.com.tw/index.php?id=170&L=1) to give proper responses to questions from stakeholders.	No significant differences
VI. Does your company engage any professional shareholder services agent to manage affairs for shareholders' meetings?	✓		We have engaged Yuanta Securities Co., Ltd. as our shareholder services agent to manage affairs for shareholders' meetings.	No significant differences
VII. Information disclosure (I) Does your company set up a website to disclose financial, business and corporate governance information?	✓		(I) A section for investors has been set up on our website for disclosure of our financial business within at least the most recent three years, with the content thereof updated by designated personnel (our website: http://www.hec-group.com.tw/).	No significant differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
(II) Does your company use other means to disclose information (e.g. setting up an English website, assigning specialized personnel to collect and disclose corporate information, implementing a spokesperson system, uploading the proceedings of investor conferences to your company's website)?	✓		(II) 1. We have set up an English website to disclose information of our products and business. Our website: http://www.hec-group.com.tw/ 2. We have appointed a spokesperson and a deputy spokesperson, and information relating to shareholders' meetings and investor conferences has been published on our website (our website:	No significant differences
(III) Does your company publish and submit an annual financial report within two months after the end of each fiscal year? Does your company publish and submit financial reports of the first, second and third quarters and the monthly status of operations before the required deadline?	✓		(III) We have published and submitted an annual financial report, financial reports of the first, second and third quarters and the monthly status of operations before the required deadline. For further details, see the information submitted to the MOPS (website: https://mops.twse.com.tw/).	No significant differences
VIII. Does your company have other important information useful for understanding the status of corporate governance of your company (including but not limited to employees' rights, employee care, investor relations, supplier relationship, stakeholders'	✓		See the descriptions below.	No significant differences

Item evaluated	Implementation			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
rights, continuing training of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, purchase of liability insurance for directors and supervisors by your company, etc.)?				

VIII. Important information useful for understanding the status of corporate governance of your company (including but not limited to employees' rights, employee care, investor relations, supplier relationship, stakeholders' rights, continuing training of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, purchase of liability insurance for directors and supervisors by your company):

(I) Employees' rights and employee care:
In accordance with the relevant laws and regulations, we have established work rules expressly setting out the protection of employees' rights and prohibiting sexual discrimination and harassment against employees to provide a harmonious and safe working environment for employees. Furthermore, we organize non-regular domestic and foreign incentive trips and year-end banquets in which the family members of our employees are invited to participate, and we care about our employees with regard to marriage, funerals and festivities.

(II) Supplier relationship:
We maintain good relationships of mutual assistance and cooperation with suppliers and customers dealing with us. We communicate our policies for environmental safety and energy conservation to all suppliers with the expectation that they follow our policies to meet requirements of the code of conduct for corporate social responsibilities.

(III) Continuing training of directors:
Since our directors have possessed relevant expertise, we will arrange, as appropriate and in accordance with our corporate governance principles, for them to continue to attend courses on corporate governance, and we will advise them to take part in any training course on legal awareness, if available.

(IV) Implementation of risk management policies and risk measurement standards:
We have established a strict internal control system as required by law, whose implementation is audited by our internal auditors on a regular or non-regular basis. We have also taken out the relevant property insurance to avoid risks.

(V) Protection of consumers or implementation of customer policies:
Under the policy of "consumer and customer first," our relevant internal regulations have been established according to the spirit of the Consumer Protection Act and other applicable laws to be implemented by our employees.

(VI) The following indicates the liability insurance we have purchased for our directors:

The insured	Insurance company	Amount insured	Insurance period	Remarks
All directors	Cathay Century Insurance Co., Ltd.	NTD31,925 thousand (USD1 million)	September 15, 2023 to September 15, 2024	Renewed

IX. Please specify the result of corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year and describe the improvements made, and please specify the priorities and measures for improvement with respect to matters for which improvement has yet to be made.

(I) Improvements made with respect to the result of corporate governance evaluation released in the most recent year:

1. At the 2023 annual shareholders' meeting, electronic voting had been adopted, and voting had been held on a proposal-by-proposal basis.
2. A meeting handbook is uploaded 30 days prior to a shareholders' meeting.
3. An annual report is uploaded 16 days prior to an annual shareholders' meeting

(II) Priorities and measures for improvement with respect to the result of corporate governance evaluation:

1. An annual report is uploaded 16 days prior to an annual shareholders' meeting.
2. A meeting handbook is uploaded 30 days prior to a shareholders' meeting.

(IV) Where your company has established a remuneration committee, information regarding its composition, responsibilities and operations must be disclosed:

On October 26, 2011, the Board of Directors adopted the "Organizational Regulations for the Remuneration Committee" and established a Remuneration Committee consisting of three elected members, whose term is the same as that of directors. On June 23, 2022, the shareholders' meeting held a new election of directors, on the same day, the Board of Directors appointed a Remuneration Committee. On June 15, 2023, during the shareholders' meeting, an additional independent director was elected. Also on the same day, the Board of Directors appointed the newly elected independent director as a member of the Remuneration Committee. The following is the information of its members and operations:

(1) Information of members of the Remuneration Committee

2024.04.21

Position (Note 1)	Criteria / Name	Professional qualifications and experience	Independence	Also a remuneration committee member at the following number of other public company(ies)
Independent director/ Convener	Hsu Chia-Te	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. President, Well-Spring Enterprise Corp.	(Note 1)	1
Independent director	Chen Jung-Chao	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. A professional or technician who has passed the national examination required for judge, prosecutor, lawyer, accountant or any other business of HEC and has received a certificate thereof. 3. CPA, Water Accountants' Firm	(Note 1)	2

Independent director	Hua Chih-Chiang	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Dean, College of Engineering, National Yunlin University of Science and Technology	(Note 1)	-
Independent director	Wang Yu-Ling	1. Having at least 5 years of working experience and the following professional qualifications: commerce, law, finance, accounting, or other work experience required for HEC's business. 2. Judge at Taiwan New Taipei District Court 3. Attorney at Hengsheng Law Firm.	(Note 1)	1

Note 1: We have obtained a written statement from each independent director confirming the independence of himself/herself and his/her lineal relatives vis-à-vis HEC.

The criteria of independence are as follows:

(1) Not an employee of HEC or any of its affiliates.

(2) Not a director or supervisor of HEC or any of its affiliates (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(3) Not a natural-person shareholder whose shareholding, including the shares held by his/her spouse or minor children or through nominees, equals or exceeds 1% of the total outstanding shares of HEC, or who is among the top 10 shareholders of HEC.

(4) Excluding (1) managers listed and (2), (3) individuals' spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship.

(5) Not a director, supervisor or employee of any corporate shareholder who holds at least 5% of the outstanding shares of HEC, is among the top 5 shareholders or has appointed a representative as a director or supervisor of HEC in accordance with paragraph 1 or 2, Article 27 of the Company Act (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(6) Not a director, supervisor or employee of another company where a majority of the seats of director or voting shares are under the control of the same person (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(7) Not a director, supervisor or employee of another company or institution who is also the chairman, president or any officer with equivalent position at HEC or is his/her spouse (except where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(8) Not a director, supervisor or manager or a shareholder with a shareholding of no less than 5% at any company or institution with a financial or business relationship with HEC (except where that company or institution holds no less than 20% and no more than 50% of the total outstanding shares of HEC, and where the person serves as an independent director concurrently at HEC and its parent company, any of its subsidiaries or any subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country).

(9) Not a professional or an owner, partner, director, supervisor or manager of any sole proprietorship, partnership, company or institution specialized in commercial, legal, financial, accounting or other related services, who provides auditing services to HEC or any of its affiliates or who has received a cumulative amount of less than NTD500,000 as remuneration in the most recent 2 years, and not his/her spouse, except for any of the members of the Remuneration Committee, Review Committee for Public Acquisitions or Special Committee for Mergers who perform their duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) None of the circumstances under Article 30 of the Company Act applies.

(2) Information of operations of the Remuneration Committee

I. The Remuneration Committee of HEC consists of 4 members.

II. The term of the current members commenced on June 23, 2022 and expires on June 22, 2025. In 2023, the Remuneration Committee held two meetings (A), and the qualifications of the members and their attendance in these meetings are as follows:

Title	Name	Actual number of meetings attended (B)	Number of meetings attended by proxy	Actual rate of attendance (%) (B/A) (Note)	Remarks
Independent director	Hsu Chia-Te	2	0	100%	
Independent director	Chen Jung-Chao	2	0	100%	
Independent director	Hua Chih-Chiang	2	0	100%	
Independent director	Wang Yu-Ling	1	0	100%	New 2023.06.15

Other information required:

I. Where the board of directors has declined to adopt or amend the suggestions of the remuneration committee, the date and session of the relevant board of directors meeting, the proposal(s) for the meeting, the relevant resolution of the board of directors and the actions taken by your company in response to the opinions of the remuneration committee must be specified (if the remuneration approved by the board of directors is higher than that suggested by the remuneration committee, the difference and its reason must be specified): None.

II. Where members of the remuneration committee have expressed objections or reservations in records or written statements to any matter subject to a resolution of the remuneration committee, the date and session of the relevant remuneration committee meeting, the proposal(s) for the meeting, all opinions of the members and the actions taken in response to the opinions of the members must be specified: None.

III. The following is a summary of the main matters communicated and resolutions in 2023:

Remuneration Committee	Proposal and subsequent actions taken in response	Resolution	Actions taken by HEC in response to the opinions of the Remuneration Committee
5th term, 3rd meeting 2023.03.23	1. Percentage and amount of the remuneration for employees, directors and supervisors in 2022. 2. Approval of the remuneration for newly appointed managers. 3. Appointment of a chief corporate governance officer. 4. Amount of bonuses and	Reviewed and approved by all members, and submitted to the 5th meeting of the 16th term Board of Directors on	Submitted to and approved by the Board of Directors.

	remuneration for managers distributed during November 2022 to February 2023. 5. The 6th transfer of repurchased shares of HEC to employees in 2022. 6. Amendment to certain provisions of the "Regulations Governing the Remuneration for Directors and Managers."	November 9, 2022 for a resolution.	
Remuneration Committee	Proposal and subsequent actions taken in response	Resolution	Actions taken by HEC in response to the opinions of the Remuneration Committee
5th term, 4th meeting 2023.08.09	1. Amendment to the "Regulations Governing the Remuneration for Directors and Managers." 2. Proposal of amount of bonuses and remuneration for directors, supervisors and managers distributed. 3. Proposal of amount of bonuses and remuneration for managers distributed during March 2023 to July 2023.	Reviewed and approved by all members, and submitted to the 8th meeting of the 16th term Board of Directors on August 9, 2023 for a resolution.	Submitted to and approved by the Board of Directors.

We have adopted the "Organizational Regulations for the Remuneration Committee" as required to assist the Board of Directors in performing its duties concerning the remuneration for our internal managers. The Remuneration Committee shall supervise all material matters relating to our remuneration and advise the Board of Directors on such matters, and is expected to meet at least twice each year to perform the following duties as authorized by the Board of Directors:

1. Establishing and periodically reviewing the annual and long-term performance targets of our directors and managers and the policy, system, standards and structure of their remuneration.
2. Periodically evaluating the achievement of the performance targets of our directors and managers, and assessing the reasonableness of the content and amounts of their individual remuneration.

(V) Promotion of sustainable development and climate-related information: The systems and measures adopted by HEC regarding environmental protection, community participation, social contribution, social services, social charity, consumer rights, human rights, safety, health and other social responsibility activities and their implementation.

Promotion of sustainable development, differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
I. Does your company establish a governance framework to promote sustainable development? Does your company establish a specialized (or designate an existing) department to promote sustainable development, which the senior management is authorized by the board of directors to manage under the supervision of the board of directors?	✓		1. HEC established the Sustainable Development Committee in June 2023, chaired by the General Manager and composed of senior executives from relevant departments as designated by the General Manager. 2. It serves as a platform for integrated communication vertically and horizontally across departments. Functional groups include the Corporate Governance Subcommittee, the Environmental Sustainability Subcommittee, and the Social Care Subcommittee. (1) The committee formulates HEC's direction and goals for sustainable development, as well as drafting related management policies and specific implementation plans. (2) It advocates and implements relevant work in aspects such as corporate integrity management and risk management. (3) Tracking, reviewing, and revising the execution and effectiveness of sustainable development initiatives. (4) Other matters resolved by the Board of Directors to be handled by this committee. 3. The committee holds meetings at least once a year and reports regularly to the Board of Directors on the execution results of sustainable development and future work plans. The Board of Directors regularly receives operational reports from the management team each quarter, reviewing the progress of strategies and urging adjustments when necessary.	No significant differences

<table>
<tr><th rowspan="2">Item promoted</th><th colspan="3">Implementation</th><th rowspan="2">Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>4. In 2023, a total of one meeting was held, with the following agenda items:
(1) Determination of members of the Sustainable Development Committee and its functional groups
(2) Progress of ESG Sustainability Report execution
(3) Schedule planning for greenhouse gas inventory and verification
(4) Carbon reduction plan
(5) Implementation of public welfare plans
(6) Identification of relevant risks and assessment of execution status.</td><td></td></tr>
<tr><td>II. Does your company conduct any risk assessment regarding environmental, social and corporate governance issues related to your company's operations according to the materiality principle? Does your company establish any relevant risk management policy or strategy?</td><td>✓</td><td></td><td>1. The boundary of our risk assessment is focused on HEC, including our current branches in Taiwan, Mainland China, other Asian regions and Americas, and has included our subsidiaries in its scope based on their relevance to our primary business operations and the level of their influence on material issues.
2. The Sustainable Development Committee analyzes ESG issues based on materiality principles outlined in the Sustainability Report, evaluates data from internal and external stakeholders, and integrates various departments and subsidiaries to assess the significance of ESG issues, formulate relevant risk management policies, and take concrete action plans.
Brief descriptions of the related risk management policies or strategies are outlined below, with detailed information available in the 2022 Sustainability Report:
<table>
<tr><th>Major Issues</th><th>Risk Assessment Items</th><th>Description</th></tr>
<tr><td>Environmental</td><td>Impact of Products on the Environment</td><td>1. To mitigate the adverse environmental impact of products, including reducing carbon</td></tr>
</table></td><td>No significant differences</td></tr>
</table>

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
			emissions, conserving energy, and optimizing resource use to promote a circular economy and resource recycling. In product design and manufacturing processes, consideration should be given to principles such as material sourcing, energy efficiency, emission control, and waste management. 2. Adherence to the policies of the ISO 14001 environmental management system: "Prevention of pollution, waste reduction, compliance with regulations, resource recycling, and environmental protection implementation,"	

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	

		along with water conservation and emission management.
Social	Occupational Health and Safety	1. HEC's occupational health and safety policy prioritizes "safety" above all else. It is imperative to prioritize employee occupational safety, comply with legal regulations, and continually strive for improvement.
	Product Safety	1. Through education, training, and internal communication led by top management and supervisors at all levels, the meaning of the quality policy should be effectively communicated to employees to ensure understanding and active

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	

		implementation in achieving quality objectives. 2. HEC adhere to the avoidance of emissions of harmful substances that may pose risks to human health and the environment, and fully implement the use of safe and environmentally friendly raw materials.
Corporate Governance	Labor Relations & Labor/Management Relations & Training and Education	1. HEC comply with relevant local labor laws and regulations and establish measures related to employee rights and welfare to promote harmonious labor relations and achieve the goal of win-win cooperation between HEC and its employees. In

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
			addition, to safeguard the rights of employees, tHEC will not discriminate based on factors such as gender, age, ethnicity, nationality, political affiliation, or religious beliefs, and will establish internal channels for employees to report any illegal activities of HEC.	
III. Environmental issues (I) Does your company create an appropriate environmental management system based on the industrial characteristics of your company?	✓		(I) 1. The Business Planning Office is the department responsible for environmental management, and in December 2010 HEC received the ISO 14001 certification for environmental management system. HEC have established the following environmental policies: pollution prevention, compliance with environmental laws, continuous improvement, production of green products and implementation of environmental goals including: (1) compliance with relevant requirements of the Waste Disposal Act; (2) prevention of environmental pollution and continuous improvement; (3) compliance with applicable legal requirements, with re-certification received in July 2015.	No significant differences
(II) Is your company committed to achieving more efficient use of	✓		(II) 1. HEC are committed to improving the recycling and reuse of resources, such as reusing recycled paper and envelopes, and making our best efforts to use renewable materials, such as the recycling and reuse of packaging	No significant differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
energy and using renewable materials with low impact on environmental burdens?			materials (cartons, bubble wrap, etc.) To prevent environmental pollution and waste of resources caused by disposal of toner cartridges, all such cartridges used by photocopiers or printers are delivered to their original manufacturers for recycling and disposal, and HEC have chosen to use eco-friendly toner. 2. For energy conservation and carbon reduction, we sort garbage, set air conditioning at specific temperature and use energy-saving LED light bulbs. 3. HEC encourage our employees to bring their own water cups and reusable chopsticks to reduce the amount of disposable waste.	
(III) Does your company assess the present and future potential risks and opportunities arising from climate change for your company? Does your company take any measures in response to climate-related issues?	✓		(III) 1. HEC are committed to the management of energy conservation and carbon reduction in our day-to-day operations. HEC have been reminding our employees to partially turn off lighting and air conditioning when fewer people are in an office in order to reduce the amount of CO2 generated by unnecessary electricity consumption and lessen its environmental impact. 2. HEC periodically engage testing companies to conduct environmental sampling and testing in our workplace, the scope of which includes the testing of the concentration of organic chemical solvents/dust/CO2. All results of such testing have met legal requirements, ensuring effective improvement and optimization of the working environment to protect the physical health of our employees.	No significant differences
(IV) Does your company make statistics of the greenhouse gas emissions, water consumption and total	✓		(IV) HEC have established the "Regulations for Definition of Environmental Aspects," "Regulations Governing Environmental Monitoring" and other relevant regulations to keep attention to environmental and climate change issues. The Business Planning Office is responsible for making statistics of	No significant differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
weight of waste over the previous two years? Does your company establish policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water usage or management other waste?			greenhouse gas emissions, water and electricity consumption and total waste weight for the establishment of relevant control measures. The greenhouse gas inventory according to ISO14064-1 has been completed by the end of January 2024.	
IV. Social issues (I) Does your company establish relevant management policies and procedures in accordance with applicable laws and regulations and international human rights conventions?	✓		(I) 1. In accordance with the Labor Standards Act, international human rights conventions and other applicable labor laws, we have established personnel management regulations and work rules for employees, and we have handled matters concerning labor insurance, the National Health Insurance and pensions for employees pursuant to applicable laws and regulations. Furthermore, we have established the "Regulations for Prevention of Sexual Harassment" in accordance with the Sexual Harassment Prevention Act and the Act of Gender Equality in Employment to provide our employees with a working and service environment free from sexual harassment. 2. To ensure gender equality in employment, we offer paid pregnancy checkup, paternity, maternity and parental leave and convene non-periodical meetings of the labor - management committee to safeguard the rights of our employees. 3. On September 15, 2020, HEC acquired the certification for RBA Social Responsibilities.	No significant differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
(II) Does your company establish and implement reasonable employee welfare measures (including remuneration, leave and other benefits)? Is the operating performance or result appropriately reflected in the remuneration for employees?	✓		(II) The employee remuneration policy is determined based on individual capabilities, contributions to the company, performance achievements, competitiveness, and consideration of future operational risks for HEC. Our policy is to determine the remuneration for each employee based on personal competencies, the level of his/her contribution to HEC, his/her performance and his/her competitiveness, taking into account the future operating risks of HEC. Article 29 of the Articles of Incorporation stipulates that where HEC has a profit in a year, it shall allocate 2% to 10% thereof as the remuneration for employees, which shall be distributed in shares or cash subject to a resolution of the Board of Directors. The recipients of such remuneration may include the employees of foreign and domestic affiliates. The Board of Directors may adopt a resolution to allocate no more than 4% of the amount of the foregoing profit as the remuneration for directors and supervisors. We have established the "Employee Work Rules," "Regulations Governing Performance Evaluation" and "Regulations Governing Labor - Management Committee." In addition to communicating the relevant business ethics and the systems for employee performance, rewards and penalties, we have included talents, systems and future planning as evaluation indicators, consistent with the key mission of people-oriented corporate sustainable development as a corporate social responsibility, in order to enhance our competitiveness internationally in the future. 2. For other employee welfare measures, see p.g 114. 3. Workplace diversity and equality: We aim to achieve remuneration based on "equal pay for equal work" and ensure equal opportunity for promotion for both genders to facilitate sustainable and inclusive economic development. In 2023, women accounted for an average of 51% of our employees, and an average of 24% of our managers.	No significant differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
(III) Does your company provide employees with a safe and healthy work environment and give safety and health training to employees regularly?	✓		(III) .1.Attaching great importance to the working environment of our employees, we periodically engage professional agencies to conduct testing at HEC by monitoring the concentration of organic solvents, dust, noise and CO_2 in our workplace. All results of such testing have met relevant requirements, ensuring effective improvement and optimization of the working environment to protect the physical health of our employees. (Please refer to page 62 (III.) for detailed information. 2. We periodically organize training sessions on safety and health. We conducted a fire drill/emergency response exercise on March16 and September 20, 2023, and we organized a health examination for employees on December 6, 2023. 3. HEC has formulated the "Occupational Hazard Management Procedures" and the "Emergency Response Management Procedures." There were no occupational accidents or fire incidents in 2023. 4. We have set up a lactation room for our female employees and provided them with proper childcare measures, and we have signed special contracts with kindergartens and infant care centers nearby HEC. 5. In response to COVID-19, we have established pandemic prevention measures on a rolling basis and been supervising their implementation by our employees. 6. We have engaged nurses and physicians from Sinlau Hospital to our factories for management of employees' health by level.	No significant differences
(IV) Does your company establish an effective plan for development and training of the career	✓		(IV) At the end of each year, we carry out a year-end evaluation. Our employees may indicate to us the training programs and courses they intend to attend, and we will organize appropriate internal training sessions or apply for external training based on job requirements.	

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
abilities of employees?				No significant differences
(V) Regarding customer health and safety, customer privacy, marketing and labeling in relation to products and services, does your company comply with applicable laws and international standards? Does your company establish policies and complaint procedures for the protection of consumer or customer rights?	✓		(V) 1. All our products are attached with labels in compliance with applicable laws and international rules, e.g. labels indicating safety certification, based on which consumers can choose what to buy. We have taken out product liability insurance for our customers, and a section for stakeholders has been created on our website. We have also set up a customer service hotline and a service email box (hec-service@hec-group.com.tw) to provide channels for consumer complaints and protect consumer rights.	No significant differences
(VI) Does your company establish any supplier management policy that requires suppliers to comply with relevant regulations with regard to issues of environmental protection, occupational safety and health or	✓		(VI) 1. We have established the "Regulations for Management of Vendors," which requires us to conduct an evaluation of any new supplier prior to dealing with it. The scope of such evaluation includes not only its production equipment and delivery capability, but also its quality level and quality assurance, while also taking into account whether it has any history of affecting the environment and society. 2. All suppliers are required to abide by our policies in the "Ethical Corporate Management Best Practice Principles," and each of them must conclude a contract with us detailing the rights and obligations of both parties, including compliance with our ethical management policies and the requirement that	No significant differences

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
labor rights? What is the status of its implementation?			the supplier must make improvement or terminate the contract where the counterparty is involved in violation of our policies for corporate social responsibility and has caused an effect on the environment and society.	
V. Does your company prepare a sustainable development report and other reports that disclose non-financial information of your company based on internationally accepted standards or guidelines for preparation of reports? Do the foregoing reports receive the assurance or guarantee opinions of any third-party certifying agency?	✓		HEC compiled its 2022 Sustainability Report in 2023 and commissioned "AFNOR Asia Ltd." to conduct third-party verification according to Type 1 moderate assurance level of the AA1000 v3 Assurance Standard.	No significant differences

VI. Where your company has established its own principles of sustainable development in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," the differences between the operations of your company and such principles must be described:

(I) We have placed great emphasis on the importance of occupational safety, environmental protection, safety and health. In addition to receiving the ISO 14001 and OHSAS18001 certifications, we periodically engage in monitoring of the air, noise, waste and energy use in our factory areas, with an improvement plan promptly implemented if the criteria level is exceeded.

(II) We have created plenty of job opportunities, and we have established the Employee Welfare Committee, implemented a pension system, organized training courses and taken out group insurance for our employees and periodically arranged for health examinations to demonstrate our commitment

Item promoted	Implementation			Differences with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for such differences
	Yes	No	Summary	
to harmonious labor relations.				
VII. Other important information useful for understanding the status of promotion of sustainable development: Our focus on the promotion of sustainable development includes the original aspect of environmental management as well as risk assessments and measures concerning labor safety and health, promotion of labor rights, encouragement for a balance between work and leisure, prohibition of sexual harassment and other violations against employees, concern for occupational safety and the physical health of employees, adherence to business ethics and protection of intellectual property rights and trade secrets.				

Climate-related information of listed and OTC companies

1. Implementation status of climate-related information

Item	Implementation
1. Explanation of the supervision and governance of climate-related risks and opportunities by the Board of Directors and management.	HEC have established the "Sustainability Committee". With the Board of Directors as the highest supervisory body, the committee oversees the management of climate-related risks and key achievements, and is responsible for horizontal cross-departmental coordination and collaboration to integrate sustainability strategies and climate action issues into product, operations, and value chain management. HEC established the Sustainable Development Committee in chaired by the General Manager and composed of senior executives from relevant departments as designated by the General Manager. At least one meeting shall be convened annually, with additional meetings convened as deemed necessary. Through comprehensive assessment and analysis, including various climate change-related risk scenarios, strategies for response shall be developed. Regular reports shall be submitted to the Board of Directors on the implementation outcomes and future plans regarding sustainable development, encompassing climate change-related issues, to ensure that climate-related matters are incorporated into the perspective of senior management and prudently managed.
2. Describe how identified climate risks and opportunities affect the business, strategy, and finances of the enterprise (short-term, medium-term, long-term).	HEC faces both risks and opportunities stemming from climate change. The primary risks arise from increased costs associated with carbon emissions during the manufacturing process, as well as pressures from the supply chain and competitors. These factors are considered in terms of their impact on financial statements, directly affecting the company's net profit and cash flow. Indirect impacts may affect asset values, accounts receivable, inventory value, and so forth. However, considering the trend of future investors incorporating ESG factors into investment considerations, we remain committed to achieving sustainable operations. Our climate strategy is based on a scientifically grounded reduction pathway, focusing on improving energy efficiency, expanding renewable energy use, investing in innovative carbon reduction technologies, and removing residual carbon emissions. These actions are structured into three stages, progressively moving the entire value chain towards net zero emissions. I. Short-term: (1) Transitional Risks: Increased energy costs, increased costs of implementing decarbonization equipment, and reduced revenue due to customer turnover. (2) Physical Risks: Increased severity and frequency of extreme weather events. (3) Market Opportunities: Reduction in paper usage. II. Medium-term:

Item	Implementation
	(1) Transitional Risks: Transitioning to low-emission technologies (low-carbon services), but with increased costs of transitioning to low-carbon technologies. (2) Market Opportunities: Developing low-carbon products and services, adjusting service processes, such as paperless workflows. III. Long-term: (1) Market Opportunities: Enhancing corporate image and company valuation.
3. Describe the financial impact of extreme weather events and transition actions.	During the corporate transition, corresponding costs may increase, including the purchase of carbon emission quotas, facility improvements and investments in decarbonization technologies, energy efficiency improvement measures, etc. The implementation of carbon taxes will require companies to pay additional costs for carbon emissions. These costs may also create pressure on the supply chain: carbon taxes may increase costs for upstream suppliers, thereby affecting the prices of raw materials and the stability of supply for companies. Additionally, the implementation of carbon taxes may put pressure on companies in competitive markets. If competitors can better cope with carbon taxes by reducing carbon emissions and improving energy efficiency, they may have a relative cost competitive advantage.
4. Describe how the process of identifying, evaluating, and managing climate risks is integrated into the overall risk management system.	In addition to risk response plans that may affect financial performance, our risk management includes assessments of natural disasters, environmental risks, and information risks, as well as emergency response plans. We integrate a preventive mindset into our corporate culture to eliminate identifiable and avoidable risks as much as possible, thereby reducing potential losses from operational disruptions. We actively develop advanced and more sensitive monitoring, evaluation, and risk control procedures and criteria for the major risks faced in various business operations, including sales markets, production operations, human resource planning, progress in new product development, and financial accounting and control. We aim to balance safety and efficiency, establish more economically efficient business operation models, and strengthen information system establishment and enhance early warning monitoring capabilities. Regarding environmental aspects, we have established and maintain emergency response procedures to cope with potential accidents or emergencies. These procedures serve as references for formulating response processes and plans. Their contents include the scope of emergency response plans, organizational responsibilities and structures, activation processes, hazard identification and risk assessment, rescue plans, evacuation maps, Safety Data Sheets (SDS), emergency response audit methods, etc. By following these operational processes and related methods, each unit can immediately reduce or mitigate the impacts and damages caused by human-made, natural disasters, and other major incidental events, such as personnel

Item	Implementation
	injuries, property losses, and production interruptions, and swiftly restore normal operations. Risk Management Objectives: To understand the risks of global economic trends, climate change, and energy supply and to formulate company development strategies and adjust operational models proactively. Commitment: To monitor global industry dynamics and climate change, adjust development goals and business strategies in a timely manner, and reduce potential risks. Risk Management Measures: To respond to various operational risks, convene management meetings irregularly to review response measures and adjust operational directions to prevent risks in advance.
5. If resilience to climate change risks is assessed using scenario analysis, explain the scenario, parameters, assumptions, analysis factors, and major financial impacts used in the analysis.	Type of Financial Impact: The imposition of carbon taxes leads to increased operating costs. I. Risk Description: (1) Cost Increase: This may include the purchase of carbon emission quotas, facility improvements and investments in decarbonization technologies, energy efficiency improvement measures, etc. The implementation of carbon taxes will require companies to pay additional costs for carbon emissions. (2) Supply Chain Pressure: carbon taxes may increase costs for upstream suppliers, thereby affecting the prices of raw materials and the stability of supply for companies. (3) Competitive Pressure: the implementation of carbon taxes may put pressure on companies in competitive markets. If competitors can better cope with carbon taxes by reducing carbon emissions and improving energy efficiency, they may have a relative cost competitive advantage. (4) Financial Statement Impact: Direct impacts include increased carbon emission costs; indirect impacts include supply chain pressure and competitive pressure. (5) Investor Concerns: Investors are integrating ESG (Environmental, Social, Governance) factors into their investment decisions. II. Potential Financial Impact: (1) Cost Increase: These additional costs will raise the operational expenses of the company, potentially leading to a decrease in profit margins. (2) Supply Chain Pressure: It may increase the supply risks for companies, adversely affecting business operations and production capabilities. (3) Competitive Pressure: It may lead to companies losing market share, thereby negatively impacting revenue and profits. (4) Financial Statement Impact: Direct impacts will be reflected in the company's net profits and cash flows;

Item	Implementation
	indirect impacts may affect asset values, accounts receivable, inventory values, etc. (5) Investor Concerns: If companies fail to effectively address carbon taxes and sustainability challenges, they may face investor doubts and concerns about the company's value, thereby impacting capital inflows and stock prices.
6. If there are transformation plans to address climate-related risks, please explain the contents of such plans, as well as the indicators and targets used to identify and manage physical risks and transition risks.	In response to the opportunities for transformation arising from the "climate emergency" posed by climate change challenges, our company aims to lead our customers towards a low-carbon green economic transition to mitigate climate impacts. To concretely implement and advance sustainability, we actively promote related initiatives, establish green management strategy goals, and implement solar power generation (for self-use) at our Donghua factory in mainland China to fulfill the purpose of protecting the Earth's environment. HEC disclosed emissions and waste data for the past two years in 2023 and completed ISO 14064-1 verification in January 2024.
7. If internal carbon pricing is used as a planning tool, please explain the basis for price setting.	HEC has not yet planned to use internal carbon pricing as a planning tool.
8. If climate-related targets are set, please explain the activities covered, scope of greenhouse gas emissions, planning timeframe, annual progress achieved, etc. If carbon offsetting or renewable energy certificates (RECs) are used to achieve relevant goals, please explain the source and quantity of carbon offsetting credits or the quantity of renewable	In response to the opportunities for transformation arising from the "climate emergency" posed by climate change challenges, our company aims to lead our customers towards a low-carbon green economic transition to mitigate climate impacts. To concretely implement and advance sustainability, we actively promote related initiatives, establish green management strategy goals, initiate various projects, execute green management, and assess effectiveness, verifying performance results through external verification to fulfill the purpose of protecting the Earth's environment. HEC has not used carbon offsetting or renewable energy certificates (RECs).

Item	Implementation
energy certificates (RECs).	
9. Inventory and assurance of greenhouse gas emissions.	According to the Financial Supervisory Commission's letter No. 11103849344, it is not yet mandatory for the regulated entities, but voluntary disclosure of inventory information was made in the 2022 Sustainability Report.

(VI) Status of ethical management and the measures taken

Over the years, our company has been committed to adhering to the RBA Code of Conduct, with Business Ethics being one of the five major components of the RBA. The primary contents encompassed by the Business Ethics standards are as follows:

1. Business integrity: Monitoring and regulatory measures must be implemented to prevent corruption, extortion and embezzlement.
2. No improper advantage: Bribes or other improper advantages must not be offered/accepted.
3. Disclosure of information: Information regarding business activities, performance, etc. must be disclosed in accordance with applicable regulations and industry practices.
4. Intellectual property: Intellectual property rights must be protected and respected.
5. Fair business, advertising and competition: Customer information must be safeguarded in accordance with applicable standards.
6. Protection of identity: The identity of any whistleblower must remain confidential.

Based on the above, the status of implementation of our business philosophy and the RBA is as follows:

Status of ethical management, differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences

Item evaluated	Implementation			Differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences
	Yes	No	Summary	
I. Establishment of ethical management policies and plans (I) Does your company establish any ethical management policy adopted by the board of directors? Do the regulations and external documents of your company specify the policy and practices of ethical management and the commitments by the board of directors and the senior management to actively implementing the ethical management policy?	✓		(I) We have established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," according to which our directors, managers and employees are required to implement our ethical management policies and ensure compliance with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and other applicable laws and regulations which publicly listed companies must adhere to. We have also designated the Audit Office as the responsible department in this regard to submit regular reports to the Board of Directors.	No significant differences
(II) Does your company established any mechanism for assessment of the risks of unethical behavior to perform regular analysis and assessment of operating activities with higher risks of unethical behavior within the scope of business of your company? Does your company establish, on the basis of the foregoing, any plan for prevention of unethical behavior, including at least measures for prevention of the behavior under Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(II) The "Ethical Corporate Management Best Practice Principles" includes relevant measures for prevention of the behavior under paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and requires all relevant departments to implement such measures. To prevent unethical behavior, we also conduct periodic or non-periodic sampling audits of whether HEC adheres to ethical principles and continue to follow up on the implementation of improvements, with periodic reports submitted quarterly to the Board of Directors.	No significant differences

Item evaluated	Implementation: Yes	Implementation: No	Implementation: Summary	Differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences
(III) Does your company specify and implement the operating procedures, guidelines of behavior, penalties for violations and complaint system in the plan for prevention of unethical behavior? Is the foregoing plan reviewed and amended on a regular basis?	✓		(III) The "Ethical Corporate Management Best Practice Principles" clearly prohibits unethical behavior. To ensure ethical management, we have established effective accounting and internal control systems, and our internal auditors have been conducting regular or non-regular audits on transaction processes and communicating our ethical management principles to all companies dealing with HEC. To completely prevent improper business conduct, bribes and the acceptance of gifts and kickbacks are prohibited.	No significant differences
II. Implementation of ethical management (I) Does your company assess the history of integrity of its business counterparties? Does the contract between your company and a business counterparty include any provision governing ethical behavior?	✓		(I) Before conducting any business transaction, we are required to consider the legality of the relevant agent, supplier or customer or other relevant business counterparty and whether it has engaged in any unethical behavior, and all contracts we have signed with other parties include a provision that the contract may be terminated or canceled at any time if any unethical behavior is involved. No significant differences	No significant differences
(II) Does your company set up (or designate) any unit under the board of directors that is responsible for the promotion of corporate ethical management and that gives a report to the board of directors regarding its ethical management policy and unethical behavior prevention plan and their supervision and implementation on a regular basis (at least annually)?	✓		(II) Formed under the Board of Directors, the Audit Office is responsible for prevention measures under our ethical management policies and supervision of their implementation, and gives periodic reports to the Board of Directors.	No significant differences
(III) Does your company establish any policy for prevention of conflict of interest, provide any appropriate channel for representation, and implement such policy?	✓		(III) The "Ethical Corporate Management Best Practice Principles" includes a system for recusal of directors and managers in case of conflict of	No significant differences

Item evaluated	Implementation			Differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences
	Yes	No	Summary	
			interest. Any director, supervisor or manager who has a personal stake or who represents a corporation with a stake in any proposal to a meeting of the Board of Directors may, if such stake is likely to prejudice the interests of HEC, provide his/her opinion and answer questions at the meeting without participating in the discussion and voting on that proposal, and must recuse himself/herself from such discussion and voting. In addition, he/she may not exercise voting rights on behalf of any other director on that proposal. No significant differences	
(IV) Does your company establish effective accounting and internal control systems to ensure the implementation of ethical management? Does the internal audit department establish any relevant audit plan based on the result of assessment of the risks of unethical behavior? Does your company, in accordance with the foregoing plan, conduct an audit of the compliance with the unethical behavior prevention plan, or engage a CPA to conduct such audit?	✓		(IV) To ensure the implementation of ethical management, we have established effective accounting and internal control systems, with the internal auditors regularly conducting audits of the compliance with the aforementioned systems. Furthermore, in accordance with the requirements of the Company Act, the Securities and Exchange Act and other applicable laws, the CPAs are responsible for auditing and certifying relevant accounting statements and books.	No significant differences
(V) Does your company organize internal and external training sessions on ethical management on a regular basis?	✓		(V) We have integrated the requirements of ethical management into our corporate culture, and they are promoted from time to time at Board of Directors meetings, weekly meetings or annual management meetings.	No significant differences

Item evaluated	Implementation			Differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences
	Yes	No	Summary	
III. Operations of the whistleblowing system of your company (I) Does your company establish specific systems for whistleblowing and rewards? Does your company establish any convenient whistleblowing channel and appoint any appropriate person to handle the case of a person reported?	✓		(I) We have established the "Ethical Corporate Management Best Practice Principles," which provides for wrongdoing reporting channels and reward and complaint systems managed by a designated department in accordance with required procedures and included in the scope of annual performance evaluation. To make it possible for our employees and relevant personnel to report cases of improper business conduct, we have set up an internal whistleblowing mailbox, and we have created a section for investment services on our website that provides contact information and a business hotline for shareholders to keep the relevant channels of communication open. Senior managers have been appointed to handle such cases.	No significant differences
(II) Does your company establish standard operating procedures for investigation of cases reported by whistleblowers, including subsequent measures required after the completion of investigation and the relevant confidentiality measures?	✓		(II) We have established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct," and "Procedures for Handling Complaints and Protecting Human Rights" which provide for the channels and methods for accepting reported cases, with a designated department responsible for handling such cases and communication of opinions. The relevant manager is responsible for maintaining confidentiality over the information of the persons involved and making the whistleblowers aware that HEC will do its best to protect the safety of persons reporting in good faith.	No significant differences
(III) Does your company take measures to protect	✓		(III) Same as the description in (2).	No significant differences

<table>
<tr><th rowspan="2">Item evaluated</th><th colspan="3">Implementation</th><th rowspan="2">Differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and the reasons for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>whistleblowers from improper retaliation as a result of whistleblowing?</td><td></td><td></td><td></td><td></td></tr>
<tr><td>IV. Enhancement of information disclosure
(I) Does your company disclose the contents of its ethical management principles and the results of their promotion on its website and the Market Observation Post System?</td><td>✓</td><td></td><td>1. We have disclosed, as appropriate, the information of our financial business and corporate governance the MOPS and our website, and we have disclosed the status of implementation of our ethical management principles and the results of their promotion in our annual reports.
2. We have appointed specialized personnel for disclosure of information and have established a spokesperson system.</td><td>No significant differences</td></tr>
<tr><td colspan="5">V. Where your company has established its own principles of ethical management in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the differences between the operations of your company and such principles must be described:
We have established and implemented the "Ethical Corporate Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to create good systems for corporate governance and risk control and build a business environment based on sustainable development. There are no significant differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</td></tr>
<tr><td colspan="5">VI. Other important information useful for understanding the status of ethical management at your company:
1. We have been in compliance with the Company Act, the Securities and Exchange Act, the Fair Trade Act, the Business Entity Accounting Act, the applicable regulations for TWSE/TPEx listed companies or other regulations concerning business activities, which have served as the basis for implementation of ethical management.
2. We communicate relevant laws and regulations to our internal employees on a non-periodic basis to make sure they understand our determination in and policies of ethical management and the consequences of unethical behavior.
3. We have established the "Code of Ethical Conduct," according to which any director or manager who has obtain important non-public information is prohibited from trading relevant securities and must abide by the laws governing insider trading. Any individual or company violating the requirements regarding insider trading will be subject to civil and criminal penalties.
4. We periodically review and amend the "Code of Ethical Conduct" and the "Ethical Corporate Management Best Practice Principles," which were approved by the Board of Directors to be amended on November 9, 2023.</td></tr>
</table>

(VII) Methods of access to the corporate governance principles and relevant regulations established by your company:

1. Corporate governance principles and relevant regulations:

   We have established the "Corporate Governance Principles," "Ethical Corporate Management Best Practice Principles," "Procedures for Management of Material Information," "Code of Ethical Conduct," "Procedures on Application for Suspension and Resumption of Transactions," "Regulations for Evaluation of the Performance of the Board of Directors," "Rules of Procedure for Shareholders' Meeting," "Rules of Procedure for the Board of Directors," "Regulations for Elections of Directors and Supervisors," "Standard Operating Procedures for Handling Requests from Directors" and other relevant regulations, the contents of which have been disclosed on our website.

2. We have created the sections of "Investor Information" and "Social Responsibilities," where our annual financial reports, handbooks of shareholders' meetings, annual reports, information of investor conferences and announcements of material information are published, with reference to appropriate locations on the MOPS for investors to search for them.

(VIII) Other important information useful for understanding the status of corporate governance

1. Employees' rights and employee care: We firmly believe that employees are a force driving the growth of a company, so we attach great importance to employees' rights and adhere to all legal rights of our employees. We have established regulations governing employee retirement and an employee remuneration system, and have formed an Employee Welfare Committee responsible for employee benefits.
2. Investor relations: Committed to the principles of integrity and fair disclosure of information and the transparency of corporate governance, we regularly publish information related to our operations and finance to shareholders and the public, and has established a system of spokesperson and deputy spokesperson to fulfill our responsibilities and obligations in disclosing corporate information. We have created a section of "Investment Services" on our website to disclose financial, business and corporate governance information. We have also appointed personnel responsible for investor relations and set up a dedicated email box to handle suggestions and questions from investors.
3. Supplier relationship and stakeholders' rights: We keep long-term and close cooperation with our suppliers to ensure there is no shortage of the sources of our materials.
4. Our important information has been disclosed on the MOPS as required by the competent authority.
5. In order to create a good mechanism for the management and disclosure of material insider information, avoid improper disclosure of information and ensure the consistency and accuracy of our information published externally, we have established the "Ethical Corporate Management Best Practice Principles," "Procedures for Management of Material Information," "Code of Ethical Conduct" and "Procedures on Application for Suspension and Resumption of Transactions" and other relevant procedures, which have been approved by the Board of Directors.
6. Participation of our directors, accounting and financial managers and chief internal auditor in training on corporate governance:

Title	Name	Date	Organizer	Course title	Duration
Chairman	Wang Chun-Tung	2023/12/08	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Chairman	Wang Chun-Tung	2023/12/15	Corporate Operation and Sustainable Development Association	Adherence to board regulations follows best practices and the legal responsibilities of directors and supervisors, along with case studies.	3 hours
Directors	Ko Chi-Yuan	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6 hours
Directors	Ko Chi-Yuan	2023/11/15	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Directors	Li Li-Sheng	2023/11/03	Taiwan Corporate Governance Association	The Board of Directors oversees legal matters that companies should be aware of	3 hours
Directors	Li Li-Sheng	2023/11/29	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Directors	Chung Ding-Chun	2023/06/09	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Prevention of Insider Trading	3 hours
Directors	Chung Ding-Chun	2023/11/22	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Directors	Huang Hsiu-Ling	2023/09/14	Accounting Research and Development Foundation (ARDF)	Analysis of Corporate Compliance with Labor Laws and Case Studies	6 hours
Directors	Huang Hsiu-Ling	2023/11/29	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Directors	Huang Hsiu-Ling	2023/12/01	Accounting Research and Development Foundation (ARDF)	How to leverage Robotic Process Automation (RPA) to enhance internal control efficiency.	6 hours
Directors	Li Ssu-Chia	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	3 hours
Directors	Li Ssu-Chia	2023/11/22	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Compliance with the Laws Governing Trading of Equity by Insiders	3 hours
Independent director	Hua Chih-Chiang	2023/05/23	Taiwan Stock Exchange	Promotion Association for Sustainable Development Action Plans of Listed Companies	3 hours
Independent director	Hua Chih-Chiang	2023/06/09	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Prevention of Insider Trading	3 hours
Title	Name	Date	Organizer	Course title	Duration
Independent director	Hua Chih-Chiang	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6 hours
Independent director	Hsu Chia-Te	2023/06/09	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Prevention of Insider Trading	3 hours

Title	Name	Date	Organizer	Course title	Duration
Independent director	Hsu Chia-Te	2023/11/09	Taiwan Corporate Governance Association	Analysis of International Sustainability Reporting Standards (IFRS) and Corporate Responses	3 hours
Independent director	Chen Jung-Chao	2023/06/09	Securities and Futures Institute (SFI)	2023 Conference on Awareness of Prevention of Insider Trading	3 hours
Independent director	Chen Jung-Chao	2023/07/14	Taiwan Corporate Governance Association	How Lighthouse Factory utilizes digital transformation to achieve sustainable development	3 hours
Independent director	Chen Jung-Chao	2023/10/26-2023/10/27	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Development Program - Carbon Governance and Sustainable Ecosystem.	9 hours
Independent director	Wang Yu-Ling	2023/05/05	Taiwan Corporate Governance Association	Future of Control: Empowering the Future through Intelligent Control	3 hours
Independent director	Wang Yu-Ling	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6 hours
Independent director	Wang Yu-Ling	2023/10/04	Securities and Futures Institute (SFI)	Seminar on Advanced Practices for Directors, Supervisors (including independent directors), and Corporate Governance Executives - How Non-Financial Background Directors and Supervisors Review Financial Reports	3 hours
Chief corporate governance officer	Li Yu-Ming	2023/04/10	Taiwan Investor Relations Association	Opportunities and Challenges in the Net Zero Trend	3 hours
Chief corporate governance officer	Li Yu-Ming	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6 hours
Accounting Manager	Chen Hui-Shan	2023/11/23-2023/11/24	Accounting Research and Development Foundation (ARDF)	Program for Continuing Training of the Accounting Managers of Securities Issuers, Dealers and Exchanges	12 hours
Chief Auditor	Hsu Ya-Hui	2023/07/13	The Institute of Internal Auditors - Chinese Taiwan	"Practices in Cybersecurity Protection" and "Cloud Security" Audit Seminar	6 hours
Chief Auditor	Hsu Ya-Hui	2023/07/25	The Institute of Internal Auditors - Chinese Taiwan	"Key Discussions on Corporate Sustainable ESG Implementation" and "Integrated Practices of Internal Audit and Internal Control"	6 hours

(IX) Operations of the internal control system:

Compucase Enterprise Co., Ltd.

Statement of Internal Control System

Date: March 13, 2024

Based on the results of self-audit of our internal control system in 2023, we hereby issue the following statement:

I. We acknowledge that our Board of Directors and managers are responsible for establishment, implementation and maintenance of the internal control system, and that we have established such system, whose purpose is to provide reasonable assurance for achievement of the goals of operational effectiveness and efficiency (including profits, performance and protection of asset security), reliable, timely and transparent reporting in compliance with applicable regulations, and compliance with applicable laws and regulations.

II. The internal control system has its inherent limits. Regardless of how perfect its design is, an effective internal control system can only provide reasonable assurance for the achievement of the above-mentioned three goals. Moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may also change. Nonetheless, our internal control system has a self-monitoring mechanism. Once a deficiency is identified, we will take action to correct it.

III. We determine whether the design and implementation of our internal control system are effective based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter the "Regulations") for determination of the effectiveness of an internal control system. The criteria adopted by the "Regulations" for determination of an internal control system divide such system into five elements based on the process of management and control: 1. control environment; 2. risk assessment; 3. control operations; 4. information and communication; and 5. supervision. Each of the elements further includes several criteria. For the foregoing criteria, please see the requirements of the "Regulations."

IV. We have adopted the above-mentioned criteria for determination of an internal control system to assess the effectiveness of the design and implementation of our internal control system.

V. Based on the results of the foregoing assessment, we consider that our internal control system (including the supervision and management of subsidiaries) as of December 31, 2023, including the design and implementation of the internal control system in relation to the understanding of the level of accomplishment of the goals of operational effectiveness and efficiency, reliable, timely and transparent reporting in compliance with applicable regulations and compliance with applicable laws and regulations, is effective and able to reasonably ensure the achievement of the above-mentioned goals.

VI. This statement will form part of the main content of our annual report and prospectus and will be published. In the event that any of the above published information involves falsification, concealment or other illegality, we will be subject to the legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. We declare that this statement was approved by a Board of Directors meeting on March 13, 2024. None of the ten directors attending the meeting expressed any objection, and all of them approved the information in this statement.

Compucase Enterprise Co., Ltd.

Chairman and President: Wang Chun-Tung

2. Where a CPA has been engaged to review the internal control system, the review report of the CPA must be disclosed: **None**.

(X) Penalties legally imposed on HEC and its internal employees or penalties imposed by HEC on its internal employees for violation of the requirements of its internal control system in the most recent year and as of the date of publication of the annual report, and the main deficiencies and the status of their improvement: **None**.

(XI) Important resolutions adopted by the shareholders' meeting and the Board of Directors in the most recent year and as of the date of publication of the annual report:

1. Important resolutions adopted by the shareholders' meeting and their implementation:

Date	Important resolution	Implementation of resolution of the shareholders' meeting
2023.06.15	1. 2022 statements of final accounts.	Implemented according to the resolution.
	2. Distribution of earnings for 2022.	1. An amount of NTD2 per share was distributed as cash dividends to shareholders in a total of NTD226,571 thousand, and June 15, 2023 was set as the ex-dividend date according to the resolution adopted by the Board of Directors on July 14, 2023. Distribution of the cash dividends was completed on August 16, 2023.
	3. Amendment to certain provisions of the "Articles of Incorporation."	The procedures after amendment shall apply.
	4. Amendment to certain provisions of the "Regulations Governing Loaning of Funds to Others."	The procedures after amendment shall apply.
	5. Election of one additional independent director.	Registration of the change with the MOEA was completed on July 7, 2023.
	6. Lifting of non-compete restrictions on new independent directors.	Implemented according to the resolution.

2. Important resolutions adopted by the Board of Directors

Date	Important resolution
16th term, 5th meeting 23 March 2023	1. The 2022 business report and financial report. 2. Distribution of earnings for 2022. 3. Percentage and amount of the remuneration for employees, directors and supervisors in 2022. 4. Approval of the remuneration for newly appointed managers. 5. Appointment of a chief corporate governance officer. 6. Lifting of non-compete restrictions on the chief corporate governance officer. 7. Amount of bonuses and remuneration for managers distributed during November 2022 to February 2023. 8. The 6th transfer of repurchased shares of HEC to employees in 2022. 9. The 2022 statement of internal control system. 10. Matters concerning distribution of the accumulated earnings of foreign subsidiaries with investments from HEC. 11. Content of the "Overview of the 2023 Business Plan and the Strategy for Future Development." 12. Election of one additional independent director. 13. Review of the list of nominated candidates for independent directors by the Board of Directors. 14. Lifting of non-compete restrictions on new independent directors. 15. Amendment to certain provisions of the "Articles of Incorporation." 16. Amendment to certain provisions of the "Standard Operating Procedures for Handling Requests from Directors." 17. Amendment to certain provisions of the "Regulations Governing Loaning of Funds to Others." 18. Amendment to certain provisions of the "Regulations Governing the Remuneration for Directors and Managers." 19. Establishment of the "Corporate Governance Best Practice Principles." 20. Convening of the 2023 annual shareholders' meeting.
16th term, 6th meeting 2023.05.11	1. The financial statements for Q1 of 2023. 2. Extension of the endorsements/guarantees from HEC to the limit provided by Cathay United Bank for FD. 3. Cancellation of loaning of funds totaling USD3.5 million from HEC to Optima Healthcare Inc. 4. Loaning of funds totaling USD3 million from HEC to Optima Healthcare Inc. 5. Amendment proposal for certain articles of the "Board of Directors Meeting Procedures". 6. Amendment proposal for certain articles of the "Significant Operating Procedures for Related Parties, Specific Companies, and Groups".

16th term, 7th meeting 2023.06.15	1. Appointment of the members of the Remuneration Committee. 2. Proposal for authorizing the Chairman to approve any loan totaling no more than NTD500 million granted by a financial institution. 3. Determination of the ex-dividend date for 2023. 4. Drafting the "Organizational Regulations of the Sustainability Development Committee" of HEC. 5. Cancellation of capital reduction of USD5 million by WJA in Mainland China. 6. Amendments to the "Accounting System" of HEC.
16th term, 8th meeting 2023.08.09	1. The financial statements for Q2 of 2023. 2. Amendment to the "Regulations Governing the Remuneration for Directors and Managers." 3. Proposal of amount of bonuses and remuneration for directors, supervisors and managers distributed. 4. Proposal of amount of bonuses and remuneration for managers distributed during March 2023 to July 2023. 5. HEC’s funding loan case for its subsidiary in the US. 6. Endorsements/guarantees totaling USD5 million from HEC to LFDG.
16th term, 9th meeting 2023.11.09	1. The financial statements for Q3 of 2023. 2. Evaluation of the independence and competence of the CPAs. 3. Establishment of the 2024 audit plan. 4. Amendments to the organizational structure chart of HEC. 5. Loan of USD 3 million to WII by our subsidiary, HEC. 6. Amendments to the "Major Unforeseen Incident Reporting Procedure" of HEC. 7. Amendments to the "Code of Conduct" of HEC 8. Amendments to the "Code of Ethics" of HEC 9. Amendments to the "internal control system" and "internal audit system."
16th term, 10th meeting 13 March 2024	1. The 2023 business report and financial statements. 2. Distribution of the earnings in 2023. 3. Percentage and amount of the remuneration for employees and directors in 2023. 4. Approval of the remuneration for newly appointed managers. 5. Amount of bonuses and remuneration for directors, supervisors and managers distributed during August 2023 to February 2024. 6. Approval of the remuneration for newly appointed managers. 7. The 2023 statement of internal control system. 8. Matters concerning distribution of the accumulated earnings of foreign subsidiaries with investments from HEC. 9. Content of the "Overview of the 2024 Business Plan and the Strategy for

	Future Development." 10. Amendment to certain provisions of the Company's "Regulations for the Election of Directors and Supervisors". 11. Amendment to certain provisions of the "Regulations Governing Acquisition or Disposal of Assets." 12. Amendment to certain provisions of the Company's "Regulations Governing Loaning of Funds". 13. Amendment to certain provisions of the "Organizational Regulations for the Remuneration Committee". 14. Amendment to certain provisions of the "Articles of Incorporation." 15. Amendment to the "Authorization Matrix" of HEC." 16. Convening of the 2024 annual shareholders' meeting.

(XII) Where directors or supervisors have expressed different opinions in records or written statements regarding important resolutions adopted by the board of directors during the most recent year and as of the date of publication of the annual report, the main contents of such opinions must be specified: **None**.

(XIII) Summary of the resignations or discharges of the chairman, president, accounting manager, financial manager, chief internal auditor, chief corporate governance officer and chief R&D officer of HEC during the most recent year and as of the date of publication of the annual report: None.

IV. Information of professional fees for CPAs:

Information of professional fees for CPAs

Unit: NTD thousand

Name of CPA firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte Taiwan	Wang Teng-Wei	2023	3,580	1,137	4,717	Note
	Li Chi-Chen					

Note：NTD340 thousand for transfer pricing in 2023; NTD350 thousand for the master file of 2023; NTD 447 thousand for the costs related to the registration of a subsidiary.

1. Where the CPA firm is changed and the audit fees paid for the year when such change occurs are less than those paid for the year prior to such change the amounts of the audit fees before and after such change and the reasons for such decrease must be disclosed: **None**.
2. Where the decrease in the audit fees is no less than 10% from the previous year, the amount and percentage of and the reasons for such decrease in the audit fees must be disclosed: **None**.

V. Information of change of CPAs:

To maintain the independence of CPAs and implement the mechanism for internal rotation of CPAs, Deloitte Taiwan has changed the CPAs for HEC starting from Q3 of 2021, with the original CPAs Wu Chiu-Yen and Yang Chao-Chin replaced by Wang Teng-Wei and Li Chi-Chen.

VI. Where the chairman, president or financial or accounting manager of your company has served at the firm of the CPAs or any of its affiliates during the most recent year, his/her name and title and the period of his/her service at the firm of the CPAs or any of its affiliates must be disclosed: **None**.

VII. Changes in transfers and pledges of shares held by directors, supervisors, managers, and shareholders with a shareholding of more than 10% during the most recent year and as of the date of publication of the annual report:

(I) Changes in shares held by directors, supervisors, managers, and shareholders with a shareholding of more than 10%

Title	Name	2023		As of April 22, 2024	
		Increase (Decrease) in the number of shares held	Increase (Decrease) in the number of shares pledged	Increase (Decrease) in the number of shares held	Increase (Decrease) in the number of shares pledged
Chairman	Compucase Investment Co., Ltd.	-	(7,500,000)	-	(1,000,000)
Representative of the Chairman	Wang Chun-Tung	(124,000)	-	-	-
Representative of Director	Huang Hsiu-Ling	-	-	-	-
Directors	Cheng Li Investment Co., Ltd.	-	(1,650,000)	-	(550,000)
Representative of Director	Ko Chi-Yuan	106,000	-	-	-
Representative of Director	Li Ssu-Chia	-	-	-	-
Directors	Chung Ding-Chun	(4,000)	-	-	-
Directors	Li Li-Sheng	(300,000)	(171,000)	-	-
Independent director	Hsu Chia-Te	-	-	-	-
Independent director	Chen Jung-Chao	-	-	-	-
Independent director	Hua Chih-Chiang	-	-	-	-
Independent director	Wang Yu-Ling				
Chairman and President	Wang Chun-Tung	(124,000)	-	-	-
Senior Vice President	Lee Chia-Ching	-	-	-	-
Vice President	Li Chun-Liang	(142,670)	-	-	-
Vice President	Huang Li-Chun	(26,000)	-	-	-
Assistant Vice President	Liu Chang-Wei	(8,000)	-	(2,000)	-
Assistant Vice President	Lin Yong-zong	-	-	-	-
Assistant Vice President	Lin Yung-Hsiang	2,000	-	-	-
Assistant Vice President	Hsu Hwa-Teh	-	-	-	-
Chief corporate governance officer	Li Yu-Ming	-	-	-	-
Accounting and Financial Manager	Chen Hui-Shan	(21,000)	-	-	-

(II) Information of related parties who are the counterparties in transfers or pledges of shares: None.

VIII. Information of shareholders with the top 10 shareholdings who are related parties or are spouses or relatives within the second degree of consanguinity

Information of the relationship between shareholders with the top 10 shareholdings

2024.04.22

Name	Personal shareholding		Shareholding of spouse or minor children		Total nominee shareholding		Names and relationship of shareholders with the top 10 shareholdings who are related parties or are spouses or relatives within the second degree of consanguinity		Remarks
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Name	Relationship	
Representative of Compucase Investment Co., Ltd.: Ko Chi-Yuan	23,835,605	21.23%	-	-	-	-	-	-	-
Representative of MiTAC International Corporation: Miao Feng-Chiang	10,000,000	8.91%	-	-	-	-	-	-	-
Miao Feng-Chiang	-	-	-	-	-	-	-	-	-
Representative of Cheng Li Investment Co., Ltd.: Ko Chi-Yuan	6,638,193	5.91%	-	-	-	-	-	-	-
Ko Chi-Yuan	336,000	0.30%	-	-	-	-	-	-	-
Kuo Kuang-Yu	1,156,000	1.03%	-	-	-	-	-	-	-
Hsu Chien Chiu-Hsiang	1,143,036	1.02%	645,000	0.57%	-	-	Hsu Tung-Jung	Husband and wife	-
Wen Yung-Han	1,090,000	0.97%	-	-	-	-	-	-	-
Tahua Investment Co., Ltd. Representative: Chang Lien-Sheng	973,000	0.87%	-	-	-	-	-	-	-
Chang Lien-Sheng	-	-	-	-	-	-	-	-	-
Cheng, Ching-Fu	760,000	0.68%	-	-	-	-	-	-	-
Hsu Tung-Jung	645,000	0.57%	1,143,036	1.02%	-	-	Hsu Chien Chiu-Hsiang	Husband and wife	-
Tsai Yen-Yi	580,000	0.52%	-	-	-	-	-	-	-

Note: The calculation of shareholding is based on the outstanding shares of 113,285,626 shares, excluding treasury shares of 1,000,000 shares.

IX. Numbers of shares held by HEC, its directors, supervisors and managers and companies directly or indirectly controlled by HEC in a single investee company, and the comprehensive shareholding percentage calculated on a consolidated basis: **None**.

Chapter IV Financing

I. Capital and shares of HEC:

(I) Sources of share capital

2024.04.22

Year, Month	Par value per share (NTD)	Authorized share capital		Paid-in share capital		Remarks			
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of share capital	Non-cash property used as share payment	Others	Date and number of documents of approval of capital increase
1997/08	10	15,000	150,000	15,000	150,000	Capital increase by cash NTD70,000 thousand Capital increase from earnings NTD30,000 thousand	-	-	October 22, 1997 Letter Jing-(1997)-Shang-Zi No. 121094
1999/07	10	75,000	750,000	38,000	380,000	Capital increase by cash NTD170,000 thousand Capital increase from earnings NTD60,000 thousand	-	-	August 9, 1999 Letter Jing-(1999)-Shang-Zi No. 088128766
2000/12	10	75,000	750,000	49,400	494,000	Capital increase from earnings NTD114,000 thousand	-	-	January 3, 2001 Letter Jing-(2001)-Shang-Zi No. 089148759
2001/07	10	75,000	750,000	59,493	594,930	Capital increase from earnings NTD100,930 thousand	-	-	August 29, 2001 Letter Jing-(2001)-Shang-Zi No. 09001343520
2002/04	10	85,000	850,000	62,618	626,180	Capital increase by cash NTD31,250 thousand	-	-	May 2, 2002 Letter Jing-(2002)-Shang-Zi No. 09101154380
2002/10	10	85,000	850,000	76,184	761,846	Capital increase from earnings NTD135,666 thousand	-	-	October 16, 2002 Letter Jing-(2002)-Shang-Zi No. 09101416830
2003/12	10	110,000	1,100,000	86,038	860,378	Capital increase from earnings NTD98,532 thousand	-	-	December 1, 2003 Letter Jing-Shou-Shang-Zi No. 09201326140
2004/08	10	110,000	1,100,000	89,876	898,759	Capital increase from earnings NTD38,381 thousand	-	-	August 9, 2004 Letter Jing-Shou-Shang-Zi No. 09301146740
2005/08	10	110,000	1,100,000	91,352	913,520	Capital increase from earnings NTD14,761 thousand	-	-	August 1, 2005 Letter Jing-Shou-Shang-Zi No. 09301146740
2006/07	10	110,000	1,100,000	93,320	933,195	Capital increase from earnings NTD19,675 thousand	-	-	July 26, 2006 Letter Jing-Shou-Shang-Zi No. 09501159850

2007/07	10	110,000	1,100,000	96,211	962,109	Capital increase from earnings NTD28,914 thousand	-	-	July 23, 2007 Letter Jing-Shou-Shang-Zi No. 09601175190
2008/07	10	110,000	1,100,000	101,116	1,011,164	Capital increase from earnings NTD49,054 thousand	-	-	July 24, 2008 Letter Jing-Shou-Shang-Zi No. 09701184210
2010/08	10	110,000	1,100,000	102,813	1,028,130	Capital increase from earnings NTD16,966 thousand	-	-	August 16, 2010 Letter Jing-Shou-Shang-Zi No. 09901185530
2011/08	10	150,000	1,500,000	104,648	1,046,476	Capital increase from earnings NTD18,346 thousand	-	-	August 22, 2011 Letter Jing-Shou-Shang-Zi No. 10001192030
2011/12	10	150,000	1,500,000	103,286	1,032,856	Cancellation of treasury stocks NTD13,620 thousand	-	-	December 28, 2011 Letter Jing-Shou-Shang-Zi No. 10001290090
2016/10	10	150,000	1,500,000	113,286	1,132,856	Capital increase by cash from private placement NTD100,000 thousand	-	-	October 24, 2016 Letter Jing-Shou-Shang-Zi No. 10501251030

Type of shares	Authorized share capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	113,285,626	36,714,374	150,000,000	None

Note：The outstanding shares include 10,000,000 privately placed shares, and 1,000,000 Treasury shares, with the remaining being publicly traded shares.

(II) Shareholder structure

2024.04.22

Shareholder structure / Number	Government agency	Financial institution	Other corporation	Individual	Foreign institution and person	Total(note)
Number of persons (persons)	0	1	140	29,847	59	30,047
Shareholding (shares)	0	17,000	44,217,723	66,843,693	2,207,210	113,285,626
Shareholding (%)	0.00	0.02	39.03	59.00	1.95	100.00

Note：The outstanding shares include 10,000,000 privately placed shares, and 1,000,000 Treasury shares, with the remaining being publicly traded shares.

(III) Distribution of shareholding (par value of NTD10 per share)

2024.04.22

Shareholding range	Number of shareholders	Number of shares held	Shareholding (%)
1 to 999	17,995	526,143	0.46
1,000 to 5,000	9,951	18,925,977	16.71
5,001 to 10,000	1,097	8,797,718	7.77
10,001 to 15,000	305	3,912,431	3.45
15,001 to 20,000	203	3,771,713	3.33
20,001 to 30,000	189	4,916,708	4.34
30,001 to 40,000	84	3,098,767	2.74
40,001 to 50,000	58	2,744,982	2.42
50,001 to 100,000	97	7,104,217	6.27
100,001 to 200,000	35	5,054,572	4.46
200,001 to 400,000	21	6,045,764	5.34
400,001 to 600,000	2	1,145,800	1.01
600,001 to 800,000	2	1,405,000	1.24
800,001 to 1,000,000	1	973,000	0.86
If the number of shares held equals or exceeds 1,000,001, the range is determined based on the actual circumstances	7	44,862,834	39.60
Total	30,047	113,285,626	100.00

Note：The outstanding shares include 10,000,000 privately placed shares, and 1,000,000 Treasury shares, with the remaining being publicly traded shares.

(IV) List of major shareholders

Names of shareholders with a shareholding of no less than 5% or shareholders with the top 10 shareholdings, the numbers of shares held by them, and their shareholding percentages:

2024.04.22

Capital Stock / Name of major shareholder	Number of shares held	Shareholding (%)
1. Compucase Investment Co., Ltd.	23,835,605	21.23%
2. MiTAC International Corporation	10,000,000	8.91%
3. Cheng Li Investment Co., Ltd.	6,638,193	5.91%
4. Kuo Kuang-Yu	1,156,000	1.03%
5. Hsu Chien Chiu-Hsiang	1,143,036	1.02%
6. Wen Yung-Han	1,090,000	0.97%
7. Tahua Investment Co., Ltd.	973,000	0.87%
8. Cheng, Ching-Fu	760,000	0.68%
9. Hsu Tung-Jung	645,000	0.57%
10. Tsai Yen-Yi	580,000	0.52%

Note: The calculation of shareholding is based on the outstanding shares of 113,285,626 shares, excluding treasury shares of 1,000,000 shares.

(V) Information of the market price, net value, earnings, and dividend per share in the most recent two years:

Unit: NTD

Item		Year	2022 (note 8)	2023 (note 8)	As of March 31, 2024
Market price per share (note 1)	Highest		34.40	82.70	86.50
	Lowest		26.05	29.75	67.40
	Average		29.93	63.11	77.98
Net value per share (note 2)	Before distribution		23.59	26.62	-
	After distribution		21.55	Yet to be determined by the shareholders' meeting	-
Earnings per share	Weighted average number of shares (thousand shares)		112,478	111,911	N/A
	Earnings per share (note)		3.28	5.41	
Dividends per share	Cash dividends		2	3.5	
	Bonus shares	Distributed from earnings	-	-	
		Distributed from capital reserves	-	-	
	Accumulated unpaid dividends (Note 4)		-	-	
Analysis of return on investment (ROI)	Price-to-earnings ratio (note 5)		9.13	11.67	
	Price-to-dividend ratio (Note 6)		14.97	18.03	
	Cash dividend yield (Note 7)		6.68%	5.55%	

* If shares are distributed in connection with a capital increase from earnings or capital reserves, the information of the market price and cash dividends adjusted retroactively based on the number of shares distributed must be disclosed.

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

Note 2 ：Please use the number of outstanding shares as of the end of each year based on the distribution approved by the board of directors or the next annual shareholders' meeting.

Note 3 ：Where a retroactive adjustment is required due to any distribution of bonus shares, the earnings per share before and after such adjustment must be indicated.

Note 4 ：If the terms of issuance of equity securities state that dividends undistributed in the current year may be accumulated for distribution in a year with earnings, the accumulated unpaid dividends as of the current year must be disclosed separately.

Note 5 ：Price-to-earnings ratio = Average closing price per share of the current year / Earnings per share.

Note 6 ：Price-to-dividend ratio = Average closing price per share of the current year / Cash dividend per share.

Note 7 ：Cash dividend yield = Cash dividend per share / Average closing price per share of the current year.

Note 8 ：For "net value per share" and "earnings per share," please enter the information audited by the CPAs for the most recent quarter as of the date of publication of the annual report.

(VI) The dividend policy of your company and its implementation

1. The dividend policy stipulated in the Articles of Incorporation:

   Where HEC has earnings in the final accounts of a fiscal year, it shall set aside 10% thereof as legal reserves after paying taxes and offsetting losses as legally required, unless the amount of such legal reserves equals or exceeds HEC's paid-in capital. The remaining amount of the foregoing earnings shall be set aside or reversed as special reserves. If there are still any remaining earnings, the Board of Directors shall, depending on the operating performance, retain such earnings plus the accumulated undistributed earnings, and shall prepare a proposal for distribution of earnings and submit the proposal to a shareholders' meeting for a resolution on distribution of bonuses to shareholders.

   In consideration of its future investment funding needs and its financial structure, HEC has adopted a balanced and stable dividend policy for the purposes of sustainable management and long-term development, with shareholders' interests and other factors taken into account. Each year, no less than 10% of the distributable earnings shall be appropriated for distribution of bonuses to shareholders. No such distribution is required if the cumulative distributable earnings amount to less than 2% of the paid-in share capital. For distribution of dividends in any future year, it is expected that the amount of cash dividends distributed will be no less than 10% of the total dividends distributed in that year, and that such dividends will, based on the investment funding needs and the level of dilution of earnings per share, be distributed in stock or cash, as appropriate.

   Regarding the preceding paragraph, HEC may determine the most appropriate dividend policy and manner of distribution based on the actual condition of its operations in the current year, taking into account the capital budget plan for the next year.

2. Distribution of dividends proposed at the current shareholders' meeting

   The proposal for distribution of earnings in 2023 was approved by a resolution of the Board of Directors on March 13, 2024, with the distribution of NTD3.5 per share as cash dividends. Such distribution will be made upon its approval by a resolution of the annual shareholders' meeting and after the ex-dividend date is determined by the Board of Directors has authorized.

3. The expected dividend policy is anticipated to undergo significant changes: None.

(VII) Effects of the current distribution of bonus shares on the business performance, earnings per share and shareholder's return on investment of your company: N/A.

(VIII) Remuneration for employees and directors

1. The percentage or range of the remuneration for employees and directors as specified in the Articles of Incorporation
   - I. The remuneration for employees shall be 2% to 10% of HEC's profit, and the recipients of such remuneration may include the employees of any domestic or foreign company affiliated to HEC.
   - II. The remuneration for directors shall be no more than 4% of HEC's profit.
2. The basis of estimate of the remuneration for employees, directors, and the basis of calculation of the number of shares distributed as stock dividends, and the accounting treatment in case of any difference between the actual amount of distribution and the estimate for the current period
   - (1) The basis of estimate of the remuneration for employees:
     The amount of the remuneration for employees and directors in the current year is estimated, recognized, and accounted for according to the percentage set forth under the Articles of Incorporation and based on past practices.
   - (2) The basis of calculation of the number of shares distributed as stock dividends
     If the Board of Directors has adopted a resolution to distribute the remuneration for employees in shares, the number of shares for such remuneration will be calculated according to the closing price on the day prior to the date of resolution of the Board of Directors.

(3) The accounting treatment in case of any difference between the actual amount of distribution and the estimate
Subject to a resolution of the Board of Directors, any difference between the actual amount of distribution and that accounted for will be treated as a change in accounting estimates and recognized as a profit/loss in the year of actual distribution.

3. Information regarding distribution of the remuneration for employees approved by the Board of Directors:
(1) Amount of the remuneration distributed for employees and directors
The following is the amount of the remuneration distributed for employees, directors and supervisors approved by a resolution of the Board of Directors on March 13, 2024:
Remuneration for employees: NTD60,909,584, to be distributed in cash.
Remuneration for directors: NTD15,227,396, to be distributed in cash.
(2) The proposed amount of the remuneration for employees distributed in shares and its share of the sum of the after-tax net profit and total remuneration for employees in the current period: N/A.
(3) The estimated earnings per share following consideration of the proposal for distribution of the remuneration for employees and directors is NTD5.41.

4. Actual distribution of the remuneration for employees, directors, and supervisors (including the number of shares distributed, amount and share price) in 2022. Where there is any difference with the recognized remuneration for employees, directors and supervisors, the amount of such difference and its reasons and treatment must be described:
(1) The following are the actual amounts of the remuneration distributed for employees, directors, and supervisors in 2022:
In 2022, the actual amounts of the remuneration distributed for employees and for directors and supervisors were NTD36,040,996 and NTD9,010,249 respectively.
(2) Where any of the amounts above is different from the recognized remuneration for employees, directors and supervisors, the amount of such difference and its reasons and treatment must be described:
There is no difference between the distributed amount of the remuneration for employees, directors, and supervisors and that approved by the Board of Directors and accounted for.

(IX) Repurchase by your company of its own shares:
(1) Repurchase by HEC of its own shares (completed)

2024.04.22

Repurchase tranche	6th
Purpose of repurchase	Transfer to employees
Repurchase period	July 14 to September 2, 2022
Repurchase price range	Between NTD21.5 and NTD35. HEC may continue to repurchase shares where the price of its shares is lower than the minimum price of the set range.
Type and number of repurchased shares	Common shares/2,000,000
Amount of shares repurchased	NTD59,144,179
Percentage of the repurchased number in the number planned to be repurchased (%)	50%
Number of shares canceled and transferred (Note)	1,000,000
Cumulative number of HEC's shares held	1,000,000
Percentage of the cumulative number of HEC's shares held in the number of total outstanding shares (%)	0.88%

Note：The cumulative 1,000,000 treasury shares held have not been transferred to employees.

(2) Repurchase by HEC of its own shares (currently in progress): None.

II. Issuance of corporate bonds (including foreign corporate bonds): **None**.

III. Issuance of preferred shares: **None**.

IV. Issuance of global depositary receipts: **None**.

V. Issuance of employees' stock warrants: **None**.

VI. Issuance of new restricted employee shares: **None**.

VII. Issuance of new shares with shares acquired or transferred from other companies: **None**.

VIII. Implementation of the fund usage plan: **None.**

Chapter V　Overview of operations

I. Information of business activities

(I) Scope of business

1. Our registered scope of business includes:
   Business activities not prohibited or restricted by law, other than those permitted.
2. The percentage each of our main product's accounts for in our operations is as follows:

2023.12.31

Product	Share of operations (%)
Computers, server chassis and their components	27%
Power supplies	43%
Private brands of computer and gaming peripherals	19%
Medical and home beds	4%
Others	7%
Total	100%

3. Current products (services)
   A. Computer and gaming peripherals.
   B. Power supplies and other IT products.
4. New products planned for development
   A. PSU: Responding to market demand, improvements are proposed for various types of noise.
      a. Dynamic Noise Management: Increasing the frequency component of active feedback adjustment in the feedback system to reduce noise levels in dB.
      b. Fan Noise: Implementing optimal fan control using MCU, which can anticipate load trends, appropriately increase fan speed, reduce temperature fluctuations, thereby lowering the maximum fan speed and component temperatures, consequently enhancing PSU lifespan.
   B. Case: Employing a compartmentalized water-cooled chassis, tested with actual equipment operation to effectively reduce CPU/GPU/NPU operating temperatures and fan noise by over 10%, enhancing stability and efficiency of AI PC operation, and military-grade chassis.
   C. Cougar Case: Planning to develop the next generation of panoramic view chassis with 270-degree full transparent glass, modular design for both visual aesthetics and ventilation, ensuring gaming chassis not only possess visual appeal but also requisite cooling and assembly convenience features.
   D. Cougar Gaming Chairs: Ergonomically designed gaming office crossover chairs integrating gaming aesthetics. Gaming Cockpit Sofa: Providing immersive gaming cockpit design with electrically adjustable gaming sofa.
   E. Cougar Cooling Products: Developing water-cooled products with LCD panels to display system information.

(II) Overview of industry

1. Current status and development of industry

PC industry

Since 2023, due to the ongoing Russia-Ukraine conflict and persistent core inflation, demand for consumer electronics such as computers, laptops, and smartphones has weakened, resulting in a significant slowdown in global economic growth. Additionally, major tech firms have been reducing capital expenditure, leading to increasingly evident layoff issues. With end customers actively reducing inventory and becoming more conservative in placing orders, the overall performance of global computer product shipments is unfavorable. It is estimated that global computer product shipments will continue to decline in 2023, posing challenges to the computer peripheral equipment manufacturing industry in our country. The "2024 Mid-Year Economic Outlook" report released by the OECD in February forecasts global economic growth of 2.9% in 2024, higher than the 2.7% predicted in November 2023, but slower than the 3.1% growth in 2023. The organization's growth forecast for 2025 remains unchanged at 3.0%.

PCs are expected to enjoy three major advantages in 2024, boosting the industry back to a growth trajectory. These include healthy PC inventory levels, opportunities arising from the post-2020 epidemic equipment replacement cycle, and Microsoft's plan to end support for Windows 10 updates in October 2025, significantly increasing enterprise motivation to upgrade, thereby assisting the PC industry in emerging from its slump and ushering in a new wave of shipments. Therefore, it can be understood that the industry is on a path of recovery and growth.

In addition to benefiting from the replacement cycle, the recent selling points of the PC industry also include the flourishing development of generative AI applications in recent years. The trend is shifting from high reliance on cloud data centers for AI inference to direct AI application on terminal devices. This makes AI PC a focal point in the PC industry, impacting hardware specification upgrades and driving significant changes in user scenarios and supply chain reorganization. The vast opportunities in the AI PC industry have become a battleground for many major players, with more research resources and funds continuously invested. AI PC is poised to play a key role in leading the industry to the next peak.

Overall, while demand for general personal computer-related power supplies is not expected to experience significant growth, servers, automotive, and other downstream products can maintain higher shipment growth rates. Moreover, server power supplies continue to develop towards higher power specifications, and PC power supplies are also upgrading to ATX 3.0 specifications. With domestic manufacturers gradually entering high unit price products such as automotive, it can support the revenue performance of related manufacturers. However, as some products are transferred to third-party manufacturing sites, it is estimated that the production and sales value of the domestic power supply manufacturing industry in 2024 will only remain flat compared to 2023.

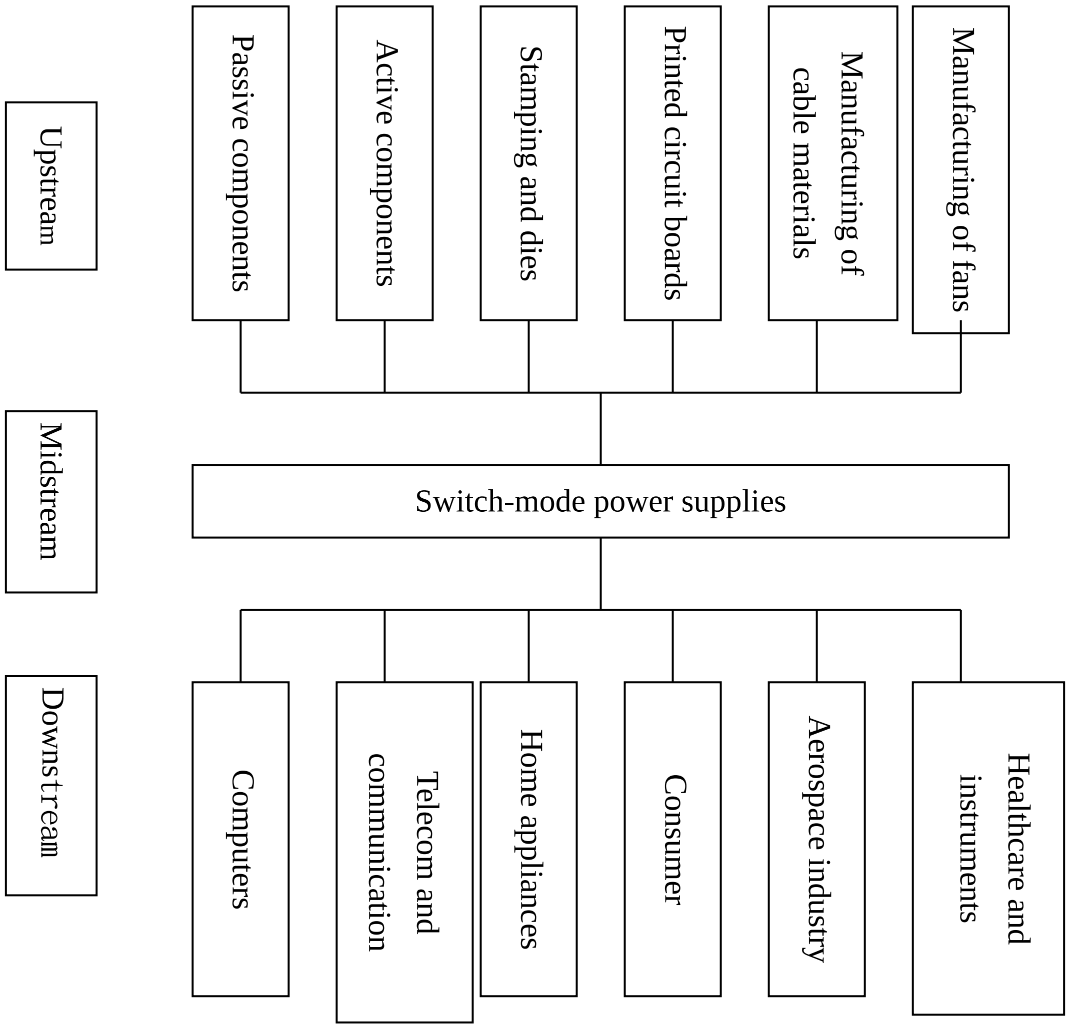
2. Relationship among the upstream, midstream, and downstream in the industry of PC power supplies

Relationship between the upstream raw materials and industry

The primary raw materials of switch-mode power supplies generally include active, passive, and magnetic components, other electronic components, chassis, and printed circuit boards. A few kinds of components, such as controller ICs and semiconductors, are mostly supplied by large foreign manufacturers, while others are mainly made by domestic manufacturers. Thus, they are closely related to the upstream industry.

Relationship between the downstream products and switch-mode power supplies

Power supplies are mainly used in computers and peripheral equipment. As the IT industry keeps booming, Taiwan has become the largest producer of switch-mode power supplies globally. Moreover, power supplies are an indispensable component of the IT industry, and as a result the power supply industry collaborates closely with the upstream, midstream, and downstream suppliers. The following is the structure of the upstream, midstream, and downstream sectors of the industry:



(III) Overview of technology and R&D

1. R&D expenses invested in the most recent year and as of the date of publication of the annual report

Unit: NTD thousand

Year / Item	2023	As of March 31 2024 (Note)
R&D expense	145,108	37,997

Note: The amounts as of March 31, 2024, this amount has not been audited and reviewed by the CPAs.

2. Successfully developed technologies or products

A. The INTEL ATX3.1 Platinum 1200W PSU has achieved a 150mm short form factor, increasing PSU power density, and has been adopted by customers. Currently, it is in trial production at the factory.
B. Optimizations have been made to the manufacturing process, designing PSU models with reduced processes, effectively lowering manufacturing costs and time while maintaining the same electrical specifications.
C. The glass side panel chassis has been completed, successfully preventing EMI leakage, meeting market trends, and balancing aesthetics and safety standards.
D. The 240KW and 350KW charging pile terminals have obtained delivery acceptance, officially entering the electric vehicle supply chain.
E. The innovative sea-view room FV270 was mass-produced and launched in Q1 2024, distinguishing itself from other sea-view room products from other brands. The COUGAR FV270 combines visual aesthetics with enhanced heat dissipation duct design and has received positive market feedback prior to its launch.
F. The NxSys Aero RGB gaming chair with active cooling has been mass-produced and launched, addressing the issue of prolonged heat buildup in gaming chairs on the market. It features an active cooling design while also incorporating the characteristic RGB lighting atmosphere of gaming products.

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

1. Short-term development plan:

Marketing strategy:

A. Seeking retail ODM projects:

Due to a great year-by-year increase in the demand for gaming PCs, many major retail manufacturers have kept releasing new products, and some non-chassis brands have also entered the chassis market. With professional teams and years of experience in ODM, we differentiate ourselves from Mainland Chinese manufacturers in that we are capable of providing plenty of services to retail customers, and our experience in areas like ID, mechanism and specification is where our strength lies. We will actively seek projects from major gaming ODMs.

B. Focusing on local marketing to increase brand awareness:

Enhancing brand awareness will in the long term be positively helpful for sales. With a plan for agents and complete product lines, the return on continued investment of marketing resources will be reflected on the sales figures more quickly. The focuses of our plan for marketing activities include:

(1) Game event: Each year, players from across the world focus on the largest annual game events by planning to participate in such professional and popular events including the E3 Expo, Dreamhack and PAX in the US, the China Joy in China, the Gamescom in Germany, and the IgroMir in Russia, increasing the opportunities for players to experience the Cougar-brand products and for exposure of the brand.

(2) Gaming tournament: We take part in gaming tournaments as a co-organizer, focusing on those featuring LOL, Overwatch and Dota2, the top three games in terms of the number of players.

(3) Gaming team: We sponsor gaming teams to join tournaments using the name of Cougar to further develop the market of gaming fans.

(4) Channel marketing: We plan to invest in channel marketing in collaboration with online and offline channels.

C. Management of the Cougar brand for our private outdoor products:

As the gross profit from OEM continues to drop, no breakthrough is possible without the sale of private brands. Based on our experience in the gaming brand Cougar, we will develop new brands of outdoor products for sale to increase our profit and revenue.

D. Investment in gaming products with sales synergy:

Based on our plan for agents and the gradual completion of the sales channels being built, we are able to develop more complete product series of chassis and power supplies, while more new product lines for gaming desks are expected to make them as popular as gaming chairs. We also target the market demand for XBOX/PlayStation and mobile games to release more high-, middle- and low-end headset products, so that we will be able to gain immediate benefits from sales growth.

<u>Production policy:</u>

A. Integration of materials to increase gross profit margin:

Integration of the design of materials: We will integrate materials including adapters, semiconductors, and cable materials, and we will concentrate on purchasing a single category of materials to facilitate their management. By concentrating on a single category of materials, we can increase the volume purchased to create favorable conditions for bargaining. We can also concentrate on mass production of privately manufactured adapters and cable materials to reduce costs and increase gross profit.

B. Enhancement of production technologies:

We will build a complete set of equipment and workforce for our laboratories, develop the talents and fundamental production technologies necessary for our policies, complete suitable lines exclusively for production, acquire more automated production equipment and improve product conformity.

C. Automation of factory production:

Our IE center will continue to assess the automated equipment for preparatory processing/final testing/packaging and increase UPH to reduce labor and manufacturing costs. Furthermore, it will work with RD in conducting research on design, process, and equipment to increase the speed of production.

D. Development of required talents:

We will develop multi-skilled workers and train multi-skilled managers through rotation, and we will engage in continuous review and improvement to ensure an effective system for quality assurance and management.

Operations management:

A. Ensuring sufficient working capital and expanding operating capabilities based on performance growth:

To ensure sufficient supply of funds required for the development of our business and strengthen our financial structure, we will make investments or raise funds in the capital market with our earnings of prior years.

B. Actively recruiting R&D talents:

We will attract outstanding R&D talents through industry - academia collaboration to enhance our R&D teams.

2. Long-term development plan:

Marketing strategy:

With our core competitiveness, we will build a system for global logistics management to fully satisfy the overall demand of customers and establish a permanent and stable marketing network internationally. On the basis of a stable and solid customer base, we will continue to increase the market share of our private brand products to achieve annual growth of our revenue and profit.

Production strategy:

We will relocate the LFDG factory to expand the scale of production, and we will integrate the demand for materials with concentrated purchases to lower the procurement cost. In response to the international trend in environmental protection, we will purchase pollution-free, automated precision production equipment and develop new processes to achieve the target of increased production capacity and value.

Operations management:

We will promote a global marketing system and strengthen the functions and control of our overseas business units to enhance their performance.

II. Overview of market and production/sales

(I) Market analysis

According to the industrial production statistics from the Ministry of Economic Affairs, in 2023, despite the development in digital environment and the burgeoning esports industry, which favor the layout of emerging application markets such as automotive, medical, and industrial, and the development of new products like esports and customization by operators has helped drive the performance of operators' gross profit margins, and the post-pandemic return to physical work has also stabilized demand for office and other commercial peripherals. However, due to the unfavorable operating environment in this industry and the significant decline in computer product shipments, coupled with the easing of the pandemic leading to a significant increase in domestic and international tourism demand, squeezing out other consumer spending, which is unfavorable for the growth momentum of domestic demand in the market. Furthermore, due to significant downstream customer inventory pressure, the momentum for placing orders is weak, with some orders being deferred for shipment, coupled with the relatively high base period in the same period of 2022, resulting in the sales value of Taiwan's computer peripheral equipment manufacturing industry reaching only 117.894 billion yuan from January to November 2023, a year-on-year decrease of 23.59%, indicating a significant expansion in the decline.

1. Sales territories for main products

HEC's main customers are well-known foreign manufacturers. HEC’s products are primarily exported, with Asia, America, and Europe being the main markets. The regional sales figures for our company in 2023 are as follows:

Unit: NTD thousand

<table>
<tr><th colspan="2" rowspan="2">Year / Item</th><th colspan="2">2023</th></tr>
<tr><th>Amount</th><th>%</th></tr>
<tr><td colspan="2">Net operating revenue of domestic sales</td><td>36,229</td><td>0%</td></tr>
<tr><td rowspan="4">Export</td><td>Asia</td><td>5,412,838</td><td>67%</td></tr>
<tr><td>Europe</td><td>456,507</td><td>6%</td></tr>
<tr><td>Americas</td><td>2,185,322</td><td>27%</td></tr>
<tr><td>Others</td><td>43,837</td><td>0%</td></tr>
<tr><td colspan="2">Total</td><td>8,134,733</td><td>100.00</td></tr>
</table>

2. Approximate market share

In 2023, the total shipment of PCs was 247 million units, a 13% decline from 2022. Canalys believes that there are signs of recovery in the PC market, and the performance of the PC market in 2024 is worth looking forward to. In addition to the rebound in market demand, AI PCs will also become an important driving force for the growth of the PC industry. Based on the shipment volume of our company's PC products, the global market share is estimated to be approximately 4%, indicating significant room for growth. Due to our product development strategy focusing on mid to high-end models and retail products with higher unit prices, our global market share is even higher when calculated by sales value, and our average gross profit margin is also higher.

3. Future Market Supply and Demand Situation and Growth

(1) Demand Side

The main factor affecting supply is the emergence of "stay-at-home economy," be it gaming or online networking, which creates huge business opportunities. More frequent use of equipment means a higher chance for its replacement. Replacing a CPU, graphics card or operating system will require the power supply to be also replaced, thus generating a new business opportunity for Power Supplies.

The replacement of the Window XP operating system and USB3.0 and the gradual popularization of entertainment videos and audios have generated different types of demand and highly potential orders for our products including computer chassis and power supplies.

(2) Demand

Computer products are closely related to the economic situation of the industry. According to statistics of the Institute for Information Industry and relevant studies, the computer industry of Taiwan is ranked first in terms of global share under several categories.

(3) Growth

A. Economic growth in the industry will continue

The computer industry and the IT industry are closely associated. As a result of growing multimedia applications, there has been increasing demand for networking and digitized homes, while the global IT market will keep growing. Despite being less convenient than notebooks and tablets, desktops remain an indispensable office tool for businesses.

B. Wide range of product applications

As required components of computers, power supplies and computer chassis have a wider range of applications compared to ordinary IT products.

C. Export-oriented

Desktops made in Taiwan are mainly sold to the markets of the US, Europe, and the Asia-Pacific region, and they have gradually become a strong force driving industry growth as the economy in emerging markets grows.

D. Prevalence of division of labor in production and sales

With competitive advantages in terms of manufacturing, design and cost, manufacturers in Taiwan have received great recognition from their major peers in Europe, the US and Japan and become an important production base for the PC industry.

E. With stable quality, our products are positioned as medium- to high-quality products to be differentiated from high-price products in Europe and the US and low-price products in Asia.

4. Competitive niche

(1) The effect of USB3.2 enhances the speed of transmission, creating a strong demand for it in the gaming or SI sector.

(2) Demand in the gaming market gradually increases.

(3) The booming gaming market brings about demand for replacement of computers.

(4) With experience accumulated over many years in cooperation with our customers and enhanced OEM capabilities, we have great opportunities in seeking future OEM orders, and we will continue to introduce Cougar-brand chassis with gradual growth expected in retail.

5. Advantages and disadvantages for prospects of development, and measures in response

(1) Advantages:

A. With successful experience in developing 1st Tier, HEC have a healthy structure and maintain good quality control, and HEC are suitable for undertaking development projects of large system providers.

B. HEC have a strong capability in the development of dies. In particular, we are ahead of our industry peers in terms of the plastics polishing technology.

C. We are capable of developing and manufacturing chassis and power supplies, so we are able to provide C+P product solutions to our customers.

D. We have built a complete network of channels overseas and established branches in Europe, the US, Japan, and other advanced countries, making it possible for us to operate in the market and provide services to customers locally.

E. New Intel specifications and GEN5 have been successfully mass-produced, facilitating derivative projects.

F. Developing copper sheet transformers can be introduced into existing high-end models to increase project opportunities.

(2) Disadvantages

A. The outbreak of the Russo-Ukrainian war.

B. Our competitors compete for orders with a low-price strategy.

C. The impact of the US-China trade war on the market.

D. Shrinkage of mainstream copper models in the market.

(3) Measures in response

A. We will set up marketing locations around the world so that we will be able to operate in the market and provide services to customers locally. We will also establish factories in Mainland China for production to reduce manufacturing costs and enhance the flexibility and benefits of integrated operation of global resources.

B. Our product lines consist of economical and energy-efficient, eco-friendly series and series designed for high wattage players. They will become available in the market through the low, middle, and high ends to provide customers with a comprehensive range of choices.

C. In addition to ensuring that existing customers can have extended project development, benchmark products such as titanium power supplies/full digital power supplies/water-cooled power supplies, leading technological indicators, and new circuit design architectures, are developed to attract new projects and customers.

D. We will stay committed to developing our brands, differentiating our products and services, and enhancing the features of middle- and high-end products to keep our profit at a relative high level.

E. We will continue to develop high-value-added products, such as server chassis, and reduce the cost of die sinking with standardized specifications to increase the profitability of products.

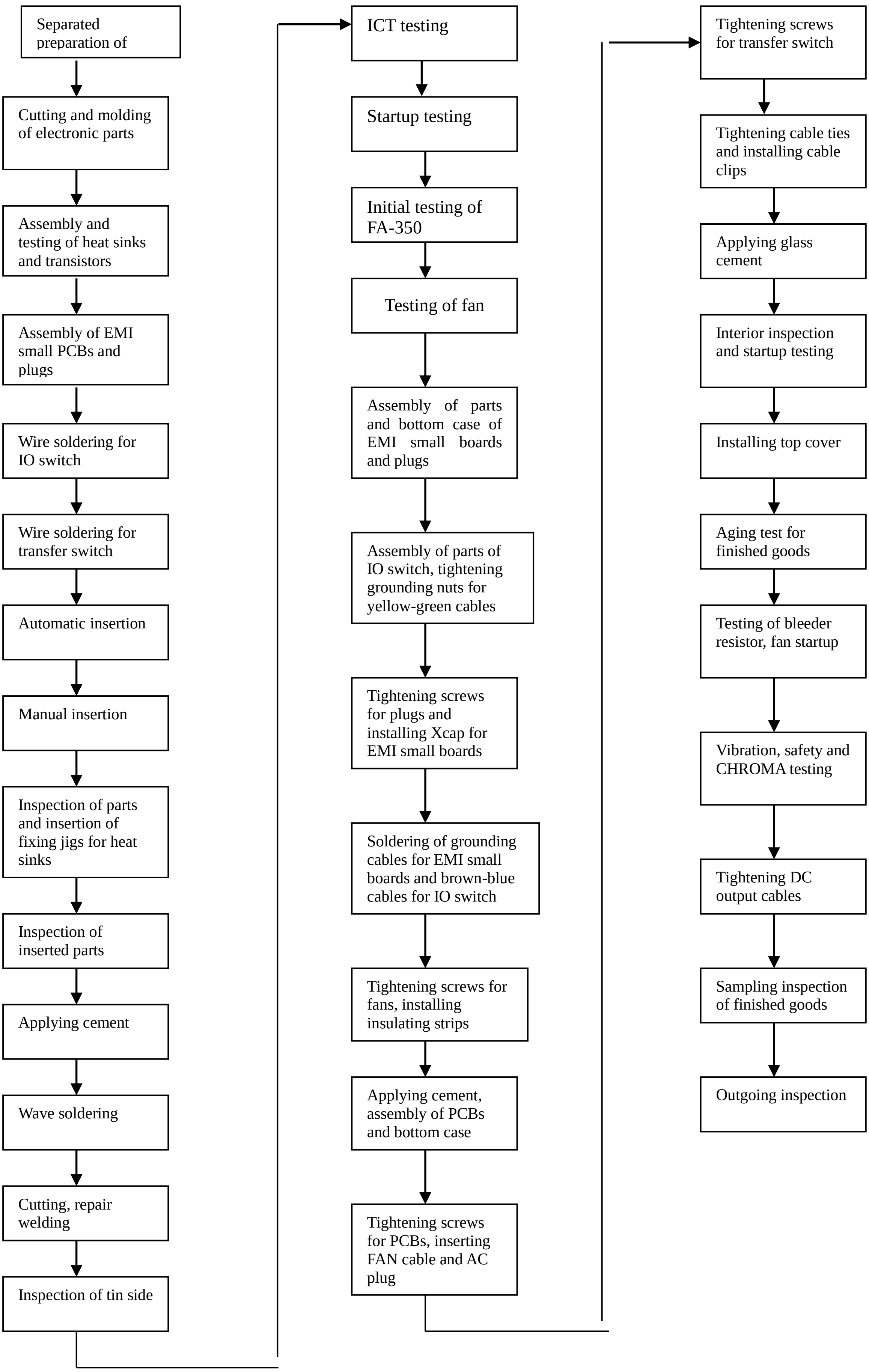
F. Strengthen the development of own brands in the European and American markets, where the acceptance of mid-to-high-priced products with higher brand positioning is higher, which helps enhance brand positioning.

(II) Important applications and manufacturing processes of main products

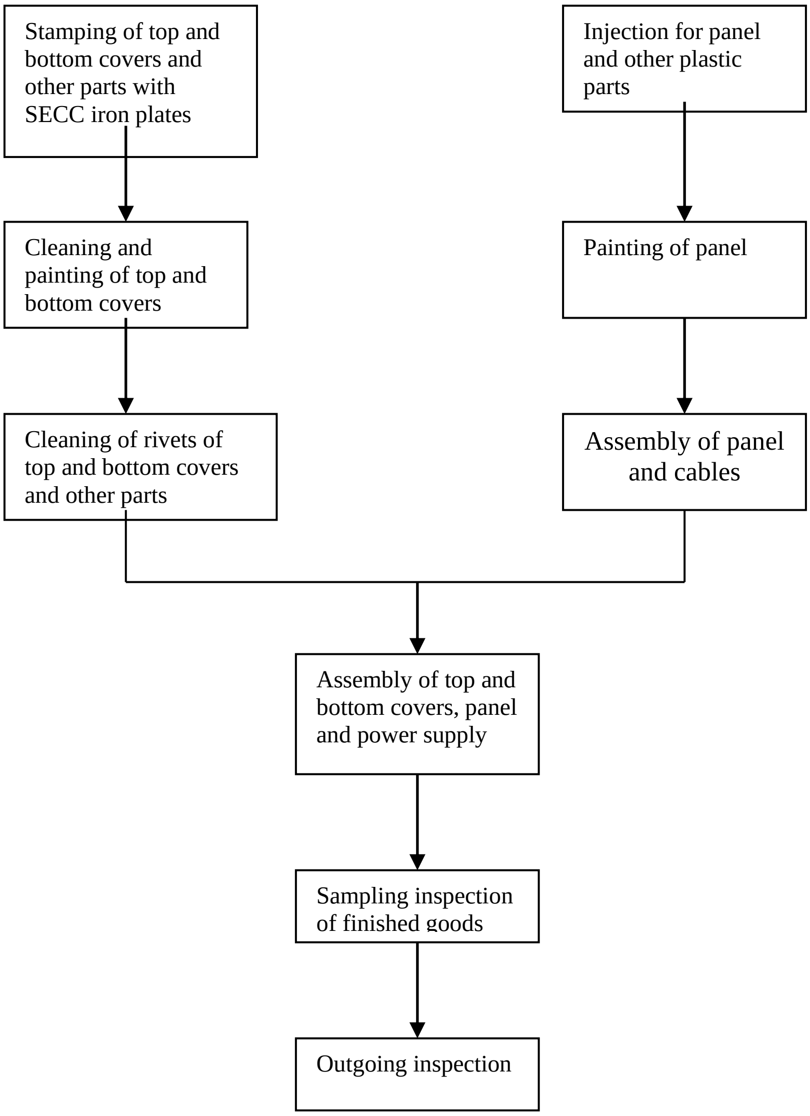
Product	Applications
Power supplies and other IT products	A device capable of converting AC or DC to one or more sets of output DC power used by electronic equipment. Being small-sized, high-efficiency and lightweight, it is applied to a variety of IT, consumer, and industrial control products.
Computer peripherals	Components and peripheral parts and components required for assembly of computer chassis products or storage equipment.

The products above are designed by HEC and manufactured by factories in Mainland China with investments from HEC via a third area, and then shipped to its customers. The main production and manufacturing processes are as follows:

1. Manufacturing process of power supplies and other IT products:



2. Manufacturing of computer chassis



(III) Supply of primary raw materials

The raw materials of our main products are steel plates, ABS plastic materials and electronic parts. There has been no single manufacturer monopolizing the market, while we have maintained long-term, close cooperation with our main suppliers, thus ensuring really stable and good supply conditions.

(IV) Main suppliers and sales customers in the most recent two years

1. List of main suppliers

Information of the main suppliers in the most recent two years

Unit: NTD thousand

	2022				2023				As of 2024, Q1 (Note 2)			
Item	Name	Amount	Share of annual net purchase (%)	Relationship with the issuer	Name	Amount	Share of annual net purchase (%)	Relationship with the issuer	Name	Amount	Share of net purchase in the current year, as of the previous quarter (%)	Relationship with the issuer
1	Company Q	120,593	4%	None	Company T	277,917	6%	None	-	N/A		
2	Company Q	96,573	3%	None	Company U	187,644	4%	None	-			
3	Company B	91,741	3%	None	Company V	171,963	3%	None	-			
4	Company R	86,509	3%	None	Company W	160,195	3%	None	-			
5	Others	2,613,901	87%	None	Others	4,118,111	84%	None	-			
	Net purchase	3,009,317	100%		Net purchase	4,915,830	100%		Net purchase	-	0%	-

Note：

1. All suppliers are represented by codes only. Since none of the main suppliers has a share of at least 10%, those with a share of at least 3% are disclosed.
2. The data for Q1 of 2024 is not applicable since it has not been reviewed by the CPAs as of the date of publication of the annual report.

2. List of main customers for sales

Information of the main sales customers in the most recent two years

Unit: NTD thousand

	2022				2023				As of 2024, Q1 (Note 2)			
Item	Name	Amount	Share of annual net sales (%)	Relationship with the issuer	Name	Amount	Share of annual net sales (%)	Relationship with the issuer	Name	Amount	Share of net sales in the current year, as of the previous quarter (%)	Relationship with the issuer
1	Company A	1,500,388	24%	None	Company A	2,939,195	36%	None	-	N/A		
2	Company B	461,698	7%	None	Company H	756,798	9%	None	-			
3	Company D	416,469	7%	None	Company E	620,438	8%	None	-			
4	Company E	312,508	5%	None	Company C	487,684	6%	None	-			
5	Others	3,684,379	57%	None	Others	3,330,618	41%	None	-			
	Net sales	6,375,442	100%		Net sales	8,134,733	100%		Net sales	-	0%	-

Note：

1. The names of customers accounting for no less than 10% of the total sales during the most recent two years and their respective amounts and percentages of sales are specified, except that a code may be used where non-disclosure of a customer's name has been agreed under the contract or where the counterparty is an individual not a related party.
2. The data for Q1 of 2024 is not applicable since it has not been reviewed by the CPAs as of the date of publication of the annual report.
3. Description of changes: Due to business needs, the combination of products sold and changes in the market environment, there have been changes in the suppliers and sales customers and their corresponding amounts and percentages.

(V) Production volumes and values in the most recent two years

Unit: Set/NTD thousand

Main product \ Production volume \ Year	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Power supplies and other IT products	4,000,000	2,194,148	2,429,807	4,000,000	2,271,091	3,253,580
Computer peripherals	3,030,000	1,315,849	1,678,435	3,030,000	1,013,622	1,524,814
Others	308,000	266,588	412,915	308,000	204,516	561,522
Total	7,338,000	3,776,585	4,521,157	7,338,000	3,489,229	5,339,916

(VI) Table of sales volumes and values in the most recent two years

Unit: Set/NTD thousand

Main product \ Sale volume \ Year	2022				2023			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Power supplies and other IT products	8,949	26,180	8,649,721	3,640,728	16,511	25,579	7,113,498	3,415,625
Computer peripherals	6,707	6,667	1,431,001	1,766,384	12,278	10,650	2,632,119	3,946,731
Others	4,198	2,443	269,538	933,040	0	0	289,546	736,148
Total	19,854	35,290	10,350,260	6,340,152	28,789	36,229	10,035,163	8,098,504

III. Information of employees during the most recent two years and as of March 31, 2024

2024.3.31

Year		2022	2023	As of March 31, 2024
Number of employees (person)	Indirect employees	887	933	943
	Direct employees	1,470	1,834	1,726
	Total	2,357	2,767	2,669
Average age		39.7	39.36	40.01
Average length of service (year)		3.80	3.58	3.72
Distribution of educational level (%)	Doctor	-	-	-
	Master	2%	2%	2%
	College	14%	18%	16%
	Senior high school	13%	9%	10%
	Below senior high school	71%	71%	72%

IV. Information of environmental protection expenses

Losses and total amount of penalties incurred by your company due to environmental pollution during the most recent year and as of the date of publication of the annual report, and future measures in response and possible expenses:

HEC:

	2023	As of March 31, 2024
Status of pollution	None	None
Agency imposing penalties	None	None
Penalties	None	None
Other losses	None	None

LFE:

	2023	As of March 31, 2024
Status of pollution	None	None
Agency imposing penalties	None	None
Penalties	None	None
Other losses	None	None

Future measures in response: None.

V. Labor–Management Relations

(I) Employee welfare measures, continuous education, training and retirement systems and their implementation, agreements between employees and the employer, and measures for protection of the rights of employees:

1. Employee welfare measures

A. Welfare measures implemented by HEC

(1) Employee stock option: Any employee may purchase shares based on his/her position, performance, and length of service.

(2) Labor insurance: An employee will be covered by labor insurance since his/her employment start date.

(3) National Health Insurance: An employee will be covered by the National Health Insurance since his/her employment start date.

(4) Group insurance for employees: An employee will be covered by group insurance since his/her employment start date.

(5) Regular health examination: Health examinations are organized for our employees on a periodic basis.

(6) Year-end bonus: Year-end bonuses are distributed based on the performance of our employees and the condition of our operations.

(7) Remuneration for employees: In accordance with the Articles of Incorporation, 2% - 10% of our profit is allocated and distributed to our employees in shares or cash based on their positions and performance.

(8) Cash gifts for holidays: Cash gifts are distributed to our employees on Workers' Day, the Dragon Boat Festival, and the Mid-Autumn Festival.

(9) Reading and leisure rooms: We have subscribed to newspapers and financial and healthcare magazines for our employees to borrow and read. We have also purchased fitness equipment, table tennis tables and pool tables for our employees to relieve their stress through leisure activities.

B. Welfare measures implemented by the Employee Welfare Committee

(1) Domestic or foreign trip: Domestic or foreign trips are organized on a non-periodic basis.

(2) Cash gift for birthday: A cash gift is given to each employee based on the month of his/her birth.

(3) We provide free lunches and hold birthday celebrations with additional dishes.

(4) For marriage, festivity or funeral, an application for a non-fixed amount of cash gift or condolence money may be submitted according to seniority.

(5) Any employee injured at work or hospitalized due to illness may apply for an allowance.

2. Continuous education and training of employees

To effectively help our employees enhance their job knowledge and skills, we have established the "Regulations Governing Education and Training," and we organize non-periodic lectures and provide full subsidies for external training courses to improve the quality of our employees.

3. Retirement system and its implementation

For our full-time employees, we have established regulations for labor retirement, and the pension for an employee is calculated and paid in accordance with the Labor Standards Act. After July 2005, we adopted a system of personal pension account in accordance with government policy, where an employer allocates 6% of the monthly salary of an employee as labor pension and deposits it into his/her personal account at the Bureau of Labor Insurance.

4. Agreements between employees and the employer, and measures for protection of the rights of employees

Since the founding of HEC, we have maintained good labor - management relations. A consensus has been achieved between our workers and management, and there has been no labor - management dispute so far. Our labor - management organizations include the Employee Welfare Committee and the Pension Fund Committee, all of which have functioned normally in accordance with the law, while our regulations governing leave and overtime are in compliance with the requirements of the Labor Standards Act. Furthermore, we have kept the channels of communication open through various means of contact.

(II) Losses incurred due to labor - management disputes during the most recent year and as of the date of publication of the annual report, and disclosure of the estimated amount and responses for such disputes that may occur currently or in the future:

Date of disposition	Disposition reference number	Violated legal provisions	Contents of legal violations	Disposition details
2024.01.19	Administrative Order No. 1130097957 issued by the Department of Labor, Southern City.	Article 38, Paragraph 4 of the Labor Standards Act.	For special leave not taken by the employee due to the end of the fiscal year or termination of the contract, the employer shall pay wages. However, if the days of leave not taken by the end of the fiscal year are deferred to the following fiscal year by mutual agreement between the employer and the employee, the employer shall pay wages for the days not taken by the end of the following fiscal year or upon termination of the contract.	Penalties of NT$50,000 shall be imposed in accordance with Article 79, Paragraph 1, and Article 80-1, Paragraph 2 of the same Act.

Future Measures: When calculating the wages for unused special leave by employees, the full attendance bonus has been included in the calculation.

VI. Management of information and communication security:

(I) Structure for management of information and communication security

We have an Information Office responsible for reviewing our information security policies, implementing the information security policies of our group, and promoting and implementing information systems to ensure their security and continued operation.

(II) Information and communication security policies and specific management plans

1. Maintaining the confidentiality, integrity, and availability of our information operations to sustain our business operations.
2. Maintaining our information security operations, ensuring control of data access, and protecting data privacy.
3. The measures we have implemented for information security management include:

(1) We have established a cross-departmental information security organization in charge of developing, promoting, implementing, and continuing to improve relevant plans to ensure we have an information environment able to keep

operating.

(2) We regularly conduct spot checks and management activities regarding information security risks, and we have implemented relevant control measures.

(3) New employees will receive training on information security during onboarding to enhance their awareness of information security protection and relevant operational requirements, and they are required to sign a declaration on the use of information software.

(4) We have built a secure and reliable environment for information systems to facilitate continuous management of our business. For any key information system or equipment, we have established a proper backup and monitoring mechanism to maintain its availability.

(III) Resources invested in the management of information and communication security

Over the years, our company has invested heavily in nurturing high-quality cybersecurity talent. We have allocated two internal personnel to information security and engaged Chunghwa Telecom for ISO 27001 information security certification guidance. On December 7, 2023, we officially obtained the ISO/IEC 27001:2022 certificate issued by BIS, which is valid from December 7, 2023, to December 6, 2026. This certification has enhanced our services, including securing server environments, conducting security assessments of equipment, and engaging cybersecurity vendors for regular check-ups. In the event of significant cybersecurity incidents, we adhere to ISO 27001 management procedures, addressing and remedying issues within specified time frames and undergoing retesting. Additionally, we conduct internal audits annually and engage impartial verification entities for external audits every three years to review the company's cybersecurity posture and improvements.

(IV) Losses incurred due to major information and communication security incidents, their possible effects, and measures in response. Where no reasonable estimate is possible, the actual operation for which a reasonable estimate is not possible must be described: None.

VII. Supply/sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts and other important contracts sufficiently to affect shareholders' equity, which are currently valid and existing as of the date of publication of the annual report and which will expire in the most recent year:

I. HEC: None.

II. LFE: No new important contract in 2023.

Nature of contract	Contracting party	Start and expiry dates of contract	Main subject	Restrictions
Contract for construction project in Guangdong Province	Dongguan Qing Xing Steel Structure Construction Co., Ltd.	2020.01.17~2020.12.30	RMB18,500 thousand for a project to construct additional premises for Building B Completed and accepted, with project closure expected in May 2022.	None
Contract for construction project in Guangdong Province	Guangdong Min An Construction Co., Ltd.	2020.03.16~2020.12.30	RMB925 thousand for a project to construct additional fire safety facilities at the premises of Building B Completed and accepted, with project closure expected in January 2022.	None
Contract for construction project in Guangdong Province	Sichuan Fu Yu Construction Co., Ltd.	2020.04.09~2020.6.30	RMB425 thousand for a project to relocate and install the photovoltaic power generators originally on the rooftop of Building B Completed and accepted, with project closure expected in August 2021.	None

Chapter VI Financial Overview

I. Condensed balance sheet and statement of income for the most recent five years

(I) Information of condensed balance sheet and statement of comprehensive income - adopting the IFRS

1. Condensed balance sheet - adopting the IFRS

Unit: NTD thousand

<table>
<tr><th colspan="2" rowspan="2">Year
Item</th><th colspan="5">Financial information for the most recent five years</th><th rowspan="2">Financial information of the current year 2024, as of March 31 （Note 1）</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td colspan="2">Current assets</td><td>6,292,275</td><td>7,426,506</td><td>6,078,647</td><td>5,727,605</td><td>6,333,127</td><td rowspan="22">N/A</td></tr>
<tr><td colspan="2">Property, plant, and equipment</td><td>1,528,225</td><td>1,554,984</td><td>1,441,468</td><td>1,306,419</td><td>1,138,576</td></tr>
<tr><td colspan="2">Intangible assets</td><td>34,360</td><td>13,626</td><td>10,981</td><td>9,542</td><td>10,780</td></tr>
<tr><td colspan="2">Other assets</td><td>382,364</td><td>483,417</td><td>372,187</td><td>830,108</td><td>804,224</td></tr>
<tr><td colspan="2">Total assets</td><td>8,237,224</td><td>9,478,533</td><td>7,903,283</td><td>7,873,674</td><td>8,286,707</td></tr>
<tr><td rowspan="2">Current liabilities</td><td>Before distribution</td><td>4,554,837</td><td>5,716,894</td><td>4,236,207</td><td>3,978,572</td><td>4,046,914</td></tr>
<tr><td>After distribution</td><td>4,779,276</td><td>6,068,079</td><td>4,462,778</td><td>4,205,143</td><td>(Note 2)</td></tr>
<tr><td colspan="2">Non-current liabilities</td><td>87,150</td><td>113,774</td><td>63,790</td><td>65,863</td><td>32,702</td></tr>
<tr><td rowspan="2">Total liabilities</td><td>Before distribution</td><td>4,641,987</td><td>5,830,668</td><td>4,299,997</td><td>4,044,435</td><td>4,079,616</td></tr>
<tr><td>After distribution</td><td>4,866,426</td><td>6,181,853</td><td>4,526,568</td><td>4,271,006</td><td>(Note 2)</td></tr>
<tr><td colspan="2">Equity attributable to owners of the parent company</td><td>2,214,784</td><td>2,439,530</td><td>2,487,421</td><td>2,625,272</td><td>2,988,633</td></tr>
<tr><td colspan="2">Share capital</td><td>1,132,856</td><td>1,132,856</td><td>1,132,856</td><td>1,132,856</td><td>1,132,856</td></tr>
<tr><td colspan="2">Capital reserves</td><td>374,186</td><td>374,186</td><td>425,456</td><td>425,456</td><td>441,767</td></tr>
<tr><td rowspan="2">Retained earnings</td><td>Before distribution</td><td>1,073,922</td><td>1,315,361</td><td>1,254,935</td><td>1,380,302</td><td>1,759,567</td></tr>
<tr><td>After distribution</td><td>849,483</td><td>964,176</td><td>1,028,364</td><td>1,153,731</td><td>(Note 2)</td></tr>
<tr><td colspan="2">Other equity</td><td>(337,959)</td><td>(302,988)</td><td>(325,826)</td><td>(254,240)</td><td>(316,025)</td></tr>
<tr><td colspan="2">Treasury stocks</td><td>(28,221)</td><td>(79,885)</td><td>-</td><td>(59,102)</td><td>(29,532)</td></tr>
<tr><td colspan="2">Non-controlling interest</td><td>1,380,453</td><td>1,208,335</td><td>1,115,865</td><td>1,203,967</td><td>1,218,458</td></tr>
<tr><td rowspan="2">Total equity</td><td>Before distribution</td><td>3,595,237</td><td>3,647,865</td><td>3,603,286</td><td>3,829,239</td><td>4,207,091</td></tr>
<tr><td>After distribution</td><td>3,370,798</td><td>3,296,680</td><td>3,376,715</td><td>3,602,668</td><td>(Note 2)</td></tr>
</table>

Note 1 : The data for Q1 of 2024 is not applicable since it has not been reviewed by the CPAs as of the date of publication of the annual report.

Note 2 : The above-mentioned figures after distribution are based on the resolutions of the Board of Directors or the annual shareholders' meeting of the next year. For 2023, a resolution for distribution is yet to be adopted by the shareholders' meeting.

1-1 Consolidated condensed statement of comprehensive income - adopting the IFRS

Unit: NTD thousand; Earnings per share: NTD

Item \ Year	Financial information for the most recent five years					Financial information of the current year 2024, as of March 31 （Note）
	2019	2020	2021	2022	2023	
Operating revenue	7,689,600	9,233,174	8,293,189	6,375,442	8,134,733	N/A
Gross operating profit	1,226,190	1,697,629	1,579,356	1,364,373	1,872,713	
Operating profit/loss	316,820	605,072	449,243	480,451	847,840	
Non-operating revenues and expenses	131,910	108,147	71,074	160,012	86,078	
Pre-tax net profit	448,730	713,219	520,317	640,463	933,918	
Net profit of continuing operations for the current period	357,457	559,643	382,550	507,340	747,506	
Loss of discontinued operations	-	-	-	-	-	
Net profit (loss) for the current period	357,457	559,643	382,550	507,340	747,506	
Other comprehensive income for the current period (after tax, net)	(125,477)	44,061	(32,885)	87,244	(80,791)	
Total comprehensive income for the current period	231,980	603,704	349,665	594,584	666,715	
Net profit attributable to owners of the parent company	280,860	466,181	296,754	368,776	605,857	
Net profit attributable to non-controlling interests	76,597	93,462	85,796	138,564	141,649	
Total comprehensive income attributable to owners of the parent company	184,496	501,431	267,921	441,339	544,051	
Total comprehensive income attributable to non-controlling interests	47,484	102,273	81,744	153,245	122,664	
Earnings per share	2.50	4.21	2.63	3.28	5.41	

Note: The data for Q1 of 2024 is not applicable since it has not been reviewed by the CPAs as of the date of publication of the annual report.

2. Parent-only condensed balance sheet - adopting the IFRS

Unit: NTD thousand

Item \ Year		Financial information for the most recent five years				
		2019	2020	2021	2022	2023
Current assets		2,285,129	3,169,939	2,481,655	2,361,064	2,759,190
Property, plant, and equipment		184,721	186,089	191,348	204,870	213,274
Intangible assets		6,704	6,225	3,921	3,437	4,914
Other assets		3,386,252	3,581,814	3,429,834	3,466,068	3,774,094
Total assets		5,862,806	6,944,067	6,106,758	6,035,439	6,751,472
Current liabilities	Before distribution	3,620,254	4,473,544	3,588,333	3,400,795	3,755,778
	After distribution	3,844,693	4,824,729	3,814,904	3,627,366	Note
Non-current liabilities		27,768	30,993	31,004	9,372	7,061
Total liabilities	Before distribution	3,648,022	4,504,537	3,619,337	3,410,167	3,762,839
	After distribution	3,872,461	4,855,722	3,845,908	3,636,738	Note
Share capital		1,132,856	1,132,856	1,132,856	1,132,856	1,132,856
Capital reserves		374,186	374,186	425,456	425,456	441,767
Retained earnings	Before distribution	1,073,922	1,315,361	1,254,935	1,380,302	1,759,567
	After distribution	849,483	964,176	1,028,364	1,153,731	Note
Other equity		(337,959)	(302,988)	(325,826)	(254,240)	(316,025)
Treasury stocks		(28,221)	(79,885)	-	(59,102)	(29,532)
Total equity	Before distribution	2,214,784	2,439,530	2,487,421	2,625,272	2,988,633
	After distribution	1,990,345	2,088,345	2,260,850	2,398,701	Note

Note: The above-mentioned figures after distribution are based on the resolutions of the annual shareholders' meeting of the next year. For 2023, a resolution for distribution is yet to be adopted by the shareholders' meeting.

2-1 Parent-only condensed statement of comprehensive income - adopting the IFRS

Unit: NTD thousand; Earnings per share: NTD

Item \ Year	Financial information for the most recent five years				
	2019	2020	2021	2022	2023
Operating revenue	4,594,470	6,696,065	5,890,182	4,132,961	6,422,503
Gross operating profit	383,809	609,415	587,381	433,474	752,616
Operating profit/loss	76,705	246,695	157,902	111,487	274,434
Non-operating revenues and expenses	229,048	272,129	179,177	293,974	410,799
Pre-tax net profit	305,753	518,824	337,079	405,461	685,233
Net profit of continuing operations for the current period	280,860	466,181	296,754	368,776	605,857
Loss of discontinued operations	-	-	-	-	-
Net profit (loss) for the current period	280,860	466,181	296,754	368,776	605,857
Other comprehensive income for the current period (after tax, net)	(96,364)	35,250	(28,833)	72,563	(61,806)
Total comprehensive income for the current period	184,496	501,431	267,921	441,339	544,051
Net profit attributable to owners of the parent company	-	-	-	-	-
Net profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
EPS	2.50	4.21	2.63	3.28	5.41

(II) Names of CPAs and their audit opinions for the most recent five years

Year	Name of CPA firm	Name of CPA	Audit Opinions
108	Deloitte Taiwan	Liao Hung-Ju, Yang Chao-Chin	Unqualified opinion with other matter paragraph
109	Deloitte Taiwan	Wu Chiu-Yen, Yang Chao-Chin	Unqualified opinion with other matter paragraph
110	Deloitte Taiwan	Wang Teng-Wei, Li Chi-Chen	Unqualified opinion with other matter paragraph
111	Deloitte Taiwan	Wang Teng-Wei, Li Chi-Chen	Unqualified opinion with other matter paragraph
112	Deloitte Taiwan	Wang Teng-Wei, Li Chi-Chen	Unqualified opinion with other matter paragraph

II. Financial analysis for the most recent five years

1. Financial analysis - adopting the IFRS

Item analyzed \ Year		2019	2020	2021	2022	2023	Description for a 20% change in the financial ratios in the most recent two years	Current year 2024, as of March 31 (Note)
Financial structure (%)	Liabilities to assets ratio	56.35	61.51	54.84	51.36	49.23		N/A
	Long-term funds to property, plant, and equipment ratio	240.95	241.9	241.43	298.15	372.37	Description 1	
Solvency (%)	Current ratio	138.14	129.9	140.91	143.96	156.49		
	Quick ratio	104.05	96.17	88.24	96.53	109		
	Times interest earned	26.58	35.7	28.38	29.8	39.58	Description 2	
Operating ability	Receivables turnover (times)	3.46	3.58	3.28	3.07	3.67	Description 3	
	Average receivable days	105	102	111	118.89	99.45		
	Inventory turnover (times)	4.47	5.26	3.81	2.89	4.07	Description 3	
	Payables turnover (times)	3.66	3.81	3.59	3.86	4.39		
	Average sales days	82	69	96	126.29	89.68	Description 3	
	Property, plant, and equipment turnover (times)	4	5	5	4	6	Description 3	
	Total assets turnover (times)	0.92	1.04	0.95	0.8	1	Description 3	
Profitability	Return on assets (%)	4.41	6.49	4.56	6.65	9.46	Description 4	
	Return on equity (%)	9.83	15.45	10.55	13.65	18.6	Description 4	
	Pre-tax net profit to paid-in capital ratio (%)	39.61	62.95	45.92	56.53	82.43	Description 2	
	Net profit margin (%)	4.64	6.06	4.61	7.95	9.18		
	Earnings per share (NTD)	2.50	4.21	2.63	3.28	5.41	Description 5	
Cash flow	Cash flow ratio (%)	16.12	10.9	6.02	32.29	27.07		
	Cash flow adequacy ratio (%)	59.14	61.86	43.79	78.59	129.88	Description 6	
	Cash reinvestment ratio (%)	8.32	6.59	-1.46	17.19	13.16	Description 7	
Leverage	Operating leverage	2.18	1.73	1.94	1.65	1.32	Description 8	
	Financial leverage	1.06	1.04	1.04	1.05	1.03		

Please describe the reasons for changes in financial ratios in the most recent two years. (analysis is not required if the change of increase/decrease is less than 20%)

1. The increase mainly due to increase in equity, while the decrease in real estate, factories, and equipment is attributable.
2. The increase is mainly due to an increase in pre-tax net income.
3. The increase is mainly due to the increase in revenue for the period.
4. The increase is mainly due to the increase in net profit after tax for the period.
5. The increase is mainly due to the increase in net profit after tax for the period attributable to the owners of the parent company.
6. The increase is primarily due to the increase in net cash flows from operating activities for the period.
7. The increase is mainly due to the increase in operating funds for the period.
8. The increase is mainly due to the increase in operating profit for the period.

Note: The data for Q1 of 2024 is not applicable since it has not been reviewed by the CPAs as of the date of publication of the annual report.

1-1 Parent-only financial analysis - adopting the IFRS

Item analyzed	Year	Financial analysis for the most recent five years					Description for a 20% change in the financial ratios in the most recent two years
		2019	2020	2021	2022	2023	
Financial structure (%)	Liabilities to assets ratio	62.22	64.87	59.27	56.5	55.73	
	Long-term funds to property, plant, and equipment ratio	1,214.02	1,327.6	1,316.15	1,286.01	1,404.62	
Solvency (%)	Current ratio	63.12	70.86	69.16	69.43	73.47	
	Quick ratio	58.50	64.25	56.51	62.76	66.26	
	Times interest earned	22.26	34.32	23.36	21.36	30.98	Description 1
Operating ability	Receivables turnover (times)	3.05	3.57	3.17	3.04	4.05	Description 2
	Average receivable days	120	102	115	120	90.03	Description 2
	Inventory turnover (times)	31.85	27.52	14.72	11.27	23.47	Description 2
	Payables turnover (times)	2.63	4.09	3.78	2.95	3.59	Description 3
	Average sales days	11	13	25	32	15.55	Description 2
	Property, plant, and equipment turnover (times)	25.40	36.12	31.21	20.86	30.72	Description 2
	Total assets turnover (times)	0.80	1.05	0.9	0.68	1.00	Description 2
Profitability	Return on assets (%)	5.09	7.47	4.73	6.34	9.76	Description 4
	Return on equity (%)	12.48	20.03	12.05	14.43	21.58	Description 4
	Pre-tax net profit to paid-in capital ratio (%)	26.99	45.8	29.75	35.79	60.49	Description 1
	Net profit margin (%)	6.11	6.96	5.04	8.92	9.43	
	Earnings per share (NTD)	2.50	4.21	2.63	3.28	5.41	Description 4
Cash flow	Cash flow ratio (%)	5.52	0	15.94	13.15	13.66	
	Cash flow adequacy ratio (%)	78.75	72.39	75.06	100.65	105.3	
	Cash reinvestment ratio (%)	0	0	8.47	8.07	9.16	
Leverage	Operating leverage	1.27	1.06	1.16	1.13	1.13	
	Financial leverage	1.23	1.07	1.11	1.22	1.09	

Please describe the reasons for changes in financial ratios in the most recent two years. (analysis is not required if the change of increase/decrease is less than 20%)

1. The increase is due to growth in pre-tax mainly income.
2. The increase is mainly due to growth in revenue for the current period.
3. The increase is mainly due to growth in sales for the current period.
4. The increase is mainly due to growth in after-tax net profit for the current period.

1. Financial structure
   (1) Liabilities to assets ratio = Total liabilities / Total assets.
   (2) Long-term funds to fixed assets ratio = (Net shareholders' equity + Long-term liabilities) / Net fixed assets
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventory - Prepayment) / Current liabilities.
   (3) Times interest earned = Net profit before income tax and interest expense / Interest expense for the current period.
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable from operations) turnover = Net sales / Balance of average receivables in each period (including accounts receivable and notes receivable from operations).
   (2) Average receivable days = 365 / Receivables turnover.
   (3) Inventory turnover = Sales cost / Average inventory.
   (4) Payables (including accounts payable and notes payable from operations) turnover = Sales cost / Balance of average payables in each period (including accounts payable and notes payable from operations).
   (5) Average sales days = 365 / Inventory turnover.
   (6) Fixed assets turnover = Net sales / Net fixed assets.
   (7) Total assets turnover = Net sales / Total assets.
4. Profitability
   (1) Return on assets = [After-tax profit/loss + Interest expense× (1 - Tax rate)] / Average total assets.
   (2) Return on equity = After-tax profit/loss / Average net equity.
   (3) Net profit margin = After-tax profit/loss / Net sales.
   (4) Earnings per share = (After-tax net profit - Dividends of preferred shares) / Weighted average number of shares outstanding.
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flows from operating activities in the most recent five years / (Capital expense + ＋ Inventory increase + ＋ Cash dividends) in the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating profit.
   (2) Financial leverage = Operating profit / (Operating profit - Interest expense).

III. Report on review of the 2023 statements of final accounts by the Audit Committee

Compucase Enterprise Co., Ltd.

Audit Committee's Audit Report

The Board of Directors of the Company hereby presents the 2023 business report, financial statements (including consolidated financial statements), and proposal for earnings distribution, among which the abovementioned financial statements have been audited CPAs Wang Teng-Wei and Li Chi-Chen from Deloitte & Touche Taiwan, by whom an audit report has been issued accordingly. The said business report, financial statements, and the proposal for earnings distribution have been audited by the Audit Committee and determined that there is no discrepancy. Therefore, it is reported in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for reviewing the report above.

To:

2024 Annual Shareholders' Meeting of Compucase Enterprise Co., Ltd.

Convener of the Audit Committee: Hsu Chia-Te

March 13, 2024

IV. Parent-only financial statements of the most recent year: See pp. 223 - 280.

V. Consolidated financial statements of the parent company and subsidiaries audited and certified by CPAs in the most recent year: See pp. 151 - 222.

VI. No financial difficulties have been incurred by HEC and its affiliates during the most recent year and as of the date of publication of the annual report.

Chapter VII Review and Analysis of Financial Conditions and Financial Performance and Risk Matters

I. Financial conditions

Review and analysis of financial conditions

Unit: NTD thousand

Item \ Year	2023.12.31	2022.12.31	Difference		Description of change of increase/decrease
			Amount	%	
Current assets	$6,333,127	$ 5,727,605	$605,522	11%	-
Property, plant and equipment	1,138,576	1,306,419	(167,843)	(13%)	-
Intangible assets	10,780	9,542	1,238	13%	-
Other assets	804,224	830,108	(25,884)	(3%)	-
Total assets	8,286,707	7,873,674	413,033	5%	-
Current liabilities	4,046,914	3,978,572	68,342	2%	-
Non-current liabilities	32,702	65,863	(33,161)	(50%)	Description 1
Total liabilities	4,079,616	4,044,435	35,181	1%	-
Share capital	1,132,856	1,132,856	0	0%	-
Capital reserves	441,767	425,456	16,311	4%	-
Retained earnings	1,759,567	1,380,302	379,265	27%	Description 2
Other equity	(316,025)	(254,240)	(61,785)	(24%)	Description 3
Non-controlling interest	1,218,458	1,203,967	14,491	1%	-
Total equity	4,207,091	3,829,239	377,852	10%	-

Description of items where change of increase/decrease equals or exceeds 20% and its amount has reached NTD10,000 thousand:

1. This is mainly due to the reduction in lease liabilities.
2. This is mainly due to the increase in net profit after tax for the period.
3. The foreign exchange loss in the translated foreign currency financial statements mainly due to exchange rate fluctuations.

For significant impacts, future contingency plans should be provided to address the situation: None.

II. Financial performance

(I) Comparison and analysis of operating results

Unit: NTD thousand

Item \ Year	2023	2022	Amount of increase (decrease)	Percentage of change (%)	Description of change of increase/decrease
Net operating revenue	$8,134,733	$6,375,442	$1,759,291	28%	Description 1
Gross operating profit	1,872,713	1,364,373	508,340	37%	Description 1
Operating expense	1,024,873	883,922	140,951	16%	-
Net operating profit (loss)	847,840	480,451	367,389	76%	Description 1
Non-operating revenues and expenses	86,078	160,012	(73,934)	(46%)	Description 2
Pre-tax net profit	933,918	640,463	293,455	46%	Description 1
After-tax net profit of continuing operations	747,506	507,340	240,166	47%	Description 1
Loss of discontinued operations	0	-	-	-	-
Net profit for the current period	747,506	507,340	240,166	47%	Description 1
Other comprehensive income for the current period (after tax, net)	(80,791)	87,244	(168,035)	(193%)	Description 3
Total comprehensive income for the current period	666,715	594,584	72,131	12%	
Net profit attributable to owners of HEC	605,857	368,776	237,081	64%	Description 1
Net profit attributable to non-controlling interests	141,649	138,564	3,085	2%	
Total comprehensive income attributable to owners of HEC	544,051	441,339	102,712	23%	Description 1
Total comprehensive income attributable to non-controlling interests	122,664	153,245	(30,581)	(20%)	Description 3
Earnings per share (NTD)	5.41	3.28	2.13	65%	

Description of items where change of increase/decrease equals or exceeds 20% and its amount has reached NTD10,000 thousand:

1. The increase in revenue is mainly attributable to the growth in power supply sales.
2. The decrease in exchange gains is mainly due to reduced foreign exchange gains.
3. The foreign exchange loss in the translated foreign currency financial statements mainly due to exchange rate fluctuations.

(II) Expected sales volumes and their basis

We have made the most appropriate estimates based on our operational plan and production volumes and capacity in 2024.

(III) Expected sales volumes and their shares in 2024

Name of main product	Expected sales volume (set)	Percentage (%)
Power supplies and other IT products	2,204,868	50%
Computer chassis, servers, and other products	1,024,560	23%
Products of private brand Cougar	1,165,624	27%
Total	4,395,052	100%

(IV) Possible effects on future financial business, and the plan in response

Press Release: Taiwan Economic Research Institutes' "2024 Taiwan Macroeconomic Forecast" In 2023, global demand for finished products weakened due to factors such as high interest rates, high inflation, and under performance of the post-pandemic Chinese economy. This led to a slowdown in manufacturing activities worldwide. Additionally, the expansion of the US-China chip ban, the Russia-Ukraine war, and the ongoing conflict in the Middle East have contributed to geopolitical tensions, impacting global economic development and social stability. In Taiwan, the deceleration in global trade expansion not only affected Taiwan's exports and external order performance but also had a consequential impact on corporate investment.

Looking ahead to the Taiwanese economy in 2024, as both the US and China face challenges in consumption and investment respectively, although other major economies such as Europe are expected to show signs of recovery, and the economic performance of emerging markets and developing economies is better than in 2023, it is still difficult to support the sluggish situation in the US and Chinese economies. Therefore, major international forecasting agencies believe that the global economic growth rate in 2024 will be slightly lower than in 2023. However, there is still an expectation of a gradual recovery in global commodity trade, which should help stabilize Taiwan's external trade performance. Overall, Taiwan's external order and export growth rates have bottomed out and are showing signs of recovery, with exports returning to positive growth in September. This recovery trend is expected to continue in 2024.

Looking to the future, the global economy will continue to face numerous challenges. Our company will continue to monitor trends in raw material prices, the economic outlook of China, and the monetary policy direction of various central banks. We will gradually introduce automation into the manufacturing processes of our factories to focus on cost control, reducing expenses and maintaining a healthy financial structure to minimize the impact.

III. Review and analysis of cash flows

(I) Analysis of liquidity in the most recent two years

Item \ Year	2023	2022	Percentage of increase (decrease) (%)
Cash flow ratio	27.07	32.29	(16%)
Cash flow adequacy ratio	129.88	78.59	65%
Cash reinvestment ratio	13.16	17.19	23%
Analysis and description of changes in the percentage of increase/decrease: Cash Flow Adequacy Ratio: Mainly due to the increase in net cash flow from operating activities during the current period. Cash reinvestment ratio: Mainly due to the increase in net cash flow from operating funds during the current period.			

(II) Improvement Plan for Insufficient Liquidity: None.

(III) Analysis of cash liquidity for the next year

Unit: NTD thousand

Starting cash balance	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Estimated cash balance (deficit) +-	Estimated remedy for cash deficit	
				Investment plan	Financing plan
$1,861,795	$520,702	$667,756	$1,714,741	-	-
Analysis of changes in cash flows of the current year: (1) Operating activities: An estimated net cash inflow of NTD520,702 thousand from operating activities. (2) Investing and financing activities: An estimated total cash outflow of NTD667,756 thousand from purchase of fixed assets, receipt of cash dividends, distribution of cash dividends to shareholders and loan repayments.					

IV. Effect of material capital expenditure in the most recent year on financial business:
HEC and subsidiaries had no material capital expenditure in 2023.

V. Reinvestment policy for the most recent year, the main reasons for profits or losses, the improvement plan, and the investment plan for the next year:

(I) Our reinvestment policy is based on our future direction of operations and implemented on a step-by-step basis. Currently, our reinvestment targets focus on industries relating to our primary business and business activities that are able to enhance the development of our technologies.

(II) In 2023, our net profit from long-term investments was NTD350,889 thousand, an increase from NTD228,463 thousand in the same period of last year, mainly due to the increase in revenue and the rise in shipment volume, resulting in an enhancement of investment returns.

(III) Investment plan for the next year:

We make reinvestments based on the consideration of our operational needs or future growth and other factors. Regarding the investee companies, we are constantly informed of the status of their operations for analysis of the effectiveness of investments and for follow-up and assessment, the results of which will be used as reference for subsequent investment plans. Until now, we have had no reinvestment plan.

VI. Analysis and assessment of risk matters during the most recent year and as of the date of publication of the annual report

(I) Effects of interest rate, exchange rate change and inflation on the profit/loss of your company, and future measures in response

Unit: NTD thousand

Item/Year	2023	Share of operating revenue (%)
Interest income	66,390	0.82%
Interest expense	24,202	0.30%
Profit (Loss) on exchange	47,297	0.58%
Net profit (loss) on financial assets and liabilities measured at fair value through profit/loss	(64,268)	(0.79%)
Operating revenue	8,134,733	-

1. Interest rate

With regard to financing, our operations are primarily financed by our own funds. As of the end of 2023, our loans amounted to approximately NTD1.3 billion at an average interest rate of 0.5% - 1.65%. In 2023, the amount of interest expense accounted for only 0.3% of the operating revenue, and the cost of loans in NTD was relatively low. Moreover, the interest income generated by our bank deposits accounts for a low share of 0.82% of the operating revenue. Thus, any interest rate change would have no significant effect on us.

Future measures in response: We will pay close attention to the information of domestic and foreign interest rates and keep close contact with the banks with which we conduct transactions in order to obtain the most preferential interest rates for deposit and loan, lower the cost of loan and use them as reference for asset arrangements.

2. Exchange rate

At least 90% of our products sold are for export. All exported products are quoted in USD, and raw materials purchased externally are also priced in USD. The risk of exchange rate change may be partially offset by purchases and sales, while it is possible for the USD positions to achieve the purpose of natural hedge. Nonetheless, as the size of operations gradually expands, any exchange rate change will still have significant effect on our operating revenue and profitability. In 2023, exchange rate fluctuations generated an exchange profit of NTD47,297 thousand that accounted for 0.58% of the operating revenue, with limited effect on us.

In order to avoid any potential effect of exchange rate fluctuations on our profits, our management of foreign exchange risks is based on the principle of stability, with the following specific measures in response:

(1) In order to keep full track of the information of exchange rate changes and manage foreign exchange risks, we have appointed appropriate personnel to strengthen analysis of exchange rate changes. In the event of any heavy exchange rate fluctuation, we will sell part of our forward foreign exchange contracts in advance, if necessary, based on our operational needs.

(2)We consider the information of exchange rate changes provided by the banks with which we conduct transactions and take appropriate hedge measures on our foreign currency assets and liabilities.
(3)For quotes given by our sales department, we take into account price adjustments arising from exchange rate changes to maintain a proper profit.
(4)We enhance the quality and added value of products and are committed to cost control in order to increase the gross profit of products and mitigate the effect of exchange rate fluctuations on the gross profit.

3. Inflation

Inflation is a change in the overall economic environment, while our measures for cost reduction are consistent policies that will not change due to inflation or deflation in the external environment. We will keep close track of changes in the prices of key raw materials and develop our medium- to long-term purchase strategies accordingly. Thus, inflation has limited effect on our operations and profits.

(II) Policies on high-risk and high-leverage investments, loaning of funds to others, endorsements/guarantees and transactions of derivatives, the main reasons for profits or losses, and future measures in response

1. We have not engaged in any high-risk and high-leverage investment during the most recent year.
2. The loaning of funds by HEC and its subsidiaries to others is primarily for the operational needs of its subsidiaries and is in accordance with the requirements of the "Regulations Governing Loaning of Funds to Others" established by HEC and its subsidiaries. Funds loaned to others as of Q1 of 2024 are detailed as follows:

Unit: NTD thousand

Lender of funds to others	Borrower		Nature of funds loaned	Limit of funds loanable at end of the period	Cumulative amount of funds loaned as a share of the net value of the financial statements for the most recent period (%)	Amount of funds loanable disbursed at end of the period
	Company name	Relationship				
LFE	US subsidiary	Subsidiary - shareholding at 100%	Business transaction	16,000	1%	16,000
LFE	US subsidiary	Subsidiary - shareholding at 100%	Short-term financing	9,600	-	3,990
LFE	OPT	Subsidiary - shareholding at 59.49%	Short-term financing	96,000	3%	0
Total for HEC				**121,600**	**4%**	**19,990**
WCX WCF	WYT	Same parent	Short-term financing	44,080	1%	0
WCX WCF	WSE	Same parent	Short-term financing	220,400	7%	127,832

WII	HEC	Parent - shareholding at 100%	Short-term financing	96,000	3%	89,600
WII	HEC	Parent - shareholding at 100%	Short-term financing	192,000	6%	104,192
WJA	WCF	Same parent	Short-term financing	132,240	5%	123,424
WJA	WSE	Same parent	Short-term financing	132,240	5%	119,016
LFE	HEC	Parent - shareholding at 50.62%	Short-term financing	90,000	3%	90,000
Total for subsidiaries				**906,960**	**30%**	**654,064**

Note:

1. The net value of the financial statements for the most recent period is calculated based on NTD2,988,633 thousand in Q4 of 2023.
2. The USD exchange rate is 1:32.

3. The endorsements/guarantees provided by HEC and its subsidiaries are primarily for the bank limits of its subsidiaries and are in accordance with the requirements of the "Regulations Governing Endorsements/Guarantees" established by HEC and its subsidiaries. Endorsements/Guarantees provided by HEC and its subsidiaries as of Q1 of 2024 are detailed as follows:

Unit: NTD thousand

Endorsement/ Guarantee provider	Endorsement/Guarantee recipient		Limit of endorsements/ guarantees at end of the period	Cumulative amount of endorsements/ guarantees as a share of the net value of the financial statements for the most recent period (%)	Amount of endorsements/ guarantees disbursed at end of the period
	Company name	Relationship			
LFE	LFDG	Subsidiary - shareholding at 60.56%	160,000	5%	-
LFE	FD	Subsidiary - shareholding at 77.24%	120,160	4%	-
Total for HEC			**280,160**	**9%**	**-**
Endorsement/ Guarantee provider	Endorsement/Guarantee recipient		Limit of endorsements/ guarantees at end of the period	Cumulative amount of endorsements/ guarantees as a share of the net value of the financial statements for the most recent period (%)	Amount of endorsements/ guarantees disbursed at end of the period
	Company name	Relationship			
LFE	LFDG	Subsidiary - 79.87%	445,440	19%	1,692
Total for subsidiaries			**445,440**	**19%**	**1,692**

Note:

1. The latest net asset value of our company is calculated based on the Q4 in 2023, amounting to NT$2,988,633 thousand, while the net asset value of LFE as of the Q4 of 2023 is NT$2,338,935 thousand.
2. The USD exchange rate is 1:32.

4. We conduct transactions of derivatives in accordance with relevant regulations including the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the Securities and Futures Bureau, the "Directions for Auditing Internal Control Systems of Listed Companies" of the Taiwan Stock Exchange and our "Regulations Governing Acquisition or Disposal of Assets." Based on the purpose of hedging, i.e. engaging in hedging transactions on assets we "own" or "clearly expect to own," we take actions in a conservative manner to avoid risks arising from fluctuations in exchange rates to achieve the aim for stable operations.

(1) Financial instruments measured at fair value through profit/loss

	2023.12.31	2022.12.31
Financial assets - current		
Held for transactions		
Derivative instrument - forward foreign exchange contract	$ 10,532	$ 16,652

(2) The following are forward foreign exchange contracts which do not apply hedge accounting and are yet to mature as of Q4 of 2023:

	Currency	Maturity period	Contractual amount (NTD thousand)
Forward foreign exchange sold	USD to RMB	2024.01～ 2024.03	USD 30,100／CNY 215,323

(III) Future R&D plan and the estimated R&D expense to be invested:

I. Future R&D plan

1. Computer chassis:

(1) Introducing LCD Panels to display real-time information to enhance product appeal and differentiation:

Given the rapid advancements in technology, consumers in the gaming industry have high expectations for monitors that can provide chassis information. Therefore, utilizing LCD Panels attached to the glass side panel to display real-time computer system information, time, weather, or even play high-resolution JPG or GIF files, brings customized and captivating visual effects to the chassis, attracting attention and widening the gap with competitors while increasing market segmentation.

(2) Developing modular open-case chassis for high integration of peripheral accessories to enhance product appeal and differentiation:

As user hardware demands increase, open-case chassis offer high heat dissipation efficiency and DIY freedom compared to traditional chassis.

Through an open-case chassis with a convenient modular structure, users can assemble their unique chassis like building blocks. The modular square assembly is convenient, as all squares can be interconnected, allowing for continuous expansion of hardware assembly to accommodate various specifications and sizes.

Currently, open-case chassis on the market are either assembled from purchased parts or sold as complete units. Modular open-case chassis combine the advantages of both, allowing users to purchase chassis squares and assemble according to their needs. The design, which allows for continuous stacking and expansion, liberates users from the constraints of traditional complete unit chassis sales, offering the convenience of modular block assembly. This distinguishes them from other open-case chassis on the market and represents the future trend for DIY users.

(3) Continuing to invest in niche IPC/server products:

We will continue to strengthen our capability in the development of IPC/server products, and we will support the sales department in identifying customers with more capabilities to maximize the number of our orders and increase our sales profit. Regarding our R&D strategy, we will take the following approaches:

A. We will keep looking for opportunities to cooperate with first-tier major manufacturers for the purposes of stabilizing our orders and further understanding the plan and demand for Rackmount Servers to enhance our R&D capabilities.

B. We will plan and seek orders for peripheral equipment and products of IPC/servers, e.g. cabinets.

C. Continuously seek collaboration opportunities with non-standard IPC manufacturers to develop non-standard IPC products.

D. Continuously seek collaboration opportunities with EMS manufacturers to develop military-grade chassis products.

E. Continuously explore partnerships with charging station operators to develop charging station products and copper bus bar products.

F. Utilize existing infrastructure to implement NCT & mold interchangeably for production, ensuring maximum production flexibility.

G. Utilize mold version switching to achieve completely different products from customers with minimal mold investment.

H. Incorporate cost considerations and optimization directly into the design to make the product more conducive to existing manufacturing processes. While still maintaining product reliability as a focal point in structural design.

2. Power supplies:

(1) In response to ESG requirements, new models are being designed, with Research and Development (RD) collaborating with factories to adopt new manufacturing process models, reducing the proportion of small board components, and streamlining pre-processing hours. Existing models are being subjected to process optimization, allowing for effective reduction of manual plug-ins on production lines, thereby achieving energy and carbon reduction goals, with continuous optimization. Conversion efficiency of power suppliers is being improved to reduce energy conversion losses, further contributing to energy and carbon reduction objectives.

(2) Continuous development of PSU digital functions is underway to add more topicality and uniqueness to the products. Hardware development has been gradually completed, while software and MCU firmware programs are currently in development, with customization available according to customer requirements in the future. The goal for 2024 is to achieve standardized hardware/software/firmware, enabling customers to easily acquire digital power products and enhance their brand value.

(3) Optimization efforts for noise are being divided into the following three parts:

A. Fan noise control: Introducing PWM fan control for noise reduction while maintaining competitive pricing.

B. System loading noise issues: Implementing active feedback control to reduce feedback speed and improve output voltage drop.

C. Light-load energy-saving noise section: Increasing the internal operating frequency of PSU to avoid the audible range of human ears and reduce noise within audible range.

II. In 2024, HEC and its subsidiaries are expected to invest NTD77,995 thousand as R&D expense to achieve the R&D targets.

(IV) Effects of changes in important domestic or foreign policies and laws on the financial business of your company, and measures in response

1. In response to amendments of the Company Act and the Securities and Exchange Act, we will review and amend our relevant regulations from time to time to remain in compliance with the law.

2. Changes in important policies and laws of other countries are likely to cause changes in the industry and affect us. We will keep paying close attention to policies and laws that may affect our business and operations in order to give timely responses to the effects of their changes and promptly develop necessary measures to meet our operational needs.

(V) Effects of changes in technology and the industry on the financial business of your company, and measures in response

We have established a comprehensive information network framework and systems for data and file backups and protection of computer security, such as systems for anti-virus software, data backup, domain certification and web firewall. These information security protection systems are used to control information security risks, damaged files, and account authentication, prevent leakage of internal data, maintain our manufacturing activities and operations, and perform other key functions of business operations.

With the rapid development of information technology, the frequency of criminal activities using computers and relevant equipment has been increasing. Despite the aforementioned information security protection systems, we are unable to guarantee full protection of our internal computer system and network framework against cyber-attacks from any third-party invasion system. Such a cyber-attack is carried out by illegally invading the internal network and information systems of a company for the purpose of committing an illegal action such as sabotaging the network operations of the company or stealing its important confidential information. Under severe cyber-attacks from hackers, the information of our customers or our important internal information may be lost from its information and computer systems, and our production lines and operations are likely to be suspended due to such attacks.

Regarding our information security management, external auditors have checked, verified, and conducted relevant risk management activities through computer audits based on information cycles, and we have established relevant requirements concerning the four levels of documents for information security. Our employees have implemented relevant regulations and complied with relevant procedures for information operations, which are regularly checked to ensure their appropriateness and effectiveness, and we have regularly inspected user-end computer equipment on a quarterly basis. Moreover, we have stressed the importance of our employees' awareness of information security anomalies and periodic data backup, and we have regularly arranged for our employees to attend external training courses on information security.

Even though we have established a risk management mechanism and been following an effective information security management system, we are unable to guarantee HEC will not be affected by innovative information technologies and new types of virus attacks through the Internet in the face of constantly changing web security threats. A web attack may seek to steal our trade secrets, intellectual property, and key confidential information of customers, such as the proprietary information of customers or other stakeholders and the personal data of employees. External auditors have regularly reviewed our operating processes to strengthen or improve our information operations against risks of theft of our trade secrets by ill-intentioned persons. Until now, we have not discovered any significant web attack or information security incident, nor have we found any existing or possible significant negative effect on our business and operations.

(VI) Effects of changes in corporate image on the crisis management of your company, and measures in response

We have maintained a good corporate image to enhance our status among peer companies.

(VII) Expected benefits and possible risks of merger, and measures in response: None.

(VIII) Expected benefits and possible risks of expansion of premises, and measures in response:

In 2023 and as of March 2024, no construction of new premises has been completed, except for amounts invested in installing new peripheral facilities of or repairing and improving current premises. Thus, there are no expected benefits, possible risks, and measures in response.

Due to the need for transfer of business within our group and additional new orders in the future, LFE has invested in expansion of the factory premises and production equipment of the subsidiary LFDG in Mainland China in order to increase production capacity and improve operational efficiency. However, without any relative increase in our revenue to cover such capital expenditure and the operating costs arising from expanded production capacity and enhanced production technologies, we will incur a negative financial effect.

We will keep focusing on future market demand to evaluate the benefit of expansion of production capacity. As of the date of publication of the annual report, the expansion of our production capacity has met our expectations.

(IX) Risks faced during the concentration of purchases or sales, and measures in response:

1. The amount of purchase from our largest supplier in the most recent year accounts for only 6%, none so there is no risk of concentration of purchases.
2. Our important sales customers are those who have cooperated with us for a long time. We keep a close business relationship and maintain good interactions with our customers, with payments received regularly based on the length of loan period. Furthermore, as new products are being developed, we will actively reach out to new customer bases to reduce the risk of concentration of sales.

(X) Effects and risks of substantial transfers or changes of shares held by directors, supervisors, or shareholders with a shareholding of more than 10% to your company, and measures in response:

None. We keep constant track of changes in the shareholdings of our directors and major shareholders to reduce relevant risks and ensure timely responses to relevant changes.

(XI) Effects and risks of changes in management to your company, and measures in response: **None**.

(XII) Material litigious, non-litigious or administrative dispute events involving the directors, supervisors, president, de facto owner, major shareholders with a shareholding of more than 10% and subordinate entities of your company that are finalized or pending, whose results are likely to cause significant effects on shareholders' equity or securities price:

None during 2023 and as of the date of publication of the annual report.

Our subsidiary LFE has received an attestation letter from the SFIPC requesting all directors and supervisors of LFE to file a claim against former director Chang Lien-Sheng for the losses of purchase of real property from Quan Te Technology and Industry Co., Ltd. in July 2013, with former chairman Chang Yung-Ta bearing joint liability. LFE has engaged an attorney to handle matters relating to such claim, which is currently in process.

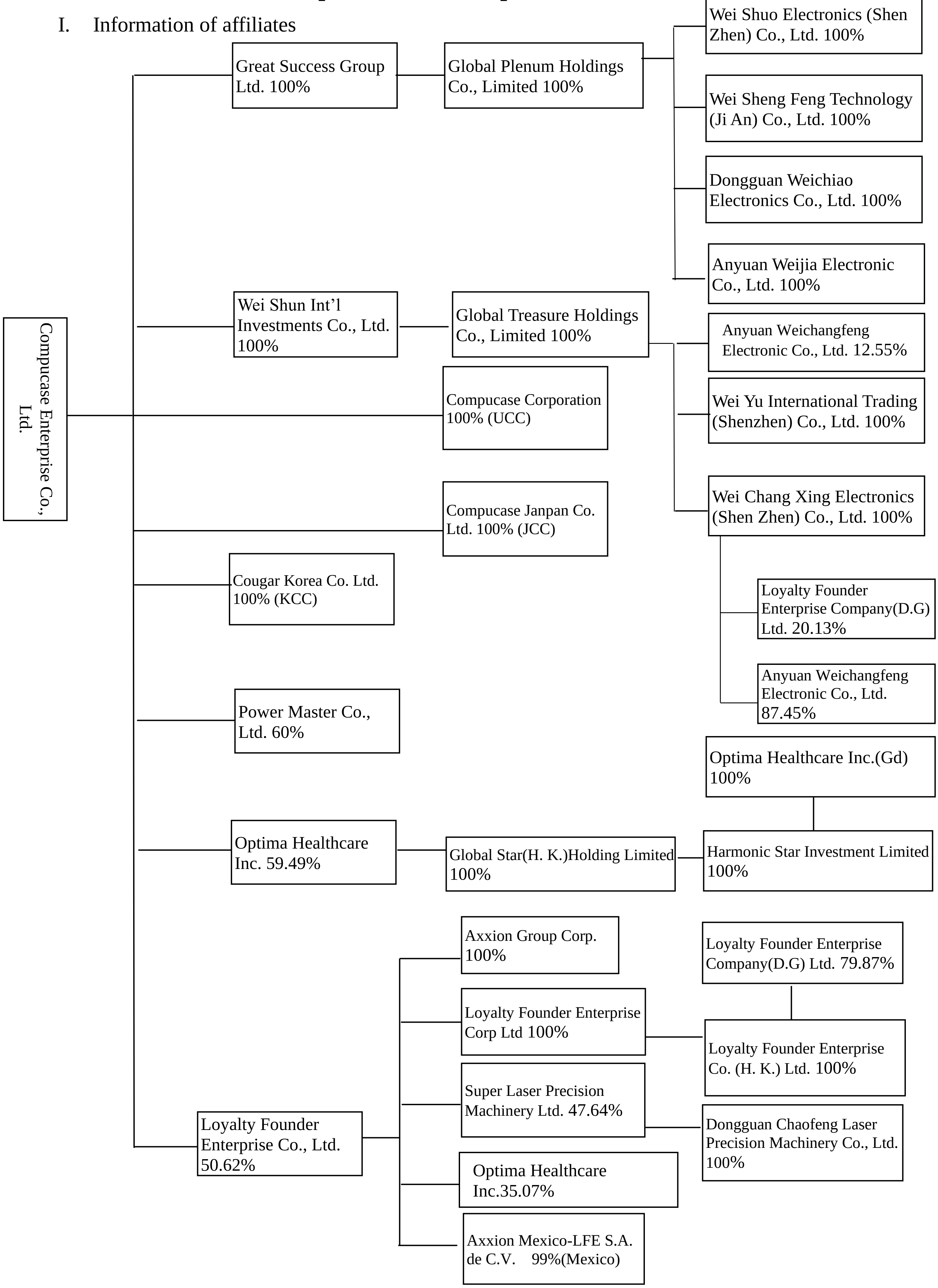
Former directors Chang Lien-Sheng and Chang Yung-Ta have not participated in the operations and management of LFE, and they therefore have no influence on its finance and business.

(XIII) Other significant risks, and measures in response: **None**.

VII. Other important matters: **None**.

Chapter VIII Special Information

I. Information of affiliates



(II) Basic information of affiliates

Company name	Date of incorporation	Address	Paid-in capital	Scope of primary business or production	Remarks
Wei Shun Int'l Investments (BVI) Co., Ltd.	1997/02/03	P.O .Box 957, Offshore Incorporations Centre,Road Town, Tortola, BVI	USD900,000	Reinvestment and international trade	-
Great Success Group Ltd.	1997/12/29	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	USD6,800,000	Reinvestment and international trade	-
Wei Shuo Electronics (Shen Zhen) Co., Ltd.	1998/08/10	Room 1910, Longhu Junhui Condominium, No. 2331, Meilong Ave., Longhua St., Longhua Dist., Shenzhen City, Guangdong Province	USD3,800,000	Production of power supplies and computer parts and accessories	-
Compucase Corporation (UCC)	1995/12/19	16720 CHESTNUT ST CINDUSTRY, CA 91748 USA	USD115,000	Sales of electronic components	-
Compucase Japan co. LTD. (JCC)	2000/01/18	1F, 3-24-5, Shin-Yokohama, Kōhoku-ku, Kanagawa Prefecture, Japan	JPY10,000,000	Sales of electronic components	-
Wei Chang Xing Electronics (Shen Zhen) Co., Ltd.	2000/04/05	Room 1910, Longhu Junhui Condominium, No. 2331, Meilong Ave., Longhua St., Longhua Dist., Shenzhen City, Guangdong Province	USD2,200,000	Production of computer parts and accessories and cutting and processing of iron materials	-
Wei Yu International Trading (Shenzhen) Co., Ltd.	2004/06/25	Room 1910, Longhu Junhui Condominium, No. 2331, Meilong Ave., Longhua St., Longhua Dist., Shenzhen City, Guangdong Province	USD650,000	International trade and re-export trade	-
Power Master Co., Ltd.	2006/06/06	No. 225, Ln. 54, Sec. 2, Anhe Rd., Annan Dist., Tainan City	NTD3,000,000	International trade	-
Cougar Korea Co. Ltd. (KCC)	2007/03/30	Doosan We've Sentium Rm1013, 1241-2 Baeksukdong, ilsandonggu, Koyansi, Kyunggido, Korea	USD800,000	International trade and re-export trade	-
Global Treasure Holdings Co., Limited	2007/12/18	12th Floor,Ruttonjee House,11 Duddell Street,Central,Hong Kong	USD3,850,000	Investment holdings	-
Global Plenum Holdings Co., Limited	2007/12/18	12th Floor,Ruttonjee House,11 Duddell Street,Central,Hong Kong	USD12,100,000	Investment holdings	-
Wei Sheng Feng Technology (Ji An) Co., Ltd.	2010/09/13	Chengnan Industrial Park (Qiaonan Industrial Park, Enjiang Town), Yongfeng	USD1,500,000	Production of power supplies and computer	-

		County, Jian City, Jiangxi Province		parts and accessories	
Dongguan Weichiao Electronics Co., Ltd.	2015/06/11	4F, Building A, West Area, Jinqiao Industrial Park, Qingxi Town, Dongguan City	USD1,800,000	Production of power supplies and computer parts and accessories	-
Anyuan Weijia Electronic Co., Ltd.	2018/05/31	Banshi Industrial Park, Banshi Town, Anyuan County, Jiangxi Province	USD10,000,000	Production of power supplies and computer parts and accessories	-
Anyuan Weichangfeng Electronic Co., Ltd.	2020/08/24	Third road, Banshi Industrial Park, Banshi Town, Anyuan County, Jiangxi Province	RMB 57,172,800	Production of power supplies and computer parts and accessories	-
Optima Healthcare Inc.	2000/12/21	11F-1 and -2, No. 859, Jingguo Rd., Taoyuan Dist., Taoyuan City	NTD323,250,000	Production of medical beds, side tables and home electric beds	-
Global Star（H. K.）Holding Limited	2016/10/11	Room 1902, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay, Hong Kong	USD 6,700,000	Investee company	-
Harmonic Star Investment Limited	2016/10/20	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	USD6,700,000	General investments	-
Loyalty Founder Enterprise Co., Ltd.	1984/7/23	No. 225, Ln. 54, Sec. 2, Anhe Rd., Tainan City	NTD1,476,820,000	Production of computer and server chassis	-
Axxion Group Corp.	1987/10/02	4731 Ripley Dr. Suite A El Paso,TX 79922 ,USA	USD733	Sales of computer chassis	-
Axxion Mexico-LFE S.A. de C.V.	2021/08/09	Ciudad Juárez, Chihuahua México	USD100 thousand	Manufacturing of computer components	-
Loyalty Founder Enterprise Corp. Ltd.	1997/05/08	P.O.Box 31119, Grand Pavilion, Hibiscus Way,802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	USD36,270 thousand	General investments	-
Loyalty Founder Enterprise Co. (H.K.) Ltd.	1997/01/29	Room 1902,19/F,Lee Garden One,33 Hysan Avenue, Causeway Bay	HKD288,205 thousand	Manufacturing, processing and sales of precision steel mold and stamping die products for computer chassis, keyboards and scanners	-
Loyalty Founder Enterprise	2002/08/19	No. 70, Qingxi Sec., Qingzhang Rd., Qingxi	HKD486,357 thousand	Production and sales of	-

Company (D.G) Ltd.		Town, Dongguan City, Guangdong Province		computer-aided manufacturing and other computer application systems, tools and dies.	
Optima Healthcare Inc. (Gd)	2017/06/15	Room 101, No. 70, Qingxi Sec., Qingzhang Rd., Qingxi Town, Dongguan City, Guangdong Province	USD8,000 thousand	Manufacturing and sales of medical devices and equipment	-

Unit: NTD thousand

Name of affiliate	Shareholding relationship	Shareholding	Number of shares invested in	Amount of investment
Wei Shun Int'l Investments (BVI) Co., Ltd.	HEC has shareholding in WII WII has shareholding in HEC	100% None	4,500 -	24,840 -
Great Success Group Ltd.	HEC has shareholding in GSG GSG has shareholding in HEC	100% None	20,000 -	211,592 -
Wei Shuo Electronics (Shen Zhen) Co., Ltd.	GPH has shareholding in WSE WSE has shareholding in GPH	100% None	- -	USD3,800,000 -
Compucase Corporation（UCC）	HEC has shareholding in UCC UCC has shareholding in HEC	100% None	1,150 -	8,556 -
Compucase Japan co.LTD.(JCC)	HEC has shareholding in JCC JCC has shareholding in HEC	100% None	200 -	13,949 -
Wei Chang Xing Electronics (Shen Zhen) Co., Ltd.	GTH has shareholding in WCX WCX has shareholding in GTH	100% None	- -	USD2,200,000 -
Wei Yu International Trading (Shenzhen) Co., Ltd.	GTH has shareholding in WYT WYT has shareholding in GTH	100% None	- -	USD650,000 -
Power Master Co., Ltd.	HEC has shareholding in FCC FCC has shareholding in HEC	60% None	180,000 -	1,800 -
Cougar KoreaCo.Ltd.(KCC)	HEC has shareholding in KCC KCC has shareholding in HEC	100% None	748,800	(13,444)
Global Treasure Holdings Co., Limited	HIT has shareholding in GTH GTH has shareholding in HIT	100% None	2,159,210 -	USD3,850,000 -
Global Plenum Holdings Co., Limited	GSG has shareholding in GPH GPH has shareholding in GSG	100% None	12,100,000 -	USD12,100,000 -
Wei Sheng Feng Technology (Ji An) Co., Ltd.	GPH has shareholding in WSF WSF has shareholding in GPH	100% None	- -	USD1,500,000 -
Dongguan Weichiao Electronics Co., Ltd.	GPH has shareholding in DWC DWC has shareholding in GPH	100% None	- -	USD1,800,000 -
Anyuan Weijia Electronic Co., Ltd.	GPH has shareholding in WJA WJA has shareholding in GPH	100% None	- -	USD5,000,000 -
Anyuan Weichangfeng Electronic Co., Ltd.	WCX has shareholding in WCF WCF has shareholding in WCX GTH has shareholding in WYT WYT has shareholding in GTH	87.45% None 12.55% None	- - - -	RMB50,000,000 - RMB 7,172,800 -
Optima Healthcare Inc.	HEC has shareholding in OPT OPT has shareholding in HEC	59.49% None	19,229,750 -	301,063 -
Loyalty Founder Enterprise Co., Ltd.	HEC has shareholding in LFE LFE has shareholding in HEC	50.62% None	74,755,773 -	933,893 -

(III) Common shareholders in companies presumed to be controlled by or subordinate to your company: None.

(IV) Information of directors, supervisors and presidents of affiliates

1. Information of directors, supervisors and presidents of affiliates with investments from HEC:

Company name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding (%)
Wei Shun Int'l Investments Co., Ltd.	Representative	Wang Chun-Tung	4,500	100%
Great Success Group Ltd.	Representative	Wang Chun-Tung	20,000	100%
Wei Shuo Electronics (Shen Zhen) Co., Ltd.	Chairman Directors Directors	Wang Chun-Tung (Corporate representative of GPH) Chung Ding-Chun (Corporate representative of GPH) Director Ko Chi-Yuan (Corporate representative of GPH)	-	100%
Wei Chang Xing Electronics (Shen Zhen) Co., Ltd.	Chairman Directors Directors	Wang Chun-Tung (Corporate representative of GTH) Chung Ding-Chun (Corporate representative of GTH) Director Ko Chi-Yuan (Corporate representative of GTH)	-	100%
Compucase Corporation(UCC)	Owner	Wang Chun-Tung (Corporate representative of HEC)	1,150	100%
Compucase Japan Co. LTD (JCC)	Chairman Directors Directors Supervisor	Wang Chun-Tung (Corporate representative of HEC) Ko Chi-Yuan (Corporate representative of HEC) Lin Cheng-Hung (Corporate representative of HEC) Chen Hui-Shan (Corporate representative of HEC)	200 200 200 200	100% 100% 100% 100%
Wei Yu International Trading (Shenzhen) Co., Ltd.	Chairman President Directors	Wang Chun-Tung (Corporate representative of GTH) Chung Ding-Chun (Corporate representative of GTH) Director Ko Chi-Yuan (Corporate representative of GTH)	- - -	100%
Power Master Co., Ltd.	Chairman Directors Directors Supervisor	Wang Chun-Tung (Corporate representative of HEC) Ko Chi-Yuan (Corporate representative of HEC) Wang Chun-Chieh Liu Chang-Wei	180,000 180,000 120,000 0	60% 60% 40% 0%
Cougar Korea Co. Ltd.(KCC)	Chairman Directors Directors	Ko Chi-Yuan (Corporate representative of HEC) Wang Chun-Tung (Corporate representative of HEC) Brian Kim (Corporate representative of HEC)	748,800 748,800 748,800	100% 100% 100%
Global Treasure Holdings Co., Limited	Owner	Wang Chun-Tung	2,159,210	100%
Global Plenum Holdings Co., Limited	Owner	Wang Chun-Tung	12,100,000	100%

Wei Sheng Feng Technology (Ji An) Co., Ltd.	Chairman Directors Directors	Wang Chun-Tung (Corporate representative of GPH) Chung Ding-Chun (Corporate representative of GPH) Director Ko Chi-Yuan (Corporate representative of GPH)	-	100%
Dongguan Weichiao Electronics Co., Ltd.	Chairman Directors Directors	Wang Chun-Tung (Corporate representative of GPH) Chung Ding-Chun (Corporate representative of GPH) Director Ko Chi-Yuan (Corporate representative of GPH)	-	100%
Anyuan Weijia Electronic Co., Ltd.	Director	Wang Chun-Tung	-	100%
Anyuan Weichangfeng Electronic Co., Ltd.	Director	Wang Chun-Tung	-	100%
Optima Healthcare Inc.	Chairman Directors Directors Directors Supervisor	Wang Chun-Tung (Representative of HEC) Ko Chi-Yuan (Representative of HEC) Li Li-Sheng (Representative of HEC) Chung Ding-Chun (Representative of HEC) Li Ssu-Chia	19,229,750 19,229,750 19,229,750 19,229,750 0	59.49% 59.49% 59.49% 59.49% 0%
Loyalty Founder Enterprise Co., Ltd.	Chairman Directors Directors Directors Directors Independent director Independent director Independent director	Ko Chi-Yuan (Representative of HEC) Chung Ding-Chun (Representative of HEC) Li Li-Sheng (Representative of HEC) Wang Chun-Tung (Representative of HEC) Chen Ling-Hsuan (Representative of Tahua Investment) Huang Cheng-Chung Tang Li-Yu Chen Chieh-Shan	74,755,773 74,755,773 74,755,773 74,755,773 1,323,247 0 0 0	50.62% 50.62% 50.62% 50.62% 0.09% 0% 0% 0%

2. Information of directors, supervisors and presidents of affiliates with investments from LFE:

2024.3.31

Company name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding (%)
Axxion Group Corp.	Chairman President	Loyalty Founder Enterprise Co., Ltd. Representative: Ko Chi-Yuan Wang Chun-Tung	354 -	100% -
Loyalty Founder Enterprise Corp. Ltd.	Directors	Loyalty Founder Enterprise Co., Ltd. Representative: Ko Chi-Yuan Wang Chun-Tung	36,270,000 -	100% -
Loyalty Founder Enterprise Co. (H.K.) Ltd.	Directors	Loyalty Founder Enterprise Corp. Ltd. Representative: Ko Chi-Yuan Wang Chun-Tung	288,204,719 -	100% -
Loyalty Founder Enterprise Company (D.G) Ltd.	Chairman Directors Directors	Loyalty Founder Enterprise Corp. Ltd. Representative: Ko Chi-Yuan Chang Lien-Sheng Wang Chun-Tung	 - - -	 79.87% - -
Axxion Mexico-LFE S.A. de C.V.	Chairman President	Loyalty Founder Enterprise Co., Ltd. Representative: Ko Chi-Yuan Wang Chun-Tung	99,000	99%

(V) Overview of operations of affiliates

1. Overview of operations of affiliates with investments from HEC

December 31, 2023; Unit: NTD thousand

Company name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit/loss for the current period (after tax)	Earnings per share (NTD) (after tax)
WII	29,025	1,320,011	0	1,320,011	0	0	123,025	27,338.89
GSG	211,010	877,285	0	877,285	0	0	107,142	1,575.62
GVG	0	0	0	0	0	(7)	(7)	(0.14)
UCC	3,709	55,756	50,339	5,417	48,346	(19,620)	(19,295)	(16,778.26)
JCC	2,756	98,082	31,047	67,035	194,110	6,919	2,074	10,370.00
KCC	20,225	126	17	109	0	(85)	(85)	(0.11)
WSE	129,352	1,967,930	1,738,398	229,532	3,962,832	97,432	69,499	0.00
WCX	78,999	1,265,442	261,556	1,003,885	264	(7,482)	130,581	0.00
WYT (Shenzhen)	23,099	97,022	30,694	66,328	217,444	5,825	5,755	0.00
FCC	3,000	27,575	17,594	9,981	35,374	445	1,025	3.42
HIT	0	0	0	0	0	14	14	0.28

Company name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit/loss for the current period (after tax)	Earnings per share (NTD) (after tax)
GTH	118,214	1,120,006	17,637	1,102,369	0	(11,811)	123,003	106.11
GPH	371,531	877,264	0	877,264	0	0	107,142	14.10
WSF	42,582	144,070	16,880	127,190	228,802	11,513	12,653	0.00
DWC	48,858	121,940	26,838	95,102	321,427	13,487	12,179	0.00
WJA	298,851	427,957	3,420	424,537	0	421	12,033	0.00
LFE	1,476,826	4,868,180	2,062,831	2,805,349	5,437,932	358,088	289,387	1.96
OPT	323,250	632,384	251,381	381,003	557,036	1,132	(642)	(0.02)
WCF	24,697	692,034	352,735	339,299	1,971,116	91,537	65,751	0.00

Note： The figures of foreign companies are translated at the exchange rate on December 31, 2023.

2. Overview of operations of affiliates with investments from LFE

Unit: NTD thousand; EPS unit: NTD December 31, 2023

Company name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit/loss for the current period (after tax)	Earnings per share (after tax)
Axxion Group Corporation.	24	53,887	11,126	42,761	37,386	2,045	2,237	6,319
Loyalty Founder Enterprise Corp. Ltd.	1,172,785	1,876,401	0	1,876,401	0	0	234,991	6.66
Loyalty Founder Enterprise Co.(H.K.)Ltd.	1,116,405	1,874,352	5,108	1,869,244	0	(13,533)	233,269	0.83
Loyalty Founder Enterprise Company(D.G) Ltd.	1,917,314	4,180,393	1,860,601	2,319,792	5,190,955	310,087	309,571	-
Axxion Mexico-LFE S.A. de C.V.	2,793	2,763	9	2,754	0	(248)	(64)	(0.64)

II. Private placement of securities during the most recent year and as of the date of publication of the annual report:

None.

III. None. Shares of HEC held or disposed of by subsidiaries during the most recent year and as of the date of publication of the annual report:

None.

IV. None. Other additional information required:

None.

Chapter IX Occurrence of Events with a Significant Effect on Shareholders' Equity or Securities Price, as Defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:

None.

Appendix 1 Consolidated financial statements for the most recent year

REPRESENTATION LETTER

For the year of 2023 (from January 1 to December 31, 2023), the companies which shall be included in the consolidated financial report of affiliates prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those which shall be included in the consolidated financial report of the parent company and subsidiaries pursuant to IFRS 10, and the relevant information which shall be disclosed in the consolidated financial report of affiliates has been disclosed in the foregoing consolidated financial report of the parent company and subsidiaries. Therefore, no separate consolidated financial report of affiliates has been prepared.

Declared by:

Company name: Compucase Enterprise Co., Ltd.

Chairman: Wang Chun-Tung

March 13, 2024

CPA's Audit Report

To Compucase Enterprise Co., Ltd.:

Opinion

We audited the consolidated balance sheets of Compucase Enterprise Co., Ltd. and its subsidiaries ("HEC Group") as of December 31, 2023 and 2022, their consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods from January 1 to December 31, 2023 and 2022, and the notes to their consolidated financial statements (including the summary of material accounting policies).

According to the result of our audit, with respect to all material aspects, the foregoing consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and thus provided a fair presentation of the consolidated financial positions of HEC Group as of December 31, 2023 and 2022 and the consolidated financial performance and cash flows for the periods from January 1 to December 31, 2023 and 2022.

Basis of Audit Opinions

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of HEC Group and subsidiaries for 2023. Such matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinions thereon, we have not provided any separate opinion on these matters.

The following are the key audit matters in the consolidated financial statements of HEC Group for 2023:

<u>Truthfulness of the recognition of revenues from certain customers</u>

The main sources of revenues for HEC Group are revenues from the sales of computer and server casings, power supplies, computer peripherals, and medical equipment, Due to significant growth in sales revenue from specific customers in the fiscal year 2023 compared to 2022, there was also a discrepancy between the average collection days and the credit days provided, Therefore, in accordance with the requirement of the Statement of Auditing Standards that revenues be presumed as a significant risk, we have deemed the truthfulness of the recognition of the sales revenues from those certain customers to be a key audit matter.

The main audit procedures conducted by us include:

I. Understanding and sample testing of the effectiveness of the design and implementation of internal controls related to the recognition of revenues.

II. Sampling in the statements of sales revenues from certain customers and reviewing shipment certificates to confirm if such revenues have actually occurred.

III. Reviewing samples of payment receipts to check if the payers match the purchasers.

Other Matters

HEC has prepared the parent-only financial statements for 2023 and 2022, with an unqualified audit report issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated Financial Statements

The management is responsible for preparing the financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements are free of material misstatement due to fraud or error.

During preparation of the consolidated financial statements, the management is also responsible for evaluating HEC Group's going concern ability, disclosure of relevant matters and application of the going concern basis of accounting, unless the management intends to liquidate or cease the operation of HEC Group, or there are no actually feasible solutions other than liquidation or cessation of operation.

The governing bodies (including the Audit Committee) of HEC Group are responsible for supervising the process of financial reporting.

Responsibilities of CPAs for the Audit of Consolidated Financial Statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the consolidated financial statements will be discovered during an audit conducted in accordance with relevant auditing standards. A misstatement may be due to fraud or error. A misstatement is deemed material if the individual or aggregate amount misstated is reasonably expected to affect economic decisions made by users of the consolidated financial statements.

We rely on our professional judgment and professional skepticism during an audit conducted in accordance with relevant auditing standards. We also perform the following tasks:

I. We identify and assess the risk of misstatement in the consolidated financial statements due to fraud or error, design and implement appropriate measures in response to the assessed risk, and acquire sufficient and appropriate audit evidence as the basis of our audit opinions. Since fraud may involve collusion, forgery, intentional omission, fraudulent statement or violation of internal control, the risk of misstatement due to fraud is higher than that due to error.

II. We acquire necessary understanding of the internal control related to an audit to design audit procedures appropriate for the current circumstances, provided that the purpose of the foregoing is not to express opinions regarding the effectiveness of the internal control of HEC Group.

III. We assess the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures made by the management.

IV. We have drawn a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether there is material uncertainty in an event or circumstances which may cast significant doubt about the ability of HEC Group to remain a going concern. If any material uncertainty is deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the consolidated financial statements to pay attention to the relevant disclosures therein, or revise our audit opinions when any such disclosure is inappropriate. Our conclusion is based on the audit evidence obtained as of the date of this audit report. However, future events or circumstances could result in a situation where HEC Group is no longer able to remain a going concern.

V. We assess the overall presentation, structure and contents of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements provide a fair presentation of the relevant transactions and events.

VI. We acquire sufficient and appropriate audit evidence of the financial information of the entities forming HEC Group to provide opinions regarding the consolidated financial statements. We are responsible for guidance, supervision and implementation in relation to audit cases and for formation of audit opinions for HEC Group.

The matters for which we communicate with the governing bodies include the planned scope and time of audit, and our material audit findings (including the significant deficiencies of internal control identified during the audit).

We also provide a declaration to the governing bodies stating that our CPAs who are subject to independence requirements have complied with the independence requirements in the Standards of Professional Ethics for Certified Public Accountants, and we communicate with the governing bodies regarding all relationships and other matters (including relevant safeguard measures) which are deemed likely to affect the independence of CPAs. ◦

The key audit matters in the audit of the consolidated financial statements of HEC Group and subsidiaries for 2023 have been determined by us from the matters regarding which we have communicated with the governing bodies. We have specified such matters in the audit report, except where public disclosure of certain matters is prohibited by applicable laws or regulations, or where, under very exceptional circumstances, we have decided not to cover communicate certain matters in the audit report due to the reasonable expectation that any negative effect arising from such communication would be greater than the public interest enhanced.

Deloitte Taiwan

CPA Wang Teng-Wei	CPA Li Chi-Chen
No. of Approval Document from the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No. 1100356048	No. of Approval Document from the Securities and Futures Commission Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 14, 2024

Compucase Enterprise Co., Ltd. And Subsidiaries

Consolidated Balance Sheet
Unit: NTD thousand

Code	Asset	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,861,795	22	$ 1,686,707	21
1110	Financial assets measured at fair value through profit/loss – current (Notes 4 and 7)	10,532	-	16,652	-
1136	Financial assets measured at amortized cost – current (Notes 4, 8 and 31)	142,250	2	47,706	1
1150	Notes receivable (Notes 4, 9 and 23)	1,272	-	110	-
1170	Accounts receivable (Notes 4, 9 and 23)	2,340,198	28	1,967,250	25
1200	Other receivables (Note 4)	54,965	1	122,297	2
1220	Current income tax assets (Notes 4 and 25)	131	-	103	-
130X	Inventory (Notes 4 and 10)	1,540,088	19	1,529,773	20
1410	Prepayments (Note 11)	377,173	4	345,856	4
1479	Other current assets	4,723	-	11,151	-
11XX	Total current assets	6,333,127	76	5,727,605	73
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4 and 8)	476,241	6	440,944	6
1550	Investment under the equity method (Notes 4 and 13)	22,942	-	24,222	-
1600	Property, plant and equipment (Notes 4, 14)	1,138,576	14	1,306,419	17
1755	Right-of-use assets (Notes 4 and 15)	164,340	2	205,111	3
1760	Net investment property (Notes 4, 16 and 31)	53,018	1	53,741	1
1805	Goodwill (Note 4)	638	-	638	-
1821	Intangible assets (Notes 4 and 17)	10,780	-	9,542	-
1840	Deferred income tax assets (Notes 4 and 25)	35,892	1	34,585	-
1915	Prepayments for equipment	7,017	-	26,234	-
1920	Deposits paid	6,389	-	6,876	-
1975	Net defined benefit assets – non-current (Notes 4 and 21)	25,112	-	24,668	-
1990	Other non-current assets	12,635	-	13,089	-
15XX	Total non-current assets	1,953,580	24	2,146,069	27
1XXX	Total assets	$ 8,286,707	100	$ 7,873,674	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Notes 18 and 31)	$ 1,268,500	15	$ 1,630,000	21
2120	Financial liabilities measured at fair value through profit/loss – current (Notes 4 and 7)	-	-	120	-
2130	Contract liabilities – current (Notes 4 and 23)	83,193	1	137,566	2
2170	Accounts payable (Note 19)	1,656,907	20	1,179,462	15
2180	Accounts payable – related parties (Notes 19 and 30)	8,816	-	10,427	-
2219	Other payables (Note 20)	641,339	8	696,994	9
2230	Current income tax liabilities (Notes 4, 5 and 25)	296,178	4	245,432	3
2250	Liability provision – current (Note 4)	12,791	-	6,181	-
2280	Lease liabilities – current (Notes 4 and 15)	31,584	-	33,790	-
2399	Other current liabilities	47,606	1	38,600	-
21XX	Total current liabilities	4,046,914	49	3,978,572	50
	Non-current liabilities				
2570	Deferred income tax liabilities (Notes 4, 5 and 25)	6,629	-	6,323	-
2580	Lease liabilities – non-current (Notes 4 and 15)	18,696	-	50,574	1
2640	Net defined benefit liabilities – non-current (Notes 4 and 21)	6,570	-	7,791	-
2645	Deposits received	807	-	1,175	-
25XX	Total non-current liabilities	32,702	-	65,863	1
2XXX	Total liabilities	4,079,616	49	4,044,435	51
	Equity attributable to shareholders of the parent (Notes 4, 22 and 27)				
3100	Share capital	1,132,856	14	1,132,856	14
3200	Capital reserves	441,767	5	425,456	6
	Retained earnings				
3310	Legal reserves	498,004	6	462,810	6
3320	Special reserves	254,240	3	325,826	4
3350	Undistributed earnings	1,007,323	12	591,666	8
3300	Total retained earnings	1,759,567	21	1,380,302	18
3400	Other equity	(316,025)	(4)	(254,240)	(3)
3500	Treasury stocks	(29,532)	-	(59,102)	(1)
31XX	Equity attributable to shareholders of the parent	2,988,633	36	2,625,272	34
36XX	Non-controlling interest (Note 22)	1,218,458	15	1,203,967	15
3XXX	Total equity	4,207,091	51	3,829,239	49
	Total liabilities and equity	$ 8,286,707	100	$ 7,873,674	100

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. And Subsidiaries

Consolidated Statement of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023 Amount	2023 %	2022 Amount	2022 %
4100	Operating revenue (Notes 4 and 23)	$ 8,134,733	100	$ 6,375,442	100
5110	Operating cost (Notes 10, 24 and 30)	6,262,020	77	5,011,069	78
5900	Gross operating profit	1,872,713	23	1,364,373	22
	Operating expense (Notes 9 , 24 and 30)				
6100	Marketing expense	456,431	6	395,971	6
6200	Management expense	390,584	5	351,213	6
6300	R&D expense	145,108	2	127,922	2
6450	Expected credit loss	32,750	-	8,816	-
6000	Total operating expenses	1,024,873	13	883,922	14
6900	Net operating profit	847,840	10	480,451	8
	Non-operating revenues and expenses (Notes 4, 13 and 24)				
7100	Interest income	66,390	1	24,479	-
7010	Other incomes	67,287	1	68,790	1
7020	Other profits and losses	(22,543)	-	92,348	1
7050	Financial cost	(24,202)	(1)	(22,233)	-
7060	Share of profits/losses of associates accounted for using the equity method	(854)	-	(3,372)	-
7000	Total non-operating revenues and expenses	86,078	1	160,012	2
7900	Pre-tax net profit	933,918	11	640,463	10
7950	Income tax expenses (Notes 4, 5 and 25)	186,412	2	133,123	2
8200	Net profit in the current year	747,506	9	507,340	8
	Other comprehensive income (Notes 13, 21, 22 and 25)				
8310	Items not reclassified as profit or loss:				
8311	Remeasurement of defined benefits plans	58	-	2,010	-

(Continued to next page)

(Continued from previous page)

Code		2023 Amount	2023 %	2022 Amount	2022 %
8349	Income tax related to items not reclassified	($ 12)	-	($ 402)	-
		46	-	1,608	-
8360	Items likely to be subsequently reclassified as profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations	(81,568)	(1)	85,481	1
8370	Share of other comprehensive income of associates accounted for using the equity method	(426)	-	638	-
8399	Income tax related to items likely to be reclassified	1,157	-	(483)	-
		(80,837)	(1)	85,636	1
8300	Other comprehensive income (net after-tax) in the current year	(80,791)	(1)	87,244	1
8500	Total comprehensive income in the current year	$ 666,715	8	$ 594,584	9
	Net profit attributable to:				
8610	Owners of HEC	$ 605,857	7	$ 368,776	6
8620	Non-controlling interest	141,649	2	138,564	2
8600		$ 747,506	9	$ 507,340	8
	Total comprehensive income attributable to:				
8710	Owners of HEC	$ 544,051	7	$ 441,339	7
8720	Non-controlling interest	122,664	1	153,245	2
8700		$ 666,715	8	$ 594,584	9
	EPS (Note 26)				
9750	Basic	$ 5.41		$ 3.28	
9850	Diluted	5.36		3.24	

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. And Subsidiaries

Consolidated Statement of Changes in Equity
(Reviewed, Not Audited)
Unit: NTD thousand

		Equity attributable to shareholders of the parent											
				Retained earnings			Other equity						
Code		Share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit/loss on financial assets measured at fair value through other comprehensive income	Total other equity	Treasury stocks	Total	Non-controlling interest	Total equity
A1	January 1, 2022	$1,132,856	$ 425,456	$ 433,734	$ 302,988	$ 518,213	($ 260,422)	($ 65,404)	($ 325,826)	$ -	$2,487,421	$1,115,865	$3,603,286
	Allocation and distribution of earnings in 2021 (Note 22)												
B1	Legal reserves	-	-	29,076	-	(29,076)	-	-	-	-	-	-	-
B3	Special reserves	-	-	-	22,838	(22,838)	-	-	-	-	-	-	-
B5	Cash dividends – NTD2 per share	-	-	-	-	(226,571)	-	-	-	-	(226,571)	-	(226,571)
D1	Net profit in 2022	-	-	-	-	368,776	-	-	-	-	368,776	138,564	507,340
D3	Other after-tax comprehensive income in 2022	-	-	-	-	977	71,586	-	71,586	-	72,563	14,681	87,244
D5	Total comprehensive income in 2022	-	-	-	-	369,753	71,586	-	71,586	-	441,339	153,245	594,584
C17	Remuneration cost for share-based payment (Notes 4 and 27)	-	-	-	-	-	-	-	-	-	-	1,988	1,988
L1	Purchase of treasury stocks (Notes 4 and 22)	-	-	-	-	-	-	-	-	(59,102)	(59,102)	-	(59,102)
M5	Actually acquired partial equity of subsidiaries (Notes 12 and 22)	-	-	-	-	(17,815)	-	-	-	-	(17,815)	17,815	-
O1	Decrease in non-controlling interest (Note 22)	-	-	-	-	-	-	-	-	-	-	(84,946)	(84,946)
Z1	Balance on December 31, 2022	1,132,856	425,456	462,810	325,826	591,666	(188,836)	(65,404)	(254,240)	(59,102)	2,625,272	1,203,967	3,829,239
	Allocation and distribution of earnings in 2022 (Note 22)												
B1	Legal reserves	-	-	35,194	-	(35,194)	-	-	-	-	-	-	-
B3	Special reserves	-	-	-	(71,586)	71,586	-	-	-	-	-	-	-
B5	Cash dividends – NTD2.03 per share	-	-	-	-	(226,571)	-	-	-	-	(226,571)	-	(226,571)
D1	Net profit in 2023	-	-	-	-	605,857	-	-	-	-	605,857	141,649	747,506
D3	Other after-tax comprehensive income in 2023	-	-	-	-	(21)	(61,785)	-	(61,785)	-	(61,806)	(18,985)	(80,791)
D5	Total comprehensive income in 2023	-	-	-	-	605,836	(61,785)	-	(61,785)	-	544,051	122,664	666,715
O1	Decrease in non-controlling interest (Note 22)	-	-	-	-	-	-	-	-	-	-	(110,285)	(110,285)
C17	Remuneration cost for share-based payment (Notes 4 and 27)	-	-	-	-	-	-	-	-	-	-	2,112	2,112
N1	Share-based payment transactions (Notes 27)	-	16,311	-	-	-	-	-	-	29,570	45,881	-	45,881
Z1	Balance on December 31, 2023	$1,132,856	$ 441,767	$ 498,004	$ 254,240	$1,007,323	($ 250,621)	($ 65,404)	($ 316,025)	($ 29,532)	$2,988,633	$1,218,458	$4,207,091

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Wang Chun-Tung   President: Wang Chun-Tung   Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. And Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flow from operating activities		
A10000	Pre-tax net profit in the current year	$ 933,918	$ 640,463
A20010	Profits, expenses and losses:		
A20100	Depreciation expense	247,059	279,911
A20200	Amortization expense	2,416	2,873
A20300	Expected credit loss	32,750	8,816
A20400	Net loss (profit) on financial assets and liabilities measured at fair value through profit or loss	5,791	(8,872)
A20900	Financial cost	24,202	22,233
A21200	Interest income	(66,390)	(24,479)
A21900	Remuneration cost for share-based payment	18,512	1,988
A22300	Share of losses of associates accounted for using the equity method	854	3,372
A22500	Profit on disposal of property, plant and equipment	(607)	(166)
A24200	Provision of refund liabilities	7,082	12,320
A29900	Other items	6,219	(7,129)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(1,162)	506
A31150	Accounts receivable	(405,697)	124,775
A31180	Other receivables	72,375	19,027
A31200	Inventory	13,768	444,573
A31230	Prepayments	(32,451)	(34,019)
A31240	Other current assets	6,428	6,007
A32125	Contract liabilities	(54,373)	45,009
A32130	Notes payable	-	(76)
A32150	Accounts payable (including related parties)	444,746	(240,645)
A32180	Other payables	(60,527)	96,276
A32230	Other current liabilities	1,924	387
A32240	Net defined benefit liabilities	(922)	(396)
A33000	Cash generated from operations	1,195,915	1,392,754
A33100	Interest received	61,347	17,421
A33300	Interest paid	(24,726)	(22,684)
A33500	Income tax paid	(136,712)	(102,760)
AAAA	Net cash inflow from operating activities	1,095,824	1,284,731
	Cash flow from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	(162,854)	(631,004)
B00050	Disposal of financial assets measured at amortized cost	22,691	318,259
B00100	Acquisition of financial assets measured at fair value through profit/loss	-	(83,967)

Code		2023	2022
B00200	Disposal of financial assets measured at fair value through profit/loss	$ -	$ 84,852
B02700	Acquisition of property, plant and equipment	(57,565)	(110,963)
B02800	Proceeds from disposal of property, plant and equipment	4,283	15,630
B03700	Increase in deposits paid	-	(4,592)
B03800	Decrease in deposits paid	332	5,721
B04500	Acquisition of intangible assets	(1,410)	(1,237)
B06800	Decrease in other non-current assets	454	230
B07100	Increase in prepayments for equipment	(5,278)	(8,688)
BBBB	Net cash outflow from investing activities	(199,347)	(415,759)
	Cash flow from fundraising activities		
C00100	Increase in short-term loans	3,716,000	4,512,423
C00200	Decrease in short-term loans	(4,077,500)	(4,614,423)
C00500	Increase in short-term notes payable	283,000	66,910
C00600	Decrease in short-term notes payable	(283,000)	(141,877)
C03000	Increase in deposits received	38	758
C03100	Decrease in deposits received	(336)	(332)
C04020	Repayment of principal of lease	(33,795)	(33,079)
C04500	Distribution of cash dividends	(226,571)	(226,571)
C04900	Cost of repurchase of treasury stocks	-	(59,102)
C05100	Transfer of treasury stocks to employees	29,481	-
C05800	Decrease in non-controlling interest	(110,285)	(84,946)
CCCC	Net cash outflow from fundraising activities	(702,968)	(580,239)
DDDD	Effect of changes in exchange rate on cash and cash equivalents	(18,421)	12,631
EEEE	Increase in cash and cash equivalents	175,088	301,364
E00100	Starting balance of cash and cash equivalents	1,686,707	1,385,343
E00200	Ending balance of cash and cash equivalents	$ 1,861,795	$ 1,686,707

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

(All amounts are in NTD thousand unless otherwise specified)

I. History of HEC

Compucase Enterprise Co., Ltd. (hereinafter "HEC") was founded in February 1979. Originally named Compucase Enterprise Company, it changed to the current name in August 2000. The scope of its primary business includes the manufacturing, processing, sales, import and export of power supplies and the finished goods and components of computer products.

In April 2001, the stocks of HEC were approved for listing and trading at the Taipei Exchange. In August 2002, they were approved for transferring to the Taiwan Stock Exchange for listing and trading.

This consolidated financial report is presented in NTD, our functional currency.

II. Date and procedures of approval of the financial report

This consolidated financial report was approved by the Board of Directors on March 13, 2024.

III. Application of new and amended standards and interpretations

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (of IFRIC) and pronouncements of interpretation (of SIC) (hereinafter "IFRSs"), which have been approved and published by the Financial Supervisory Commission (hereinafter "FSC"), have been applied for the first time.

Application of the amended IFRSs which have been approved and published by the FSC is unlikely to cause any material change to the accounting policies of the consolidated company.

(II) FSC-approved IFRSs applicable in 2024

New/Amended/Revised standards and interpretations	Effective Date Announced by IASB (Note1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods

beginning on or after their respective effective dates.

Note2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding disclosure requirements.

As of the date of approval and publication of this consolidated financial report, the consolidated company has assessed that the amendments to the standards and interpretations above are unlikely to cause any significant effect on the financial condition and performance.

(III) IFRSs published by the IASB which have not been approved and published by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB(Note1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 -Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in the equity.

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment completed.

IV. Summary of material accounting policies

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs which have been approved and published by the FSC.

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit assets (liabilities) recognized at the present value of defined benefit obligations less the fair value of plan assets, this consolidated financial report has been prepared on the basis of historical cost.

For fair value measurements, the inputs are categorized into Level 1, 2, and 3 based on their observability and priority:

1. Level 1 inputs: Quoted prices in active markets for identical assets or liabilities accessible on the measurement date (unadjusted).
2. Level 2 inputs: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. deriving from the price).
3. Level 3 inputs: Unobservable inputs for the asset or liability.

(III) Criteria for classification of assets and liabilities as current and non-current

Current assets include:

1. assets held primarily for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash and cash equivalents (excluding those restricted to be used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held primarily for the purpose of trading;
2. liabilities maturing for settlement within 12 months after the balance sheet date; and
3. liabilities whose settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date.

Assets or liabilities other than those classified above as current are classified as non-current.

(IV) Basis of consolidation

This consolidated financial report includes the financial reports of HEC and the entities controlled by HEC (subsidiaries). The financial reports of subsidiaries have been adjusted to ensure their accounting policies are consistent with those of the consolidated company. All transactions, account balances, profits, expenses and losses between entities have been eliminated during preparation of the consolidated financial report. The total comprehensive income of a subsidiary is attributable to the owners of HEC and non-controlling interests, even when non-controlling interests become a loss balance as a result.

Changes in the ownership interest of the consolidated company in a subsidiary that do not result in a loss of control are treated as equity transactions. The carrying amount of the consolidated company and non-controlling interests have been adjusted to reflect changes in their relative equity in the subsidiary. The difference between the adjusted amount of non-controlling interests and the fair value of considerations paid or received is directly recognized in equity and attributable to the owners of HEC.

For the details, shareholdings and scope of business of subsidiaries, see Note 12 and Tables 6 and 7.

(V) Foreign currency

For each entity preparing a financial report, a transaction in a currency other than the functional currency (a foreign currency) of the entity has been recorded by translating that currency into its functional currency at the exchange rate on the date of the transaction.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss of the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date when the fair values were determined, with the resulting exchange differences recognized in profit/loss of the current year. Exchange differences arising from fair value changes recognized in other comprehensive income are recognized in other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction without being retranslated.

In preparing the consolidated financial report, the assets and liabilities of foreign operations (including subsidiaries and associates whose countries of operation are different from those of HEC or which use currencies different from those used by HEC) are translated into NTD at the exchange rate on each balance sheet date. Profit, expense and loss items are translated at the average exchange rate in the current period, and the resulting exchange differences are recognized in other comprehensive income (and attributable to the owners of HEC and non-controlling interests).

(VI) Inventory

Inventories include raw materials, work in process, finished goods and goods. Inventories are measured at the lower of cost and net realizable value. Costs and net realizable values, except for inventories of the same category, are compared on an item-by-item basis. Net realizable value means the estimated selling price in the ordinary course of business, less the estimated cost necessary to complete the sale. The cost of inventories is calculated using the weighted average method.

(VII) Investments in associates

An associate means a company other than a subsidiary, over which the consolidated company has significant influence.

The consolidated company uses the equity method to account for investments in associates.

Under the equity method, the investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased with the consolidated company's share of the profit/loss and other comprehensive income of and the profit distributed from the associate after the date of acquisition. Moreover, changes in the consolidated company's share of the equity of an associate are recognized in proportion to its shareholding.

If the consolidated company's share of losses of an associate equals to or exceeds its equity in the associate (including the carrying amount of investment in the associate under the equity method and other long-term equity de facto constituting part of the net investment of the consolidated company in the associate), it will discontinue recognizing further losses. The consolidated company recognizes additional losses and liabilities only to the extent where it has incurred legal or constructive obligations or made payments on behalf of the associate.

In evaluating impairment, we treat the entire carrying amount of investment (including goodwill) as a single asset and compare it with the recoverable and carrying amounts for an impairment test. Any impairment loss recognized is not allocated to any asset constituting part of the carrying amount of investment (including goodwill). Any reversal of impairment loss is recognized to the extent of a subsequent increase in the recoverable amount of the investment.

Profits or losses arising from upstream, downstream and side-stream transactions between the consolidated company and an associate are recognized in the consolidated financial report only to the extent where such profits or losses do not involve the equity of the consolidated company in the associate.

(VIII) Property, plant and equipment

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

Property, plant and equipment under construction is recognized at cost less accumulated impairment losses. The cost includes professional service fees and the loan costs eligible for capitalization. Such assets will be classified to an appropriate category under property, plant and equipment and start to be accounted for in depreciation when they are completed and ready for their intended use.

Private land is not accounted for in depreciation.

Each significant part of property, plant and equipment is separately accounted for in depreciation on a straight line basis over its useful life. We review the estimated useful life, the residual value and the depreciation method at least at the end of each year and prospectively account for the effect of the application of changes in accounting estimates.

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

(IX) Investment property

Investment property means property held for earning rents or capital appreciation or for both purposes. It also includes land held for currently undetermined future use.

Private investment property is initially measured at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and impairment losses.

Investment property is accounted for in depreciation on a straight-line basis.

(X) Goodwill

Goodwill acquired through business merger is measured with the amount of goodwill recognized on the date of acquisition as cost and subsequently at cost less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash generating unit or group of cash generating units (hereinafter “cash generating unit”) expected by the consolidated company to benefit from the consolidated synergy.

An impairment test is conducted on a cash generating unit of allocated goodwill each year (and whenever there is any sign of possible impairment to the unit) by comparing the carrying amount of the unit including goodwill with its recoverable amount. Where the recoverable amount of a cash generating unit of allocated goodwill is lower than its carrying amount, the impairment loss will first decrease the carrying amount of the unit and then decrease the carrying amount of each of other assets in the unit based on the percentage of such amount. Any impairment loss will be directly recognized as loss of the current period. Impairment losses on goodwill may not be reversed in the subsequent period.

(XI) Intangible assets

Any individually acquired intangible asset with a limited useful life is initially measured at cost and subsequently measured at cost less accumulated amortization. An intangible asset is amortized on a straight-line basis over its useful life. The consolidated company reviews the estimated useful life, the residual value and the amortization method at least at the end of each year and prospectively account for the effect of the application of changes in accounting estimates.

For derecognition of any intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit/loss of the current year.

(XII) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

The consolidated company assesses whether there is any sign of possible impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets (excluding goodwill) on each balance sheet date. If any such sign of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is not estimable, the consolidated company estimates the recoverable amount of the cash generating unit of the asset.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. If the recoverable amount of an asset or cash generating unit is less than it's carrying amount, the carrying amount of the asset or cash generating unit is decreased to its recoverable amount, with impairment losses recognized in profit/loss.

Where impairment losses are reversed subsequently, the carrying amount of the asset and cash generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (less amortization or depreciation) of the asset and cash generating unit determined under the assumption that impairment losses were not recognized in prior years. Reversal of impairment losses is recognized in profit or loss.

(XIII) Financial instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when the consolidated company becomes a party to the contractual provisions of the instrument.

For initial recognition of financial assets and liabilities, if financial assets or liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to acquisition or issuance of financial assets or liabilities. Transaction costs directly attributable to acquisition or issuance of financial assets or liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

1. Financial assets

   Regular transactions of financial assets are recognized and derecognized using the transaction date accounting method.

   (1) Types of measurement

   The consolidated company holds the following types of financial assets: Financial assets measured at fair value through profit/loss and financial assets measured at amortized cost.

   A. Financial assets measured at fair value through profit/loss

   Financial assets measured at fair value through profit or loss are measured at fair value, and their remeasurement profits or losses are recognized in other profits and losses. For the method used to determine fair value, see Note 29.

   B. Financial assets measured at amortized cost

   If the investments of the consolidated company in financial assets meet the following two criteria, they are classified as financial assets measured at amortized cost:

   a. Such investments are held under an operating model with the purpose of holding financial assets to receive contractual cash flows; and

   b. the cash flows generated by contractual provisions on specified dates are solely for the purpose of paying principal and interest on outstanding principal.

   On initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, notes receivable measured at amortized cost, accounts receivable, other receivables and guarantee deposits paid) are measured at the total carrying amount determined using the effective interest method less the amortized cost of any impairment loss, and any profit or loss on foreign currency exchange is recognized in profit or loss.

Interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets, except under the following two circumstances:

a. For any credit-impaired financial assets purchased or originated, the interest income is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.

b. For any financial assets which are not credit-impaired on purchase or origination but subsequently become credit-impaired, the interest income is calculated as the effective interest rate multiplied by the amortized cost of the financial assets in the reporting period after such credit impairment.

A credit-impaired financial asset means that the issuer or debtor has incurred significant financial difficulties or defaulted, that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid term deposits and bonds with conditions for repurchase that are readily convertible to known amounts of cash with an insignificant risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The consolidated company assesses the impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.

A loss allowance on accounts receivable is recognized at full lifetime expected credit losses. For other financial assets, we first assess whether the credit risk has significantly increased after initial recognition. In the absence of such significant increase, the loss allowance is recognized at the 12-month expected credit losses. Where there is such significant increase, the loss allowance is recognized at full lifetime expected credit losses.

Expected credit losses are weighted average credit losses with the risks of a default occurring as the weightings. The 12-month expected credit losses represent the expected credit losses on a financial instrument resulting from possible default events within 12 months after the reporting date. Full lifetime expected credit losses represent the expected credit losses on a financial instrument from all possible default events over the life of the financial instrument.

For the purpose of internal credit risk management, the consolidated company determines that a default has occurred on financial assets under any of the following circumstances without considering the collateral it holds:

A. Any internal or external information has indicated the debtor is unable to pay off debts.

B. The age of accounts has exceeded 365 days, unless any reasonable and provable information indicates that a deferred criteria for default is more appropriate.

Impairment losses on all financial assets are accounted for by decreasing their carrying amounts through allowance accounts.

(3) Derecognition of financial assets

The consolidated company derecognizes a financial asset only when the contractual rights on cash flows from the asset become invalid, or when the asset has been transferred and substantially all of the risks and returns of ownership of the asset have been transferred to other companies.

For derecognition of a financial asset measured at amortized cost in its entirety, the difference between it's carrying amount and the consideration received is recognized in profit/loss.

2. Equity instruments

Equity instruments issued by the consolidated company are recognized at the amount of the proceeds acquired less the cost of direct issuance.

The reacquisition of the consolidated company’s own equity instruments is recognized in and deducted from equity, with its carrying amount calculated at weighted average by share type. The purchase, sale, issuance or cancellation of our own equity instruments is not recognized in profit/loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

For derecognition of a financial liability, the difference between its carrying amount and the consideration paid (including any non-cash asset transferred or any liability assumed) is recognized in profit/loss.

4. Derivative instruments

The derivative instruments concluded by the consolidated company are forward foreign exchange contracts used to manage its exchange rate risks.

At the time of conclusion of a derivative instrument contract, the derivative instrument is initially recognized at fair value and subsequently remeasured at fair value on the balance sheet date. A derivative instrument whose fair value is positive is recognized in financial assets, while that whose fair value is negative is recognized in financial liabilities.

(XIV) Liability provision

An amount recognized as liability provision is an optimal estimate of expenses required for the settlement obligations on the balance sheet date, taking into account the risk and uncertainty of the obligations. A liability provision is measured at the estimated discounted value of cash flows of settlement obligations.

The obligation to warrant that products conform with the agreed specifications is recognized upon recognition of the revenue from relevant goods based on an optimal estimate by the management of expenses required for the obligation of settlement of the consolidated company.

(XV) Recognition of revenue

Once the consolidated company has identified the performance obligations in the contract with a customer, it allocates the transaction price to each performance obligation and recognize revenue after satisfying each performance obligation.

The revenue from sales of goods is generated through the sales of computer and server chassis, power supplies, associated computer peripherals and medical devices. At the time of fulfillment of the trading terms of products, the customer already possesses the right to price and use the goods, assumes the primary responsibility to resell them, and bears the risk of the goods being out of date. Therefore, the consolidated company recognizes revenue and accounts receivable at that point in time. The sales revenue is measured at the fair value of the transaction consideration agreed by HEC and the customer (after taking into account commercial and quantity discounts), and any payment received for goods is recognized in refund liabilities if such payment is expected to be refunded to the customer due to any discount or other allowance, while payments received in advance for sales of goods are recognized as contract liabilities.

In the case of exporting materials for processing, control over the ownership of processed goods is not transferred, and revenue is not recognized at the time of export.

(XVI) Leases

The consolidated company assesses whether a contract is (or contains) a lease on the date of conclusion of the contract.

1. The consolidated company is the lessor

   A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership of the asset to the lessee. All other leases are classified as operating leases. Under an operating lease, lease payments are recognized in profit on a straight-line basis over the relevant lease term.

2. The consolidated company is the lessee

   Except that the lease payments for leases of low-value underlying assets and short-term leases to which the recognition exemption applies are recognized in expense on a straight-line basis over the lease term, other leases are recognized in right-of-use assets and lease liabilities on the lease commencement date.

   Right-of-use assets are initially measured at cost (at the initially measured amount of lease liabilities) and subsequently measured at cost less accumulated depreciation, with adjusted remeasurement of lease liabilities. Right-of-use assets are separately presented in the balance sheet.

   Right-of-use assets are accounted for in depreciation on a straight-line basis over the period from the lease commencement date to the earlier of the date of expiration of the useful life or the lease term.

   Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. Where such interest rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expenses are amortized over the lease term. The consolidated company remeasures lease liabilities and adjusts right-of-use assets accordingly. If the carrying amount of right-of-use assets is reduced to zero, the remaining remeasured amount is recognized in profit/loss. Lease liabilities are separately presented in the consolidated balance sheet.

(XVII) Loan cost

Loan cost directly attributable to the acquisition, construction or production of any asset that meets the criteria will remain part of the cost of the asset until nearly all activities necessary for the asset to become available for its intended use or sale are completed.

Investment income earned from any temporary investment using any specific loan prior to the occurrence of capital expenditure that meets the criteria will be deducted from loan cost that meets the requirements for capitalization.

All loan costs other than the above will be recognized as profit/loss in the period of occurrence.

(XVIII) Employee benefits

1. Short-term employee benefits

   Liabilities related to short-term employee benefits are measured at the undiscounted amount expected to be paid for services rendered by employees.

2. Post-employment benefits

   Under a defined contribution plan, pensions are recognized in expense as the amount of pension contribution payable during the period when services are rendered by employees.

   Under a defined benefit plan, defined benefit costs (including servicing costs, net interest and remeasurement) are calculated actuarially using the projected unit credit method. The current service cost and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses at the time of their occurrence. Remeasurement (including actuarial profit/loss and return on plan assets less interest) is recognized as other comprehensive income and in retained earnings at occurrence, and is not subsequently reclassified as profit/loss.

Net defined benefit liabilities (assets) are a deficit (surplus) in the contribution to a defined benefit plan. Net defined benefit assets must not exceed the present value of contributions refunded from the plan or the reducible amount of future contributions.

(XIX) Share-based Payment Agreement

Employees' stock options are recognized in expenses on a straight-line basis over the vesting period based on the fair value of equity instruments on the grant date and the optimal estimated amount expected to vest, with an adjustment to capital reserves/non-controlling interests at the same time. For the transfer of treasury stocks to any employee by HEC, the grant date is the date when the number of shares purchased by the employee is confirmed.

On each balance sheet date, the consolidated company revises the estimated amount of employees' stock options expected to vest. In the event of any revision to the original estimated amount, its effect is recognized in profit/loss for the revised estimated amount to be reflected in the cumulative expense, with a relative adjustment to non-controlling interests.

(XX) Income tax

Income tax expense is the total of current income tax and deferred income tax.

1. Current income tax

The consolidated company determines the current income (loss) in accordance with the laws enacted by the jurisdiction in which it files its income tax return to calculate the income tax payable (recoverable).

The additional income tax levied on undistributed earnings calculated in accordance with the Income Tax Act of the Republic of China (Taiwan) is recognized in the year when the related resolution is adopted by a shareholders' meeting.

Adjustments to income taxes payable in prior years are recognized in current income tax.

2. Deferred income tax

Deferred income tax is calculated as the temporary difference between the carrying amounts of assets and liabilities recorded in the account and the tax base for calculation of taxable income.

Deferred income tax liabilities are generally recognized in respect of all taxable temporary differences. Deferred income tax assets are recognized when it is probable that taxable income will be available for offsetting income tax arising from deductible temporary differences and offsetting of losses.

Taxable temporary differences associated with investments in subsidiaries and associates are recognized as deferred income tax liabilities, unless the consolidated company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets for deductible temporary differences associated with such investments are recognized only to the extent where it is probable that sufficient taxable income will be available to realize the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent where it is no longer probable that sufficient taxable income will be available to allow the recovery all or part of the assets. Those that are not initially recognized as deferred income tax assets are also reviewed on each balance sheet date and increased to the extent where it is probable that sufficient taxable income will be available in the future to allow the recovery all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period when the liabilities or assets are expected to be settled or realized. The tax rate is based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax liabilities and assets are measured to reflect the tax consequences of the consolidated company on the balance sheet date arising from the methods that are expected to be used to recover or settle the carrying amount of the assets and liabilities.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, except for those related to items recognized in other comprehensive income or directly in equity, which are recognized separately in other comprehensive income separately or directly in equity

V. Main sources of uncertainty of material accounting judgments, estimates and assumptions

In adopting accounting policies, the management of the consolidated company must make judgments, estimates and assumptions in respect of information that is not readily available from other sources based on historical experience and other relevant factors. The actual results could differ from the estimates.

The consolidated company has taken the possible effects of the Russia–Ukraine war and relevant international sanctions on the economic environment into the consideration of material accounting estimates, including cash flow estimation, growth rate, discount rate and profitability. Its management will continue to review the estimates and basic assumptions. If a correction of the estimates affects only the current period, it is recognized in the period when it is made. If a correction of the estimates affects both the current and future periods, it is recognized in the period when it is made and in the future period.

Main source of uncertainty of estimates and assumptions – income tax

As of December 31, 2023 and 2022, the effects of income tax of taxable temporary differences relating to investments in subsidiaries without recognition of deferred income tax liabilities amounted to NTD525,674 thousand and NTD444,508 thousand respectively. With expected remittance of earnings in the future, reversal of taxable temporary differences and recognition of material deferred income tax liabilities are likely to occur with their recognition as income tax expenses over the period of occurrence.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	$ 1,037	$ 803
Bank checks and demand deposits	1,419,302	1,310,625
Cash equivalents		
Time deposits at banks with an original date of maturity within 3 months	117,956	347,279
Bonds with conditions for repurchase	323,500	28,000
	$ 1,861,795	$ 1,686,707

The following are the interest rate ranges of cash equivalents on the balance sheet date:

	December 31, 2023	December 31, 2022
Time deposits at banks with an original date of maturity within 3 months	1.35%～5.3%	1.2%～4.1%
Bonds with conditions for repurchase	1.15%～1.18%	0.88%

VII. Financial instruments measured at fair value through profit/loss

	December 31, 2023	December 31, 2022
Financial assets – current		

Held for transactions		
Derivative instrument – forward foreign exchange contract	$ 10,532	$ 16,652
Financial liabilities – current		
Held for transactions		
Derivative instrument – forward foreign exchange contract	$ -	$ 120

The following are forward foreign exchange contracts which do not apply hedge accounting and are yet to mature on the balance sheet date:

December 31, 2023

	Currency	Maturity period	Contractual amount (NTD thousand)
Forward foreign exchange sold	USD to RMB	113.01～113.03	USD30,100／CNY 215,323

December 31, 2022

	Currency	Maturity period	Contractual amount (NTD thousand)
Forward foreign exchange sold	USD to RMB	112.01～112.04	USD 35,270／CNY 246,766

VIII. Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Current		
Time deposits with an original date of maturity beyond 3 months	$ 35,000	$ -
Restricted bank deposits	107,250	47,706
	$ 142,250	$ 47,706
Non-current		
Time deposits with an original date of maturity beyond 3 months	$ 476,241	$ 440,944

(I) On December 31, 2023, the interest rate ranges of time deposits with an original date of maturity beyond 3 months were 1.4%.

(II) For the information of pledges, see Note 31.

IX. Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable		
Measured at amortized cost	$ 1,272	$ 110

Accounts receivable

Measured at amortized cost		
Total carrying amount	$ 2,412,786	$ 2,007,987
Less: Loss allowance	72,588	40,737
	$ 2,340,198	$ 1,967,250

The average loan period of the consolidated company for sales of goods is 1 to 4 months, with zero accrued on accounts receivable. In order to mitigate credit risk, the management of the consolidated company has designated special teams for determination of credit lines, approval of loans and other monitoring procedures to ensure that appropriate actions are taken to recover overdue payments receivable. Furthermore, the consolidated company reviews the recoverable amounts of payments receivable separately on the balance sheet date to ensure that irrecoverable payments receivable have been accounted for in appropriate impairment losses. Accordingly, the management of the consolidated company considers that its credit risks have reduced significantly.

The consolidated company recognizes the loss allowance for accounts receivable based on the full lifetime expected credit losses. The full lifetime expected credit losses are calculated using a provision matrix with consideration of the default history and current financial condition of a customer and the economic trend of the industry. Since the historical experience of the consolidated company in credit losses has shown no significant difference in the types of loss between distinct customer bases, the provision matrix has made no further distinction between the customer bases and has only set the expected credit loss rate based on the age of accounting of accounts receivable.

If there is any evidence indicating that the counterparty is faced with severe financial difficulties and that the consolidated company is not able to reasonably expect any recoverable amount, e.g. the counterparty is undergoing liquidation, the consolidated company directly writes off the relevant accounts receivable, and it will continue to pursue recourse actions. All amounts recovered through recourse are recognized in profit/loss.

Notes receivable

As of December 31, 2023 and 2022, none of the notes receivable of the consolidated company were overdue, and no expected credit losses were set aside for notes receivable.

Accounts receivable

The consolidated company's loss allowances for accounts receivable measured using the provision matrix are as follows:

December 31, 2023

	0 to 90 days	91 to 180 days	181 to 365 days	366 or more days	Total

Credit loss rate	0%～2%	0%～33%	15%～74%	54%～100%	
Total carrying amount	$ 1,855,553	$ 406,239	$ 51,823	$ 99,171	$ 2,412,786
Loss allowance (full lifetime expected credit losses)	(3,382)	(6,062)	(2,475)	(60,669)	(72,588)
Amortized cost	$ 1,852,171	$ 400,177	$ 49,348	$ 38,502	$ 2,340,198

December 31, 2022

	0 to 90 days	91 to 180 days	181 to 365 days	366 or more days	Total
Credit loss rate	0%～1%	0%～21%	6%～54%	30%～100%	
Total carrying amount	$ 1,503,949	$ 353,564	$ 15,963	$ 134,511	$ 2,007,987
Loss allowance (full lifetime expected credit losses)	(1,561)	(2,326)	(1,729)	(35,121)	(40,737)
Amortized cost	$ 1,502,388	$ 351,238	$ 14,234	$ 99,390	$ 1,967,250

The information of changes in loss allowance for accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Starting balance	$ 40,737	$ 31,916
Accounted for in the current year	32,750	8,816
Written off in the current year	(898)	-
Differences on foreign currency translation	(1)	5
Ending balance	$ 72,588	$ 40,737

X. Inventory

	December 31, 2023	December 31, 2022
Goods	$ 144,186	$ 207,410
Finished goods	519,635	501,449
Work in process	385,795	401,131
Raw materials	490,472	419,783
	$ 1,540,088	$ 1,529,773

The inventory-related sales costs in 2023 and 2022 were, respectively, NTD6,262,020 thousand and NTD5,011,069 thousand, and the sales costs in 2023 and 2022 included the profits on recovery of inventory depreciation amounted to NTD391 thousand and NTD8,749 thousand respectively. The profits on recovery of inventory depreciation were generated mainly as a result of the selling of depreciated inventories.

XI. Prepayments

	December 31, 2023	December 31, 2022
Purchase tax	$ 5,069	$ 221,483
Retained for tax	237,661	9,033
Prepaid expenses	47,568	36,324
Prepayments for goods	86,875	79,016
	$ 377,173	$ 345,856

XII. Subsidiary

(I) Subsidiaries included in the consolidated financial report

Entities in the consolidated financial report prepared are as follows:

Name of investor company	Name of subsidiary	Nature of business	Shareholding (%) December 31, 2023	Shareholding (%) December 31, 2022	Description
HEC	Wei Shun Int'l Investments Co., Ltd. (WII)	General investment and international trade	100	100	
	Great Success Group Ltd. (GSG)	General investment and international trade	100	100	Note 1
	Grand Victory Group Ltd. (GVG)	General investment and international trade	-	100	Note 2
	Heroichi International Trading Co., Limited (HIT)	International trade	-	100	Note 3
	Power Master Co., Ltd. (FCC)	Sales of computer components	60	60	
	Compucase Corporation（UCC）	Sales of computer components	100	100	
	Compucase Japan Co., Ltd.（JCC）	Sales of computer components	100	100	
	Cougar Korea Co., Ltd.（KCC）	Sales of computer components	100	100	Note 4
	OPT	Manufacturing and sales of medical devices and equipment	59.49	59.49	

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Name of investor company	Name of subsidiary	Nature of business	Shareholding (%) December 31, 2023	Shareholding (%) December 31, 2022	Description
	Loyalty Founder Enterprise Co., Ltd. (LFE)	Manufacturing, processing and trade of computer and server chassis	50.62	50.62	
WII	Global Treasure Holdings Co., Limited (GTH)	General investments	100	100	Note 5
GSG	Global Plenum Holdings Co., Limited (GPH)	General investments	100	100	
GTH	Wei Chang Xing Electronics (Shen Zhen) Co., Ltd. (WCX)	Computer parts and accessories and cutting and processing of iron materials	100	100	
	Wei Yu International Trading (Shenzhen) Co., Ltd. (WYT)	International and re-export trade	100	100	
	Anyuan Weichangfeng Electronic Co., Ltd. (WCF)	Manufacturing of power supplies and computer parts and accessories	12.55	-	Note 5
GPH	Wei Shuo Electronics (Shen Zhen) Co., Ltd. (WSE)	Manufacturing of power supplies and computer parts and accessories	100	100	
	Wei Sheng Feng Technology (Ji An) Co., Ltd. (WSF)	Manufacturing of power supplies and computer parts and accessories	100	100	
	Dongguan Weichiao Electronics Co., Ltd. (DWC)	Manufacturing of power supplies and computer parts and accessories	100	100	
	Anyuan Weijia Electronic Co., Ltd. (WJA)	Manufacturing of power supplies and computer parts and accessories	100	100	
WCX	Loyalty Founder Enterprise Company (D.G) Ltd. (LFDG)	Manufacturing, import and export of electronics, optoelectronic products, precision dies and precision plastic injectors	20.13	20.13	
	Anyuan Weichangfeng Electronic Co., Ltd. (WCF)	Manufacturing of power supplies and computer parts and accessories	87.45	100	Note 5
LFE	Axxion Group Corp. (Axxion)	Import and sales of computers, server chassis and their associated components	100	100	
	Loyalty Founder Enterprise Corp. Ltd. (LFKY)	General investments	100	100	Note 6
	OPT	Manufacturing and sales of medical devices and equipment	35.07	35.07	
	Axxion Mexico - LFE S.A. de C.V. (Axxion Mexico)	Manufacturing of computers, server chassis and their associated components	99	99	
LFKY	Loyalty Founder Enterprise Co. (H.K.) Ltd. (LFHK)	Import and export of computers, server chassis, keyboards, scanners, dies and other components	100	100	Note 6
LFHK	LFDG	Manufacturing, import and export of electronics, optoelectronic products, precision dies and precision plastic injectors	79.87	79.87	
OPT	Global Star (H.K.) Holding Limited (Global Star)	General investments	100	100	
Global Star	Harmonic Star Investment Limited (Harmonic Star)	General investments	100	100	
Harmonic Star	Optima Healthcare Inc. (Gd) (FD)	Manufacturing and sales of medical devices and equipment	100	100	

Note1： In 2022, the company's board of directors resolved that its subsidiary, GSG, would undergo a cash capital reduction of USD 5 million. By the end of 2022, the amount to be refunded from the reduction was still outstanding and recorded as other receivables - related parties. However, in June 2023, the company's board of directors subsequently decided to cancel this capital reduction plan.

Note2： GVG has completed the liquidation procedure in February 2023。

Note3： HIT has completed the liquidation procedure in December 2023。

Note4： In June 2022, we acquired a shareholding of 49% from a non-related party. The acquisition was deemed an equity transaction to offset against undistributed earnings of NTD17,815 thousand.

Note5： In November 2023, the subsidiary WII made a capital increase of USD1,000 thousand in the subsidiary GTH；In November 2023, the subsidiary GTH made a capital increase of USD1,000 thousand in the subsidiary WCF.

Note6： In June 2023, the subsidiary LFE made a capital increase of USD1,000 thousand in the subsidiary LFKY；In November 2023, the subsidiary LFKY made a capital increase of USD900 thousand in the subsidiary LFHK.

(II) Information of subsidiaries with material non-controlling interests

	Shareholding and voting rights of non-controlling interests (%)	
Name of subsidiary	December 31, 2023	December 31, 2022
LFE	49.38%	49.38%

For information regarding the principal place of business and the country of registration of the subsidiary, see Table 6.

	Profit/Loss distributed to non-controlling interests	
Name of subsidiary	2023	2022
LFE	$ 142,899	$ 137,208

	Non-controlling interest	
Name of subsidiary	December 31, 2023	December 31, 2022
LFE	$ 1,191,866	$ 1,177,872

The consolidated financial information of LFE is prepared based on the amounts of inter-company transactions prior to write-off:

LFE

	December 31, 2023	December 31, 2022
Current assets	$ 3,998,117	$ 3,060,080
Non-current assets	944,806	1,129,819
Current liabilities	(2,039,514)	(1,348,150)
Non-current liabilities	(23,318)	(44,387)
Equity	$ 2,880,091	$ 2,797,362
Equity attributable to:		
Owners of HEC	$ 1,688,217	$ 1,619,124
Non-controlling interests of LFE	1,191,874	1,178,238
	$ 2,880,091	$ 2,797,362

	2023	2022
Operating revenue	$ 5,437,932	$ 4,284,612
Net profit in the current year	$ 349,703	$ 339,594
Other comprehensive income	(46,129)	34,299
Total comprehensive income	$ 303,574	$ 373,893
Net profit attributable to:		
Owners of HEC	$ 206,804	$ 202,386
Non-controlling interests of LFE	142,899	137,208
	$ 349,703	$ 339,594
Total comprehensive income attributable to:		
Owners of HEC	$ 178,457	$ 222,120
Non-controlling interests of LFE	125,117	151,773
	$ 303,574	$ 373,893
Cash flow		
Operating activities	$ 454,124	$ 444,814
Investing activities	(59,914)	35,775
Fundraising activities	(206,756)	(188,220)
Effect of changes in exchange rate on cash and cash equivalents	(10,848)	6,468
Net cash inflows (outflows)	$ 176,606	$ 298,837
Dividends paid to non-controlling interests	$ 109,390	$ 83,866

XIII. Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Individual immaterial associates		
Super Laser Precision Machinery Ltd.（Super Laser）	$ 22,942	$ 24,222

The following is a summary of individual immaterial associates:

	2023	2022
Share of the consolidated company		
Net loss in the current year	($ 854)	($ 3,372)
Other comprehensive income	(426)	638
Total comprehensive income	($ 1,280)	($ 2,734)

The shares of profit/loss on investments and the share of the consolidated company and of other comprehensive income accounted for using the equity method in 2023 and 2022 are calculated based on a financial report not audited by any CPA, as our management considers that there is unlikely to be any significant adjustment if the financial reports of the aforementioned associates for 2023 and 2022 have been audited by a CPA.

XIV. Property, plant and equipment

For the statement of changes in property, plant and equipment, see Table 11.

The depreciation expense is accounted for on a straight-line basis over the following useful lives:

Premises and buildings	
Main factory buildings	20 to 50 years
Mechanical, electrical and power equipment	20 years
Engineering system	15 to 20 years
Others	2 to 21 years
Machine/Equipment	2 to 26 years
Transport equipment	5 to 18 years
Office equipment	2 to 18 years
Other equipment	2 to 20 years

In 2023 and 2022, the consolidated company engaged in the following investment activities with transactions in cash:

	2023	2022
Increase in property, plant and equipment	$ 98,751	$ 97,953
Reclassification of prepayments for equipment	(35,898)	(372)
Decrease (Increase) in equipment payments payable	(5,288)	13,382
Cash paid for property, plant and equipment	$ 57,565	$ 110,963

XV. Lease agreement

(I) Right-of-use assets

Land	Buildings	Transport	Office	Other	Total

			equipment	equipment	equipment	
Cost						
Balance on January 1, 2023	$ 142,281	$ 148,340	$ 170	$ 374	$ 272	$ 291,437
Increase	-	247	-	-	271	518
Decrease	-	(8,094)	-	-	(272)	(8,366)
Net exchange differences	(2,629)	(1,926)	(11)	(25)	-	(4,591)
Balance on December 31, 2023	$ 139,652	$ 138,567	$ 159	$ 349	$ 271	$ 278,998
Accumulated depreciation						
Balance on January 1, 2023	$ 16,468	$ 69,467	$ 14	$ 117	$ 260	$ 86,326
Depreciation expense	5,645	32,497	81	72	136	38,431
Decrease	-	(8,094)	-	-	(272)	(8,366)
Net exchange differences	(436)	(1,286)	(2)	(9)	-	(1,733)
Balance on December 31, 2023	$ 21,677	$ 92,584	$ 93	$ 180	$ 124	$ 114,658
Net amount on December 31, 2023	$ 117,975	$ 45,983	$ 66	$ 169	$ 147	$ 164,340
Cost						
Balance on January 1, 2022	$ 137,038	$ 133,928	$ 753	$ 387	$ 1,905	$ 274,011
Increase	3,197	55,963	166	-	-	59,326
Decrease	-	(46,066)	(738)	-	(1,633)	(48,437)
Net exchange differences	2,046	4,515	(11)	(13)	-	6,537
Balance on December 31, 2022	$ 142,281	$ 148,340	$ 170	$ 374	$ 272	$ 291,437
Accumulated depreciation						
Balance on January 1, 2022	$ 11,469	$ 66,563	$ 163	$ 43	$ 1,394	$ 79,632
Depreciation expense	4,783	29,576	178	74	499	35,110
Decrease	-	(28,941)	(322)	-	(1,633)	(30,896)
Net exchange differences	216	2,269	(5)	-	-	2,480
Balance on December 31, 2022	$ 16,468	$ 69,467	$ 14	$ 117	$ 260	$ 86,326
Net amount on December 31, 2022	$ 125,813	$ 78,873	$ 156	$ 257	$ 12	$ 205,111

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$ 31,584	$ 33,790
Non-current	$ 18,696	$ 50,574

The discount rate ranges for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Land	1.04%～1.30%	1.04%～1.30%
Buildings	0.89%～2.21%	0.81%～2.21%
Transport equipment	1.53%	0.82%～1.53%
Office equipment	0.82%～0.92%	0.82%～0.92%
Other equipment	1.10%～1.51%	1.03%～1.10%

(III) Material lease activities and terms

The consolidated company has rented land and buildings for warehousing and office purposes with a lease term of 2 to 50 years. The rights of the subsidiaries LFDG and WCF to use their land in Mainland China will expire during 2055 to 2060.

(IV) Other lease information

	2023	2022
Expenses of short-term and low-value leases	$ 4,051	$ 4,642
Total cash outflow from lease	$ 38,744	$ 39,048

The consolidated company opts to apply the recognition exemption to leases of certain equipment constituting short-term leases and leases of low-value assets, and do not recognize right-of-use assets and lease liabilities relevant to such leases.

XVI. Investment property

	Land	Premises and buildings	Total
Cost			
Balances on January 1 and December 31, 2023	$ 53,018	$ 50,774	$ 103,792
Accumulated depreciation and impairment			
Balance on January 1, 2023	$ -	$ 50,051	$ 50,051
Depreciation expense	-	723	723
Balance on December 31, 2023	$ -	$ 50,774	$ 50,774
Net amount on December 31, 2023	$ 53,018	$ -	$ 53,018
Cost			
Balances on January 1 and December 31, 2022	$ 53,018	$ 50,774	$ 103,792
Accumulated depreciation and impairment			
Balance on January 1, 2022	$ -	$ 49,144	$ 49,144
Depreciation expense	-	907	907
Balance on December 31, 2022	$ -	$ 50,051	$ 50,051
Net amount on December 31, 2022	$ 53,018	$ 723	$ 53,741

The premises and buildings of investment property were depreciated on the straight-line basis over a 55-year useful life.

Based on the valuations conducted by an independent valuator on December 31, 2023, and 2021, the fair value of the investment property amounted to NTD 87,434 thousand and NTD 77,528 thousand, respectively. The management of the consolidated company has assessed that there was no material change in the fair value as of December 31, 2022.

As of December 31, 2023 and 2022, the accumulated amounts of impairment were both NTD23,180 thousand.

All of the investment property of the consolidated company is private equity. For the amount of the investment property of the consolidated company pledged as collateral for loans, see Note 31.

XVII. Intangible assets

	Trademark rights	Patent rights	Computer software	Total
Cost				
Balance on January 1, 2023	$ 1,992	$ 40,225	$ 39,145	$ 81,362
Individual acquisition	-	-	1,410	1,410
Derecognition	-	-	(130)	(130)
Reclassification	-	-	2,349	2,349
Net exchange differences	-	(4)	(133)	(137)
Balance on December 31, 2023	$ 1,992	$ 40,221	$ 42,641	$ 84,854
Accumulated amortization				
Balance on January 1, 2023	$ 915	$ 40,045	$ 30,860	$ 71,820
Amortization expense	155	31	2,230	2,416
Derecognition	-	-	(130)	(130)
Net exchange differences	-	(2)	(30)	(32)
Balance on December 31, 2023	$ 1,070	$ 40,074	$ 32,930	$ 74,074
Net amount on December 31, 2023	$ 922	$ 147	$ 9,711	$ 10,780
Cost				
Balance on January 1, 2022	$ 1,992	$ 40,222	$ 39,701	$ 81,915
Individual acquisition	-	-	1,237	1,237
Derecognition	-	-	(1,893)	(1,893)
Reclassification	-	-	152	152
Net exchange differences	-	3	(52)	(49)
Balance on December 31, 2022	$ 1,992	$ 40,225	$ 39,145	$ 81,362
Accumulated amortization				
Balance on January 1, 2022	$ 761	$ 40,014	$ 30,159	$ 70,934
Amortization expense	154	31	2,688	2,873
Derecognition	-	-	(1,893)	(1,893)
Reclassification	-	-	2	2

Net exchange differences	-	-	(96)	(96)
Balance on December 31, 2022	$ 915	$ 40,045	$ 30,860	$ 71,820
Net amount on December 31, 2022	$ 1,077	$ 180	$ 8,285	$ 9,542

The amortization expense is accounted for on a straight-line basis over a useful life of 2 to 20 years.

XVIII. Short-term loans

	December 31, 2023	December 31, 2022
Bank loans		
Unsecured loans	$ 1,233,500	$ 1,630,000
Secured loans	35,000	-
Total	$ 1,268,500	$ 1,630,000

The annual interest rate for short-term loans is as follows：

	December 31, 2023	December 31, 2022
Unsecured loans	0.5%～1.65%	1.3%～1.8%
Secured loans	0.5%	-

XIX. Accounts payable (including related parties)

The notes and accounts payable (including related parties) of the consolidated company have all arisen from its operations. For purchases, the average credit period is 1 to 3 months on a basis of monthly settlement. The consolidated company has established financial risk management policies to ensure that all accounts payable are paid off within the pre-agreed credit period.

XX. Other payables

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	$ 138,124	$ 122,502
Tax payable	154,496	161,773
Equipment and construction payments payable	15,640	10,352
Remuneration payable to employees and directors	95,814	67,421
Contribution payable to housing funds	47,145	48,210
Sales tax payable	196	93,804
Others	189,924	192,932
	$ 641,339	$ 696,994

XXI. Post-employment benefit plans

(I) Defined contribution plan

The pension system under the "Labor Pension Act," as applied by HEC and domestic subsidiaries under the consolidated company, is a defined contribution plan managed by the government. A pension equal to 6% of an employee's monthly salary is allocated and deposited into a special personal account at the Bureau of Labor Insurance.

The employees of a subsidiary of the consolidated company in Mainland China are participants in a retirement benefit plan operated by the relevant local government of Mainland China. The subsidiary is required to contribute a certain percentage of its salary cost as funding to the retirement benefit plan, while the obligations of the consolidated company toward such government-operated retirement benefit plan only consist of the contribution of a certain amount.

For any other foreign subsidiary, a defined contribution plan is applied, where a pension is allocated monthly based on a certain amount of percentage in accordance with local regulations and placed under the management of a professional local agency.

(II) Defined benefit plan

The pension system applied to HEC and domestic subsidiaries under the consolidated company in accordance with the "Labor Pension Act" is a defined benefit plan managed by the government. The pension paid to an employee is calculated based on the length of his/her service and the average salary over the 6 months prior to the approved date of his/her retirement. We allocate a fixed amount each month as an employee's pension and deposit it into a special account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. If, by the end of each year, the estimated balance in the special account is insufficient for payments to employees who are expected to meet the criteria for retirement in the next year, we will allocate the difference in a lump sum by the end of March next year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor, and the consolidated company does not have any right to influence the investment management strategies. Since the subsidiary LFE under the consolidated company has allocated sufficient pensions, the competent authority has given approval for suspending the contribution of pensions during April 2016 to February 2022.

The amounts of defined benefit plan included in the consolidated balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 10,724	$ 10,398
Fair value of plan assets	(29,266)	(27,275)
Net defined benefit assets	($ 18,542)	($ 16,877)
Net defined benefit assets	$ 25,112	$ 24,668
Net defined benefit liabilities	$ 6,570	$ 7,791

The changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2022	$ 14,968	($ 29,684)	($ 14,716)
Interest expense (income)	113	(203)	(90)
Recognized in profit/loss	113	(203)	(90)
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(2,029)	(2,029)
Actuarial profit – changes in financial assumptions	(657)	-	(657)
Actuarial profit – experience adjustments	676	-	676
Recognized in other comprehensive income	19	(2,029)	(2,010)
Employer contribution	-	(61)	(61)
Payment of benefits	(4,702)	4,702	-
Balance on December 31, 2022	10,398	(27,275)	(16,877)
Interest expense (income)	145	(312)	(167)
Recognized in profit/loss	145	(312)	(167)
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(239)	(239)
Actuarial profit – changes in financial assumptions	95	-	95
Actuarial profit – experience adjustments	86	-	86
Recognized in other comprehensive income	181	(239)	(58)
Employer contribution	-	(1,440)	(1,440)
Balance on December 31, 2023	$ 10,724	($ 29,266)	($ 18,542)

Due to the pension system under the "Labor Standards Act," the consolidated company is exposed to the following risks:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor has, for own discretionary use or through contracted management, invested the labor pension funds into domestic (foreign) equity and debt securities and bank deposits, even though the distributable amount of the consolidated company's plan assets is a profit calculated at an interest rate no less than that for a 2-year time deposit with a local bank.
2. Interest rate risk: A decrease in the interest rates of government bonds will increase the present value of defined benefit obligations, but will also

increase the return on debt investments in plan assets. Both increases have a partial offsetting effect against the impact of net defined benefit liabilities.

3. Salary risk: The present value of defined benefit obligations is calculated based on the future salary of the plan participants. As a result, an increase in the salary of the plan participants will raise the present value of defined benefit obligations。

The present value of the defined benefit obligations of the consolidated company is calculated actuarially by a qualified actuary. The material assumptions on the date of measurement are as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.25%～1.3%	1.25%～1.4%
Expected salary increase rate	2.25%～2.5%	2.25%～2.5%

In the event of reasonably possible changes in the material actuarial assumptions, the resulting increase (decrease) in the present value of defined benefit obligations where all other assumptions remain the same is as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	($ 247)	($ 258)
Decrease by 0.25%	$ 257	$ 267
Expected salary increase rate		
Increase by 0.25%~1%	$ 263	$ 276
Decrease by 0.25%~1%	($ 253)	($ 264)

Since the actuarial assumptions may be correlated and changes in only a single assumption are unlikely, the sensitivity analysis above may not reflect actual changes in the present value of defined benefit obligations.

	December 31, 2023	December 31, 2022
Expected contribution within 1 year	$ 85	$ 108
Average maturity period of defined benefit obligations	11～15.4 years	11～16.4 years

XXII. Equity

(I) Common share capital

	December 31, 2023	December 31, 2022
Number of authorized shares (thousand shares)	150,000	150,000
Authorized share capital	$ 1,500,000	$ 1,500,000
Number of issued shares with full payment received (thousand shares)	113,286	113,286
Issued share capital	$ 1,132,856	$ 1,132,856
Publicly issued common shares	$ 1,032,856	$ 1,032,856
Privately placed common shares	100,000	100,000
	$ 1,132,856	$ 1,132,856

Common shares are issued at a par value of NTD10, with each share entitled to one voting right and the right to receive dividends.

On September 28, 2016, our annual shareholders' meeting adopted a resolution for capital increase by cash via private placement. On September 30, 2016, the Board of Directors adopted a resolution for private placement of 10,000 thousand common shares at NTD32.8 per share totaling NTD328,000 thousand.

The foregoing privately placed common shares are, in accordance with the Securities and Exchange Act, subject to restrictions on circulation and transfer, and an application for their public listing and trading may be filed only after a lapse of 3 years from the date of their delivery and following their public listing. The rights and obligations of privately placed common shares are same as those of our outstanding common shares.

The share capital retained from the authorized share capital for the issuance of employees' stock warrants is 6,000 thousand shares.

(II) Capital reserves

	December 31, 2023	December 31, 2022
Usable for offsetting of losses, distribution of cash or contribution to share capital (Note 1)		
Shares issued in excess of par value	$ 357,543	$ 357,543
Trading of treasury stocks	77,277	60,966
Consolidated surplus	254	254
Usable only for offsetting of		

losses		
Recognized changes in ownership equity in subsidiaries (Note 2)	6,693	6,693
	$ 441,767	$ 425,456

Note 1: This category of capital reserves may be used to offset losses, or to distribute cash dividends or be contributed to the share capital if HEC has no losses, provided that such contribution to the share capital does not exceed a certain percentage of the paid-in share capital each year.

Note 2: This category of capital reserves are the effects of equity transactions recognized due to changes in the equity of subsidiaries where HEC has not actually acquired or disposed of the equity of subsidiaries.

(III) Retained earnings and dividend policy

According to the earnings distribution policy under the Articles of Incorporation, where HEC has earnings in the final accounts of a fiscal year, it shall set aside 10% thereof as legal reserves after paying taxes and offsetting losses as legally required, unless the amount of such legal reserves equals or exceeds HEC's paid-in capital. The remaining amount of the foregoing earnings shall be set aside or reversed as special reserves in accordance with the law. If there are still any remaining earnings, the Board of Directors shall, depending on the operating performance, retain such earnings plus the accumulated undistributed earnings, and shall prepare a proposal for distribution of earnings and submit the proposal to a shareholders' meeting for a resolution on distribution of bonuses to shareholders. For the policy of distribution of the remuneration for employees and directors in the Articles of Incorporation, see Note 24(7) "Remuneration for employees and directors."

In consideration of its future investment funding needs and its financial structure, HEC has adopted a balanced and stable dividend policy for the purposes of sustainable management and long-term development, with shareholders' interests and other factors taken into account. Each year, no less than 10% of the distributable earnings shall be appropriated for distribution of bonuses to shareholders. No such distribution is required if the cumulative distributable earnings amount to less than 2% of the paid-in share capital. For distribution of dividends in any future year, it is expected that the amount of cash dividends distributed will be no less than 10% of the total dividends distributed in that year, and that such dividends will, based on the investment funding needs and the level of dilution of earnings per share, be distributed in stock or cash, as appropriate.

Legal reserves may be used to offset losses. Where HEC has no losses and if legal reserves exceed the total paid-in capital by 25%, the excess amount may be contributed to the share capital or distributed in cash.

At the annual shareholders' meetings held in June 2023 and 2022, the proposals for distribution of earnings in 2022 and 2021 were approved as follows:

	2022	2021
Legal reserves	$ 35,194	$ 29,076
Special reserves set aside (reversed)	($ 71,586)	$ 22,838
Cash dividends	$ 226,571	$ 226,571
Dividends per share (NTD)	$ 2.03	$ 2.0

On March 13, 2024, the Board of Directors proposed distribution of earnings in 2023 as follows:

	Distribution of earnings	Dividends per share (NTD)
Legal reserves	$ 60,584	
Special reserves set aside	61,785	
Cash dividends	393,000	$ 3.5

The proposal for distribution of earnings in 2023 will be subject to a resolution of the 2024 annual shareholders' meeting.

(IV) Special reserves

At the time of our first adoption of IFRSs, we had set aside special reserves from the increase of NTD103,094 thousand in retained earnings generated due to conversion.

(V) Other equity

Exchange differences on translation of financial statements of foreign operations

	2023	2022
Starting balance	($ 188,836)	($ 260,422)
Incurred in the current year		
Net exchange on translation of financial statements of foreign operations	(62,441)	71,562
Share of associates accounted for using the equity method	(216)	323

	2023	2022
Related income tax	872	(299)
Ending balance	($ 250,621)	($ 188,836)

(VI) Non-controlling interest

	2023	2022
Starting balance	$ 1,203,967	$ 1,115,865
Net profit in the current year	141,649	138,564
Other comprehensive income in the current year		
Exchange differences on translation of financial statements of foreign operations	(19,127)	13,919
Share of other comprehensive income of associates accounted for using the equity method	(210)	315
Non-controlling interests related to outstanding vested stock options held by the employees of the subsidiary OPT (Note 27)	$ 2,112	$ 1,988
Remeasurement of defined benefits plans	67	631
Related income tax	285	(184)
Cash dividends to the shareholders of subsidiaries	(110,285)	(84,946)
Decrease in non-controlling interests through purchase of the shares of subsidiaries	-	17,815
Ending balance	$ 1,218,458	$ 1,203,967

(VII) Treasury stocks

	Shares transferred to employees (thousand shares)	
Reason for repurchase	2023	2022
Number of shares at start of year	2,000	-
Increase in the current year	-	2,000
Decrease in the current year	(1,000)	-
Number of shares at end of year	1,000	2,000

In accordance with the Securities and Exchange Act, treasury stocks held by HEC may not be pledged and are not entitled to any dividends distributed or voting rights.

XXIII. Revenue

	2023	2022
Revenue from contracts with customers		
Sales revenue	$ 8,134,733	$ 6,375,442

(I) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	$ 1,272	$ 110	$ 616
Accounts receivable	$ 2,340,198	$ 1,967,250	$ 2,100,846
Contract liabilities			
Sales of goods	$ 83,193	$ 137,566	$ 92,557

Any change in contract liabilities mainly arises from the difference between the time of fulfillment of contractual obligations and the time of payment by a customer.

The following are the amounts accounted for as revenue in the current period with respect to the starting contract liabilities:

	2023	2022
Starting contract liabilities		
Sales of goods	$ 130,380	$ 80,669

(II) Sub-items of revenue from contracts with customers

	2023	2022
Computers, server chassis and their components	$ 2,197,090	$ 2,882,527
Power supplies	3,510,551	1,573,614
Private brands of computer and gaming peripherals	1,558,092	983,818
Medical and home beds	295,185	307,879
Others	573,815	627,604
	$ 8,134,733	$ 6,375,442

XXIV. Pre-tax net profit

(I) Interest income

	2023	2022
Interest on bank deposits	$ 66,390	$ 24,479

(II) Other incomes

	2023	2022
Rent revenue	$ 2,307	$ 3,127
Revenue from government subsidies	28,064	25,408
Revenue from shipping fees	12,503	15,057
Others	24,413	25,198
	$ 67,287	$ 68,790

(III) Other profits and losses

	2023	2022
Net profit on foreign currency exchange	$ 47,297	$ 135,687

Profit on disposal of property, plant and equipment	607	166
Depreciation of investment property	(723)	(907)
Net loss on financial assets and liabilities measured at fair value through profit/loss	(64,268)	(40,545)
Others	(5,456)	(2,053)
	($ 22,543)	$ 92,348

(IV) Financial cost

	2023	2022
Interest of bank loans	$ 23,304	$ 20,906
Interest of lease liabilities	898	1,327
	$ 24,202	$ 22,233

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 207,905	$ 243,894
Right-of-use assets	38,431	35,110
Investment property	723	907
Other intangible assets	2,416	2,873
	$ 249,475	$ 282,784
Summary of depreciation expenses by purpose		
Operating costs	$ 159,740	$ 192,802
Operating expense	86,596	86,202
Other profits and losses	723	907
	$ 247,059	$ 279,911
Summary of amortization expenses by purpose		
Operating costs	$ 16	$ 33
Operating expense	2,400	2,840
	$ 2,416	$ 2,873

(VI) Employee benefit expenses

	2023	2022
Short-term employee benefits	$ 1,082,490	$ 1,002,329
Post-employment benefits		
Defined contribution plan	44,116	34,438
Defined benefit plan (Note 21)	(167)	(90)
	43,949	34,348
Share-based payment – equity settlement (Note 27)	18,512	1,988

	2023	2022
	$ 1,144,951	$ 1,038,665

	2023	2022
Summarized by purpose		
Operating costs	$ 606,066	$ 552,783
Operating expense	538,885	485,882
	$ 1,144,951	$ 1,038,665

(VII) Remuneration for employees and directors

We allocate 2%–10% and no more than 4% of the pre-tax profit in the current year before subtracting the remuneration distributed to employees and directors as the remuneration for employees and for directors, respectively. The remuneration for employees and directors in 2022 and 2021 was approved by the Board of Directors in March 2022 and 2021, respectively, as follows:

1. Estimated percentage

	2023	2022
Remuneration for employees	8%	8%
Remuneration for directors	2%	2%

2. Amount

	2023	2022
	Cash	Cash
Remuneration for employees	$ 60,910	$ 36,041
Remuneration for directors	$ 15,227	$ 9,010

Any change in the amount after the date of approval and publication of the annual consolidated financial report is treated as a change in accounting estimates and will be adjusted to be accounted for in the next year.

There is no difference between the actually distributed amounts of the remuneration for employees, directors and supervisors in 2022 and 2021 and the amounts recognized in the consolidated financial report of each year.

For information of the remuneration for employees and directors as approved by the Board of Directors, visit the “Market Observation Post System” of the Taiwan Stock Exchange.

(VIII) Profit/Loss on foreign currency exchange

	2023	2022
Total profit on foreign currency exchange	$ 416,357	$ 450,804
Total loss on foreign currency exchange	(369,060)	(315,117)
Net profit	$ 47,297	$ 135,687

XXV. Income tax

(I) Main items under income tax expense recognized as profit/loss

	2023	2022
Current income tax		
Incurred in the current year	$ 185,352	$ 138,576
Adjusted from prior years	(15,465)	(3,565)
Additional tax on undistributed earnings	16,263	557
	186,150	135,568
Deferred income tax		
Incurred in the current year	262	(2,445)
	$ 186,412	$ 133,123

Adjustments to accounting income and income tax expenses are as follows:

	2023	2022
Pre-tax net profit	$ 933,918	$ 640,463
Income tax expense on pre-tax net profit calculated at the statutory tax rate (20%)	$ 186,784	$ 128,093
Non-deductible expense and loss on tax (additional revenue included)	(4,584)	20,863
Unrecognized deductible temporary difference	(1,533)	(25,219)
Effect of different tax rates on subsidiaries operating in other jurisdictions	4,947	12,394
Adjustment to income tax in prior year	(15,465)	(3,565)
Additional tax on undistributed earnings	16,263	557
	$ 186,412	$ 133,123

For HEC and domestic subsidiaries under the consolidated company, the applicable tax rate is 20%. For the subsidiaries in Mainland China, the applicable tax rate is 25%. However, LFDG qualified as high-tech enterprises can be levied corporate income tax at a 15% rate from 2021 to 2024 ; taxes generated in other jurisdictions Calculated based on tax rates applicable in each relevant jurisdiction.

(II) Income tax expense (profit) recognized in other comprehensive income

	2023	2022
Deferred income tax		
Incurred in the current year		
Translation of foreign operations	($ 1,157)	$ 483
Remeasurement of defined benefits plans	12	402

	($ 1,145)	$ 885

(III) Income tax assets and liabilities in the current period

	December 31, 2023	December 31, 2022
Tax refund receivable	$ 131	$ 103
Income tax payable	$ 296,178	$ 245,432

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

Deferred income tax assets	Starting balance	Recognized in profit/loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Temporary difference					
Foreign long-term equity investments	$ 2,986	$ 171	$ 1,157	$ -	$ 4,314
Loss offset	7,894	727	-	(7)	8,614
Allowance for loss on inventory devaluation	3,900	(151)	-	176	3,925
Refund liabilities	5,948	1,379	-	-	7,327
Allowance for bad debt	2,802	-	-	(51)	2,751
Unrealized gross sales margin	1,714	(1,161)	-	-	553
Accumulated impairment on property	1,200	-	-	-	1,200
Defined benefit retirement plan	1,557	(266)	22	-	1,313
Others	6,584	(689)	-	-	5,895
	$ 34,585	$ 10	$ 1,179	$ 118	$ 35,892

Deferred income tax liabilities	Starting balance	Recognized in profit/loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Temporary difference					
Unrealized exchange profits	$ 1,390	$ 217	$ -	$ -	$ 1,607
Defined benefit retirement plan	4,933	55	34	-	5,022
	$ 6,323	$ 272	$ 34	$ -	$ 6,629

2022

Deferred income tax assets	Starting balance	Recognized in profit/loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Temporary difference					
Foreign long-term equity investments	$ 7,575	($ 4,106)	($ 483)	$ -	$ 2,986
Loss offset	6,268	1,390	-	236	7,894
Allowance for loss on inventory devaluation	4,790	(959)	-	69	3,900
Refund liabilities	3,994	1,954	-	-	5,948
Allowance for bad debt	2,758	-	-	44	2,802
Unrealized gross sales margin	3,175	(1,461)	-	-	1,714
Accumulated impairment on property	1,200	-	-	-	1,200
Defined benefit retirement plan	1,640	-	(83)	-	1,557
Others	2,120	4,464	-	-	6,584
	$ 33,520	$ 1,282	($ 566)	$ 349	$ 34,585
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange profits	$ 2,583	($ 1,193)	$ -	$ -	$ 1,390
Defined benefit retirement plan	4,584	30	319	-	4,933
	$ 7,167	($ 1,163)	$ 319	$ -	$ 6,323

(V) Unused amount of loss offset of deferred income tax assets not recognized in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Loss offset		
Maturing in 2023	$ -	$ 19,788
Maturing in 2024	6,382	6,382
Maturing in 2025	3,745	3,745
Maturing in 2026	1,865	1,865
Maturing in 2027	3,735	3,735
Maturing in 2028	5,909	5,909
Maturing in 2029	4,873	4,873
Maturing in 2030	31,648	35,288
Maturing in 2031	65,390	65,390
Maturing in 2032	731	731
Maturing in 2033	11,571	-
	$ 135,849	$ 147,706

(VI) Consolidated amount of temporary differences relating to investments in subsidiaries without recognition of deferred income tax liabilities

To meet the need of foreign investee companies for working capital, the management of the consolidated company has decided that the undistributed earnings of foreign subsidiaries will be first used for permanent reinvestments without any distribution of profit. Such temporary differences are unlikely to be reversed in the foreseeable future.

As of December 31, 2023 and 2022, the taxable temporary differences relating to the foregoing investments in subsidiaries without recognition of deferred income tax liabilities amounted to NTD2,628,370 thousand and NTD2,222,541 thousand respectively.

(VII) Approval of income tax

The returns of profit-seeking enterprise income tax of HEC and the domestic subsidiaries LFE, FCC and OPT up until 2021 were approved by the tax authority.

XXVI. Earnings per share

The earning and the weighted average number of common shares used for calculation of EPS are as follows:

Net profit in the current year

	2023	2022
Net profit attributable to the owners of HEC	$ 605,857	$ 368,776

Number of shares

Unit: thousand shares

	2023	2022
Basic EPS		
Starting number of outstanding common shares	113,286	113,286
Less: Weighted average number of treasury shares	(1,375)	(808)
Weighted average number of common shares used for calculation of basic EPS	111,911	112,478
Effect of dilutive potential common shares:		
Remuneration for employees	1,096	1,391
Weighted average number of common shares used for calculation of diluted EPS	113,007	113,869

Where the consolidated company chooses to distribute the remuneration for employees in shares or cash, the diluted EPS is calculated by adding the number of dilutive potential common shares to the weighted average number of outstanding shares under the assumption that the remuneration for employees will be distributed in shares. The dilutive effect of the potential common shares will continue to be taken into account when calculating the diluted EPS before a resolution is adopted in the next year on the number of shares distributable as the remuneration for employees.

XXVII. Agreement on share-based payment

(I) Transfer treasury shares to employees.

In April 2023, Employees’ stock options were issued for 1,000 thousand treasury shares to recipients including the employees of HEC and subsidiaries, with their vesting criteria being immediate vesting.

The following is the information of employees’ stock options for treasury shares:

	2023	
Employees’ stock options for treasury shares	Unit (thousand shares)	Weighted average price of issue (NTD)
Outstanding at start of the year	-	$ -
Granted in the current year	1,000	29.57
Issued in the current year	(1,000)	29.57
Outstanding at end of the year	-	
Weighted average fair value of employees’ stock options for treasury shares granted in the current year (NTD)	$ 16.40	

Regarding the employees’ stock options for treasury shares granted in April 2023, we have used the Black-Scholes pricing model adopting the following parameters:

Transfer price	NTD 29.57
Expected lifetime	14days
Share price on the date of granting	NTD 45.95
Expected rate of share price fluctuation	48.744%
Expected dividend yield	0%
Risk-free interest rate	1.10%

The expected rate of share price fluctuation is based on the annualized standard deviation of the daily returns during April 6, 2023 to April 25, 2023. For the full year of 2023, the recognized remuneration cost was NTD16,400 thousand, and the capital reserves generated by transferring treasury shares to employees amounted to NTD16,311 thousand.

(II) Subsidiaries issue employee stock options

In June 2022, the subsidiary OPT issued employees' stock options for 2,870 thousand shares, the recipients of which included the employees of HEC and OPT. The stock options are valid for three years, and a holder of their warrants may, on each anniversary of the date of their issuance, exercise a certain percentage of such options granted.

Employees' stock options	2023 Unit (thousand shares)	2023 Weighted average price of issue (NTD)	2022 Unit (thousand shares)	2022 Weighted average price of issue (NTD)
Outstanding at start of the year	2,870	$ 11.7	-	$ -
Granted in the current year	-	-	2,870	11.7
Outstanding at end of the year	2,870		2,870	
Weighted average fair value of employees' stock options for treasury shares granted in the current year (NTD)	$ -		$ 2,35	

Regarding the employees' stock options granted by OPT to the employees of HEC and OPT in June 2022, OPT used the Black-Scholes pricing model adopting the following parameters:

Price on the grant date	NTD 11.7
Expected lifetime	2 to 2.5years
Expected dividend yield	0%
Risk-free interest rate	1.212%～1.216%

For the years 2023 and 2022, the consolidated company recognized NTD2,112 thousand and NTD1,988 thousand, respectively, as remuneration cost.

XXVIII. Capital risk management

The chief management of the consolidated company periodically reviews its capital structure, including consideration of the costs and relevant risks of all categories of capital. Therefore, the consolidated company engages in capital management for the purpose of ensuring the availability of required financial resources and operational plans to meet the needs for working capital, capital expenditure, R&D expense, debt repayment and dividend expense in the next 12 months.

XXIX. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

The management of the consolidated company considers the carrying value of financial assets and liabilities not measured at fair value to be near its fair value.

(II) Fair value information – financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/loss				
Derivative instruments	$ -	$ 10,532	$ -	$ 10,532

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/loss				
Derivative instruments	$ -	$ 16,652	$ -	$ 16,652
Financial liabilities measured at fair value through profit/loss				
Derivative instruments	$ -	$ 120	$ -	$ 120

There was no transfer of fair value measurement between Level 1 and Level 2 in 2023 and 2022.

2. Valuation techniques and inputs for Level 2 fair value measurement

Type of financial instruments	Valuation techniques and inputs
Derivative instrument – forward foreign exchange contract	Method of discounted cash flow: Future cash flows are estimated using observable forward exchange rates at the end of period and the exchange rates determined in contracts, and are discounted at a discount rate able to reflect the credit risk of each counterparty.

(III) Types of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Measured at fair value through profit/loss – held for transactions	$ 10,532	$ 16,652
Financial assets measured at amortized cost (Note 1)	4,883,110	4,271,890
Financial liabilities		
Measured at fair value through profit/loss – held for transactions	-	120
Measured at amortized cost (Note 2)	3,576,369	3,518,058

Note 1: The balance included the financial assets measured at amortized cost, such as cash and cash equivalents, notes and accounts receivable, other receivables (excluding refundable taxes receivable), financial assets measured at amortized cost and guarantee deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term loans, accounts payable (including related parties), other payables and deposits received.

(IV) Purposes and policies of financial risk management

The primary financial instruments of the consolidated company include cash and cash equivalents, payments receivable, payments and loans payable. The financial management department of the consolidated company is responsible for providing services to business units, planning and coordinating operations for entry into domestic and international financial markets, and monitoring and managing financial risks in relation to the operations of the consolidated company using internal risk reports that analyze risk exposure based on the level and scope of risks. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. Market risks

   The risks of change in foreign exchange rates (see (1) “Exchange rate risk” below) and in interest rates (see (2) below) are the major financial risks borne by the consolidated company as a result of its operating activities.

There has been no change in exposure of the consolidated company to the market risks of financial instruments or our methods for management and measurement of such exposure.

(1) Exchange rate risk

The consolidated company engages in transactions of the sale and purchase of goods denominated in foreign currencies, exposing it to the risk of change in foreign exchange rates. For the management of exposure of the consolidated company to exchange rate risk, forward foreign exchange contracts are used to manage risks to the extent permitted by policies.

For the carrying amounts of monetary assets and liabilities of the consolidated company denominated in non-functional currencies on the balance sheet date (including the monetary items denominated in non-functional currencies and written off in the consolidated financial statements), see Note 33.

<u>Sensitivity analysis</u>

Sensitivity analysis mainly focuses on calculation of the monetary items of foreign currencies on the end date of the financial reporting period. The consolidated company is affected primarily by fluctuations in the exchange rates of USD.

The following table describes in detail the sensitivity analysis of the consolidated company in the event where the exchange rate of the functional currency to USD increases or decreases by 1%. 1% is the sensitivity rate used in an internal report to the primary management of the group regarding exchange rate risk, and also represents the range of reasonable possible change in foreign exchange rates as assessed by its management. Sensitivity analysis only focuses on the outstanding monetary items of foreign currencies and makes adjustment to their translation at end of year with an exchange rate change of 1%. The positive number in the following table means the amount of increase in the pre-tax net profit when the functional currency depreciates by 1% against each foreign currency. When the functional currency appreciates by 1% against each foreign currency, the effect on the pre-tax net profit is a negative number of the same amount.

	2023	2022
USD	$ 22,311	$ 24,293

1.

(2) Interest rate risk

The interest rate risk exposure occurs due to the borrowing of funds by the consolidated company at both fixed and floating interest rates. The consolidated company manages interest rate risks by maintaining a proper combination of fixed and floating interest rates.

The carrying amounts of the financial assets and liabilities of the consolidated company exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
With cash flow interest rate risk		
Financial assets	$ 1,394,342	$ 1,301,747
Financial liabilities	700,500	967,000

Assessment by the consolidated company has indicated no significant fair value risk with regard to bonds with conditions for repurchase, time bank deposits with fixed interest rate, short-term loans and lease liabilities held by it.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivative instruments on the balance sheet date. The analysis focuses on assets and liabilities with floating interest rates under the assumption that the amounts of outstanding assets and liabilities on the balance sheet date are outstanding over the reporting period. A 1% increase or decrease in interest rate is the rate of change used in an internal report to the group’s primary management regarding interest rate, and also represents the range of reasonable possible change in interest rate as assessed by its management.

If the interest rate increases/decrease by 1% with all other variables remaining constant, the pre-tax net profits of the consolidated company in 2023 and 2022 would increase/decrease by NTD6,938 thousand and NTD3,347 thousand respectively, mainly due to the interest rate risk exposure of the cash flows of its deposits and loans with floating interest rate.

Credit risk

Credit risk means the risk of financial loss incurred by the consolidated company as a result of a delay by the counterparty in fulfilling contractual obligations. The greatest credit risk exposure of financial losses the consolidated company is likely to incur as of the balance sheet date due to failure of the counterparty to fulfill its obligations and provision of financial guarantees by the consolidated company primarily arises from the carrying amount of financial assets recognized in the consolidated balance sheet.

The counterparties of the consolidated company are all companies with good credit, so there is unlikely to be any significant credit risk. The consolidated company will continue to assess the financial conditions of the customers from which accounts are receivable.

In the balance of accounts receivable, the total accounts receivable from customers with a significant concentration are as follows:

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Group A	$ 1,075,824	45	$ 567,594	28

Liquidity risk

The consolidated company manages and maintains cash and cash equivalents for sufficient positions to sustain the group's operations and mitigate the effects of fluctuations in cash flows, and it continues to maintain sufficient undisbursed amounts for loan commitments.

Bank loans are an important source of liquidity for the consolidated company. For undisbursed financing amounts of the consolidated company, see the description in "(3) Financing limit" below.

(1) Table of liquidity and interest rate risks of non-derivative financial liabilities

The analysis of maturity of the remaining contracts of non-derivative financial liabilities is prepared based on the earliest date when the consolidated company is likely to be required to make repayment and the undiscounted cash flow of financial liabilities (including principal and estimated interest). Thus, any bank loan for which the consolidated company is likely to be required to make immediate repayment is listed within the earliest period in the following table, regardless of the probability of the bank enforcing its rights immediately, and the analysis of maturity of other non-derivative financial liabilities is prepared based on the agreed repayment date.

For the cash flow of interest paid at a floating interest rate, the undiscounted amount of interest is derived according to the yield curve on the balance sheet date.

December 31, 2023

	Within 3 months	3 to 6 months	Over 6 months
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 2,283,877	$ 23,185	$ 807
Instruments with floating interest rate	601,649	100,282	504
Instruments with fixed interest rate	279,449	150,492	140,285
Lease liabilities	8,115	7,947	34,836
	$ 3,173,090	$ 281,906	$ 176,432

Further information for analysis of the maturity of lease liabilities is as follows:

	Less than 1 year	1 to 5 years
Lease liabilities	$ 32,053	$ 18,845

December 31, 2022

	Within 3 months	3 to 6 months	Over 6 months
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 1,875,697	$ 11,186	$ 1,175
Instruments with floating interest rate	569,746	251,034	150,266
Instruments with fixed interest rate	546,039	118,306	-
Lease liabilities	8,813	8,723	68,344
	$ 3,000,295	$ 389,249	$ 219,785

Further information for analysis of the maturity of lease liabilities is as follows:

	Less than 1 year	1 to 5 years
Lease liabilities	$ 34,686	$ 51,194

2.

(2) Table of liquidity and interest rate risks of derivative financial assets

and liabilities

In terms of derivative instruments settled on a gross basis, the analysis of the liquidity of derivative financial instruments is prepared based on the total undiscounted cash inflows and outflows. Where the amount receivable or payable is not fixed, the disclosed amount is determined at an interest rate estimated according to the yield curve on the balance sheet date.

December 31, 2023

	Within 3 months	4 to 6 months
Gross settlement		
Forward foreign exchange contract		
－inflow	$ 932,193	$ -
－outflow	921,661	-
	$ 10,532	$ -

December 31, 2022

	Within 3 months	4 to 6 months
Gross settlement		
Forward foreign exchange contract		
－inflow	$ 836,458	$ 251,472
－outflow	813,407	257,991
	$ 23,051	($ 6,519)

(3) Financing limit

	December 31, 2023	December 31, 2022
Limit of credit loan		
Disbursed amount	$ 1,236,170	$ 1,630,500
Undisbursed amount	4,239,829	3,919,500
	$ 5,475,999	$ 5,550,000
Limit of mortgaged and secured loans		
Disbursed amount	$ 35,000	$ -
Undisbursed amount	707,570	652,640
	$ 742,570	$ 652,640

(V) Offsetting of Financial Assets and Financial Liabilities

Some financial assets and financial liabilities of the group between China Construction Bank and PingAn Bank are eligible for mutual offsetting, so the net financial assets after the total financial liabilities are offset from the total financial assets are presented in the balance sheet.

The following table lists the above-mentioned quantitative information on financial assets and financial liabilities that are regulated by the above-mentioned mutual offset, enforceable net delivery agreement or similar agreement:

December 31, 2023

Financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet
Financial assets measured at amortized cost	$ 2,081,287	$ 2,081,287	$ -

Financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet
Financial liabilities measured at amortized cost	$ 2,081,287	$ 2,081,287	$ -

XXX. Related party transactions

The following are material transactions between the consolidated company and related parties:

(I) Names of related parties and their relationship with the consolidated company

Name of related party	Relationship with the consolidated company
Dongguan Chaofeng Laser Precision Machinery Co., Ltd. (Dongguan Chaofeng)	Associate

(II) Purchase

Type of related party	2023	2022
Associate	$ 25,567	$ 28,247

In terms of the transaction price and payment period of the consolidated company's purchase from a related party, there is no comparable case of transaction with a non-related party. The payment and loan period for a related party is approximately 3 months, while the payment period for a regular customer is approximately 2–3 months.

(III) Payments payable to related parties

Account item	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts payable – related parties	Associate	$ 8,816	$ 10,427

(IV) Remuneration for key management

	2023	2022
Short-term employee benefits	$ 86,708	$ 71,071
Post-employment benefits	528	285
Share-based payment	3,667	1,610
	$ 90,903	$ 72,966

The remuneration for directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXXI. Pledged and mortgaged assets

The following assets have been provided to financial institutions as collateral for the forward foreign exchange guarantees and consolidated credit line of the consolidated company:

	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost – current	$ 107,250	$ 47,706
Investment property	17,204	53,038
	$ 124,454	$ 100,744

XXXII. Material contingent liabilities and unrecognized contractual commitments

The following are the material commitments and contingencies of the consolidated company on the balance sheet date, other than those already described in other notes:

(I) In 2021, ASCION, LLC dba REVERIE (ASCION) initiated commercial arbitration at the American Arbitration Association against the subsidiary OPT regarding product defects and shipping delays, claiming damages of more than USD18,000 thousand. In the fiscal year 2021, the subsidiary OPT also initiated an arbitration claim against ASCION Company for breach of the trade agreement. Additionally, in the fiscal year 2023, it filed a joint claim against Xienci Leads Inc. and Dah Sheng International Co., Ltd., totaling approximately USD 35,700 thousand. As of December 31, 2023, the arbitration hearing had not yet commenced, thus the potential impact cannot be estimated.

(II) As of December 31, 2023 and 2022, the letters of guarantee issued by banks for imported goods as requested by the consolidated company amounted to NTD2,500 thousand and NTD500 thousand, respectively.

(III) As of December 31, 2023 the balance of unused letters of credit issued by the consolidated company for purchase of raw materials was NTD170 thousand.

XXXIII. Information of foreign currency assets and liabilities with significant effect

The following information is summarized and presented based on foreign currencies other than the functional currencies of the entities in the consolidated company. The disclosed exchange rate represents the rate at which each such foreign currency is translated to the functional currency. The following are foreign currency assets and liabilities with significant effect:

Unit: Each foreign currency/NTD thousand

December 31, 2023

Foreign currency assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 91,427	30.705 （USD：NTD）	$ 2,807,282
USD	69,173	7.0921 （USD：RMB）	2,123,740
USD	758	0.2172 （USD：JPY）	23,280
Non-monetary item			
Associates accounted for using the equity method			
USD	747	30.705 （USD：NTD）	22,942
Foreign currency liabilities			
Monetary item			
USD	80,327	30.705 （USD：NTD）	2,466,972
USD	7,564	7.0921 （USD：CNY）	232,131
USD	785	0.2172 （USD：JPY）	24,103

December 31, 2022

Foreign currency assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 89,317	30.71 （USD：NTD）	$ 2,762,842
USD	50,318	6.9654 （USD：RMB）	1,572,261
USD	748	133.23 （USD：JPY）	23,160
Non-monetary item			
Associates accounted for using the equity method			
USD	789	30.71 （USD：NTD）	24,222
Foreign currency liabilities			
Monetary item			
USD	57,713	30.71 （USD：NTD）	1,781,321
USD	3,994	7.1610 （USD：RMB）	126,696
USD	679	132.70 （USD：JPY）	20,940

The net (realized and unrealized) foreign exchange profits of the consolidated company in 2023 and 2022 amounted to a profit of NTD47,297 thousand and a profit of NTD135,687 thousand, respectively. Due to the great number of foreign currencies used for transactions and functional currencies of the entities under our group, it is not possible to disclose the exchange profit/loss of each foreign currency with significant effect.

XXXIV. Note disclosures

(I) Information of material transactions:

1. Funds loaned to others. (Table 1)
2. Endorsements/guarantees to others. (Table 2)
3. Securities held at end of period (excluding those controlled by investee subsidiaries and associates). (Table 3)
4. Cumulative amount of purchase or sale of the same securities equaling or exceeding NTD300 million or 20% of the paid-up capital. (None)
5. Amount of acquisition of real property equaling or exceeding NTD300 million or 20% of the paid-up capital. (None)
6. Amount of disposal of real property equaling or exceeding NTD300 million or 20% of the paid-up capital. (None)
7. Amount of purchase/sale of goods from/to related parties equaling or exceeding NTD100 million or 20% of the paid-up capital. (Table 4)
8. Payments receivable from related parties equaling or exceeding NTD100 million or 20% of the paid-up capital. (Table 5)
9. Transactions of derivative instruments. (Note 7)
10. Others: The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries. (Table 8)

(II) Information of investee companies (Table 6)

(III) Information of investments in Mainland China:

1. The names, scope of primary business and amounts of paid-in capital of the investee companies in Mainland China, the methods of investment, funds remitted inwardly and outwardly, shareholdings, profits/losses of current period and investment profits/losses recognized, the carrying amounts of investment at end of period, remitted investment profits/losses, and limits on the amount of investments in Mainland China. (Table 7)

The following material transactions with the investee companies in Mainland China directly or indirectly through a third area, and the prices, payment terms and unrealized profits/losses of such transactions:

(1) The amount and percentage of purchases, and the ending balance and percentage of the relevant payments payable. (Table 9)

(2) The amount and percentage of sales, and the ending balance and percentage of the relevant payments receivable. (Table 9)

(3) The amount of property transactions and the resulting amount of profits or losses. (None)

(4) The ending balance and purposes of note endorsements/guarantees or collateral provided. (Table 2)

(5) The maximum balance, ending balance, interest rate range and total current interest for financing of funds. (Table 1)

(6) Other transactions with material effect on current profits or losses or on the financial conditions, such as the rendering or receiving of services. (None)

(IV) Information of major shareholders: The names of shareholders with a shareholding of no less than 5%, and the number and percentage of shares held by each of them. (Table 10)

XXXV. Segment information

(I) Description of the operating segment

Information provided to the chief operating decision-maker for allocating resources and evaluating segment performance focuses on the operating management model of the managing body, with the primary functions of the operational headquarters, the departments for production and sales of medical devices and the department for server chassis as its basis of identification. The following are the reportable segments of the consolidated company:

Operational headquarters – Mainly HEC, where the primary functions are performed by the business, administrative, manufacturing and R&D departments.

Manufacturing – Mainly the subsidiaries of the consolidated company in Mainland China, including WCX, WSE, WSF, DWC, WJA and WCF, where the primary functions include production, manufacturing and R&D.

Channels – Mainly the subsidiaries of the domestic and foreign sales channels of the consolidated company, including FCC, WYT, JCC, UCC and KCC, where the primary functions include marketing and sales.

Department for medical devices – Mainly OPT and the subsidiaries of the consolidated company, where the primary functions include the manufacturing, sales and purchase of medical devices and equipment.

Department for server chassis – Mainly LFE and the subsidiaries of the consolidated company, where the primary functions include the manufacturing, sales and purchase of server chassis.

Other – Mainly other holding or trading companies of the consolidated company, including GVG, WII, GSG, HIT, GPH and GTH, where the primary functions include shareholdings in investee companies, order management and funding management.

(II) Segment revenues and operating results

The following is an analysis of the revenues and operating results of the consolidated company by reportable segment:

	Operational headquarters	Manufacturing	Channels	Department for medical devices	Department for server chassis	Others	Adjustment and write-off	Amount after adjustment
2023								
Segment revenue from customers other than the company	$ 6,254,258	$ 94,182	$ 477,466	$ 370,942	$ 937,885	$ -	$ -	$ 8,134,733
Segment revenue from other segments in the company	168,245	6,431,533	19,193	186,094	4,500,047	-	(11,305,112)	-
Total revenue	$ 6,422,503	$ 6,525,715	$ 496,659	$ 557,036	$ 5,437,932	$ -	($11,305,112)	$ 8,134,733
Segment profit/loss	$ 274,433	$ 208,224	($ 6,478)	$ 1,132	$ 358,088	($ 11,811)	$ 24,252	$ 847,840
Interest income								66,390
Other incomes								67,287
Other profits and losses								(22,543)
Financial cost								(24,202)
Share of profits/losses of associates accounted for using the equity method								(854)
Pre-tax net profit								$ 933,918
2022								
Segment revenue from customers other than the company	$ 3,898,227	$ 85,850	$ 523,374	$ 345,441	$ 1,522,550	$ -	$ -	$ 6,375,442
Segment revenue from other segments in the company	234,734	3,279,278	83,257	110,854	2,762,062	-	(6,470,185)	-
Total revenue	$ 4,132,961	$ 3,365,128	$ 606,631	$ 456,295	$ 4,284,612	$ -	($ 6,470,185)	$ 6,375,442
Segment profit/loss	$ 111,487	$ 71,908	($ 75,485)	($ 9,812)	$ 334,125	($ 41,529)	$ 89,757	$ 480,451
Interest income								24,479
Other incomes								68,790
Other profits and losses								92,348
Financial cost								(22,233)
Share of profits/losses of associates accounted for using the equity method								(3,372)
Pre-tax net profit								$ 640,463

Segment profit means the profit earned by each segment. The consolidated company has not allocated non-operating revenues and expenses (including interest income and expense, profit on disposal of investments and exchange profit/loss) and income tax expense to the reportable segments. The measured amount is provided to the chief operating decision-maker for allocating resources to a segment and evaluating its performance.

The chief operating decision-maker of the consolidated company makes a decision based on the operating result of each segment and does not evaluate the information of classified assets and liabilities for the performance of different business activities. Therefore, only the operating results of the reportable segments are presented.

(III) Information by region

The consolidated company mainly operates in three regions – Asia, Europe and

Americas.

The following is the information of the consolidated company’s revenue from the operations of external customers, listed by the region of external customers, and non-current assets, listed by the region where the consolidated company operates:

	Revenues from external customers		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Asia	$ 5,449,067	$ 4,504,464	$ 1,374,493	$ 1,595,829
Americas	2,185,322	465,893	11,873	18,307
Europe	456,507	1,375,954	-	-
Others	43,837	29,131	-	-
	$ 8,134,733	$ 6,375,442	$ 1,386,366	$ 1,614,136

Non-current assets do not include investments accounted for using the equity method, goodwill and those classified as financial assets, deferred income tax assets and net defined benefit assets.

(IV) Information of major customers

The following are details of the consolidated company whose respective sales revenue accounts for no less than 10% of the net sales revenue in the statement of consolidated income:

	2023		2022	
	Amount	%	Amount	%
Group A	$ 2,939,195	36	$ 1,500,388	24

Appendix 2 Parent-only financial report audited and certified by CPAs in the most recent year

CPA's Audit Report

To Compucase Enterprise Co., Ltd.:

Audit opinions

We have audited the accompanying standalone financial statements of Compucase Enterprise Co., Ltd. (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2023 and 2022, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we

do not provide a separate opinion on these matters.
Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2023 are stated as follows:

Truthfulness of the recognition of revenues from certain customers

The main sources of revenues for the Corporation are revenues from the sales of computer chassis and power supplies. Due to significant growth in sales revenue from specific customers in the fiscal year 2023 compared to 2022, there was also a discrepancy between the average collection days and the credit days provided, Therefore, in accordance with the requirement of the Statement of Auditing Standards that revenues be presumed as a significant risk, we have deemed the truthfulness of the recognition of the sales revenues from those certain customers to be a key audit matter.

The main audit procedures conducted by us include:

I. Understanding and sample testing of the effectiveness of the design and implementation of internal controls related to the recognition of revenues.
II. Sampling in the statements of sales revenues from certain customers and reviewing shipment certificates to confirm if such revenues have actually occurred.
III. Reviewing samples of payment receipts to check if the payers match the purchasers.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Corporation's financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the standalone financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.
Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Deloitte Taiwan

CPA Wang Teng-Wei	CPA Li Chi-Chen
No. of Approval Document from the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No. 1100356048	No. of Approval Document from the Securities and Futures Commission Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 14, 2024

Compucase Enterprise Co., Ltd. and Subsidiaries

Standalone Balance Sheet
Unit: NTD thousand

Code	Asset	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 544,906	8	$ 634,160	10
1136	Financial assets measured at amortized cost – current (Notes 4 and 28)	39,917	1	-	-
1170	Accounts receivable (Notes 4 and 7)	1,799,947	27	1,250,156	21
1180	Accounts receivable – related parties (Notes 4, 7 and 27)	59,062	1	49,005	1
1200	Other receivables (Notes 4)	24,584	-	24,743	-
1210	Other receivables – related parties (Notes 4, 9 and 27)	19,990	-	176,162	3
130X	Inventory (Notes 4 and 8)	262,891	4	220,211	4
1410	Prepayments	3,152	-	3,276	-
1479	Other current assets	4,741	-	3,351	-
11XX	Total current assets	2,759,190	41	2,361,064	39
	Non-current assets				
1550	Investment under the equity method (Notes 4 and 9)	3,707,730	55	3,384,113	56
1600	Property, plant and equipment (Notes 4 and 10)	213,274	3	204,870	4
1755	Right-of-use assets (Notes 4 and 11)	982	-	1,963	-
1760	Net investment property (Notes 4, 12 and 28)	53,018	1	53,741	1
1780	Intangible assets (Notes 4 and 13)	4,914	-	3,437	-
1840	Deferred income tax assets (Notes 4 and 22)	7,034	-	7,260	-
1915	Prepayments for equipment	4,027	-	17,688	-
1920	Deposits paid (Note 4)	1,303	-	1,303	-
15XX	Total non-current assets	3,992,282	59	3,674,375	61
1XXX	Total assets	$ 6,751,472	100	$ 6,035,439	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Notes 14 and 28)	$ 1,198,500	18	$ 1,608,000	27
2130	Contract liabilities – current (Note 20)	35,889	-	39,666	1
2170	Accounts payable (Note 15)	123,673	2	94,050	1
2180	Accounts payable – related parties (Notes 15 and 27)	1,799,320	27	1,126,278	19
2219	Other payables (Note 16)	191,383	3	125,324	2
2220	Other payables – related parties (Note 27)	310,054	5	360,942	6
2230	Current income tax liabilities (Notes 4 and 22)	75,669	1	36,752	-
2250	Liability provision – current (Notes 4 and 17)	12,569	-	5,959	-
2280	Lease liabilities – current (Notes 4 and 11)	1,102	-	1,039	-
2399	Other current liabilities	7,619	-	2,785	-
21XX	Total current liabilities	3,755,778	56	3,400,795	56
	Non-current liabilities				
2580	Lease liabilities – non-current (Notes 4 and 11)	-	-	1,102	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 18)	6,570	-	7,791	-
2645	Deposits received	491	-	479	-
25XX	Total non-current liabilities	7,061	-	9,372	-
2XXX	Total liabilities	3,762,839	56	3,410,167	56
	Equity (Notes 4 and 19)				
3100	Share capital	1,132,856	17	1,132,856	19
3200	Capital reserves	441,767	6	425,456	7
	Retained earnings				
3310	Legal reserves	498,004	7	462,810	8
3320	Special reserves	254,240	4	325,826	5
3350	Undistributed earnings	1,007,323	15	591,666	10
3300	Total retained earnings	1,759,567	26	1,380,302	23
3400	Other equity	(316,025)	(5)	(254,240)	(4)
3500	Treasury stocks	(29,532)	-	(59,102)	(1)
3XXX	Total equity	2,988,633	44	2,625,272	44
	Total liabilities and equity	$ 6,751,472	100	$ 6,035,439	100

The notes attached hereto constitute part of this standalone financial report.

Chairman: Ko Chi-Yuan   President: Wang Chun-Tung   Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. and Subsidiaries

Standalone Statement of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023 Amount	2023 %	2022 Amount	2022 %
4100	Operating revenue (Notes 4, 20 and 27)	$ 6,422,503	100	$ 4,132,961	100
5110	Operating cost (Notes 8, 21 and 27)	5,669,887	88	3,699,487	89
5900	Gross operating profit	752,616	12	433,474	11
5910	Unrealized profits with subsidiaries	(459)	-	(2,354)	-
5920	Realized profits with subsidiaries	2,354	-	9,858	-
5950	Realized gross operating profit	754,511	12	440,978	11
	Operating expense (Notes 7, 21 and 27)				
6100	Marketing expense	312,328	5	201,412	5
6200	Management expense	101,682	2	75,268	2
6300	R&D expense	65,132	1	50,232	1
6450	Expected credit Impairment loss	935	-	2,579	-
6000	Total operating expenses	480,077	8	329,491	8
6900	Net operating profit	274,434	4	111,487	3
	Non-operating revenues, expenses and losses (Notes 4, 9, 21 and 27)				
7100	Interest income	28,980	-	5,202	-
7010	Other incomes	47,283	1	44,096	1
7020	Other profits and losses	6,503	-	36,126	1
7050	Financial cost	(22,856)	-	(19,913)	(1)
7070	Share of interests of subsidiaries accounted for using the equity method	350,889	5	228,463	6
7000	Total non-operating revenues and expenses	410,799	6	293,974	7
7900	Pre-tax net profit	685,233	10	405,461	10
7950	Income tax expenses (Notes 4 and 22)	79,376	1	36,685	1
8200	Net profit in the current year	605,857	9	$ 368,776	9

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income (Notes 4, 18, 19 and 22)				
	Items not reclassified as profit or loss				
8311	Remeasurement of defined benefits plans	($ 111)	-	$ 414	-
8330	Share of other comprehensive income of subsidiaries accounted for using the equity method	68	-	646	-
8349	Income tax related to items not reclassified	22	-	(83)	-
8310		(21)	-	977	-
	Items likely to be subsequently reclassified as profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations	(40,156)	(1)	55,623	1
8380	Share of other comprehensive income of subsidiaries accounted for using the equity method	(21,629)	-	15,963	1
8360		(61,785)	(1)	71,586	2
8300	Other comprehensive income (net after-tax) in the current year	(61,806)	(1)	72,563	2
8500	Total comprehensive income in the current year	$ 544,051	8	$ 441,339	11
	EPS (Note 23)				
9750	Basic	$ 5.41		$ 3.28	
9850	Diluted	5.36		3.24	

The notes attached hereto constitute part of this standalone financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. and Subsidiaries

Standalone Statement of Changes in Equity
Unit: NTD thousand

				Retained earnings			Other equity				
		Share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit/loss on financial assets measured at fair value through other comprehensive income	Total	Treasury stocks	Total equity
A1	January 1, 2022	$ 1,132,856	$ 425,456	$ 433,734	$ 302,988	$ 518,213	($ 260,422)	($ 65,404)	($ 325,826)	$ -	$ 2,487,421
	Appropriations of earnings (Note 19)										
B1	Legal reserve	-	-	29,076	-	(29,076)	-	-	-	-	-
B3	Special reserve	-	-	-	22,838	(22,838)	-	-	-	-	-
B5	Cash dividends to stockholders -NT$2 per share	-	-	-	-	(226,571)	-	-	-	-	(226,571)
D1	Net Income	-	-	-	-	368,776	-	-	-	-	368,776
D3	Other comprehensive income, net of income tax	-	-	-	-	977	71,586	-	71,586	-	72,563
D5	Total comprehensive income	-	-	-	-	369,753	71,586	-	71,586	-	441,339
M5	Actual acquired partial equity of subsidiaries (Note 9)	-	-	-	-	(17,815)	-	-	-	-	(17,815)
L1	Purchase of treasury stocks (Note 19)	-	-	-	-	-	-	-	-	(59,102)	(59,102)
Z1	Balance on December 31, 2022	1,132,856	425,456	462,810	325,826	591,666	(188,836)	(65,404)	(254,240)	(59,102)	2,625,272
	Appropriations of earnings (Note 19)										
B1	Legal reserve	-	-	35,194	-	(35,194)	-	-	-	-	-
B3	Special reserve	-	-	-	(71,586)	71,586	-	-	-	-	-
B5	Cash dividends to stockholders -NT$2.03 per share	-	-	-	-	(226,571)	-	-	-	-	(226,571)
D1	Net Income	-	-	-	-	605,857	-	-	-	-	605,857
D3	Other comprehensive income, net of income tax	-	-	-	-	(21)	(61,785)	-	(61,785)	-	(61,806)
D5	Total comprehensive income	-	-	-	-	605,836	(61,785)	-	(61,785)	-	544,051
N1	Share-based payment (Note 24)	-	16,311	-	-	-	-	-	-	29,570	45,881
Z1	December 31, 2023	$ 1,132,856	$ 441,767	$ 498,004	$ 254,240	$ 1,007,323	($ 250,621)	($ 65,404)	($ 316,025)	($ 29,532)	$ 2,988,633

The notes attached hereto constitute part of this standalone financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd. and Subsidiaries

Standalone Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flow from operating activities		
A10000	Pre-tax net profit in the current year	$ 685,233	$ 405,461
A20000	Profits, expenses and losses:		
A20100	Depreciation expense	25,638	20,057
A20200	Amortization expense	1,019	1,314
A20300	Profit on reversal of expected credit impairment loss	935	2,579
A20900	Financial cost	22,856	19,913
A21200	Interest income	(28,980)	(5,202)
A21900	Share-based payments	16,603	189
A22400	Share of losses(profit) of associates accounted for using the equity method	(350,889)	(228,463)
A22500	Gain on disposal of property, plant and equipment	(46)	-
A23200	Loss on disposal of associates accounted for using the equity method	1,217	-
A23900	Unrealized profits with subsidiaries	459	2,354
A24000	Realized profits with subsidiaries	(2,354)	(9,858)
A29900	Others	6,701	355
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(550,726)	88,394
A31160	Accounts receivable – related parties	(10,057)	38,025
A31180	Other receivables	389	(5,977)
A31190	Other receivables – related parties	3,212	1,828
A31200	Inventory	(42,963)	215,925
A31230	Prepayments	(1,010)	1,609
A31240	Other current assets	(1,390)	9,076
A32125	Contract liabilities	(3,777)	(7,244)
A32150	Accounts payable	29,623	(115,685)
A32160	Accounts payable – related parties	673,042	52,047
A32180	Other payables	69,876	(2,810)
A32190	Other payables – related parties	(365)	(3,508)
A32200	Liability provision – current	-	1,620
A32230	Other current liabilities	5,026	(1,335)
A32240	Net defined benefit liabilities	(1,332)	-
A33000	Cash generated from operations	547,940	480,664
A33100	Interest received	28,750	5,713
A33300	Interest paid	(23,377)	(19,157)
A33500	Income tax paid	(40,211)	(20,049)
AAAA	Net cash inflow from operating activities	513,102	447,171

Code		2023	2022
	Cash flow from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	($ 39,917)	$ -
B01900	Disposal of Investment under the equity method	3,025	-
B02700	Acquisition of property, plant and equipment	(19,441)	(1,576)
B02800	Proceeds from disposal of property, plant and equipment	46	-
B03700	Increase in refundable deposits	-	(160)
B03800	Decrease in refundable deposits	-	339
B04400	Decrease in other receivables – related parties	-	51,050
B04500	Acquisition of intangible assets	(147)	(680)
B07100	Increase in prepayments for equipment	(3,855)	(37,561)
B07600	Dividends received	115,965	87,589
BBBB	Net cash inflows from investing activities	55,676	99,001
	Cash flows from (used in) financing activities		
C00100	Increase in short-term loans	3,639,500	8,750,030
C00200	Decrease in short-term loans	(4,049,000)	(8,807,030)
C00500	Increase in short-term notes payable	280,000	92,027
C00600	Decrease in short-term notes payable	(280,000)	(152,004)
C03000	Increase in guarantee deposits received	12	133
C03700	Increase in other payables – related parties	90,000	18,605
C03800	Decrease in other payables – related parties	(140,523)	(60,896)
C04020	Repayment of principal of lease	(931)	(978)
C04500	Distribution of cash dividends	(226,571)	(226,571)
C04900	Cost of repurchase of treasury stocks	-	(59,102)
C05100	Treasury shares sold to employees	29,481	-
CCCC	Net cash flows from (used in) financing activities	(658,032)	(445,786)
EEEE	Increase (Decrease) in cash and cash equivalents in the current year	(89,254)	100,386
E00100	Starting balance of cash and cash equivalents	634,160	533,774
E00200	Ending balance of cash and cash equivalents	$ 544,906	$ 634,160

The notes attached hereto constitute part of this standalone financial report.

Chairman: Wang Chun-Tung President: Wang Chun-Tung Accounting Manager: Chen Hui-Shan

Compucase Enterprise Co., Ltd.

Notes to Standalone Financial Statements
For the Years Ended December 31, 2023 and 2022
(All amounts are in NTD thousand unless otherwise specified)

I. History of HEC

Compucase Enterprise Co., Ltd. (hereinafter "HEC") was founded in February 1979. Originally named Compucase Enterprise Company, it changed to the current name in August 2000. The scope of its primary business includes the manufacturing, processing, sales, import and export of power supplies and the finished goods and components of computer products.

In April 2001, the stocks of HEC were approved for listing and trading at the Taipei Exchange. In August 2002, they were approved for transferring to the Taiwan Stock Exchange for listing and trading.

This standalone financial report is presented in NTD, our functional currency.

II. Date and procedures of approval of the financial report

This standalone financial report was approved by the Board of Directors on March 13, 2024.

III. Application of new and amended standards and interpretations

(IV) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Corporation and its subsidiaries' accounting policies.

(V) FSC-approved IFRSs applicable in 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB(Note1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods

beginning on or after their respective effective dates.

Note2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding disclosure requirements.

As of the date of approval and publication of this standalone financial report, the company has assessed that the amendments to the standards and interpretations above are unlikely to cause any significant effect on the financial condition and performance.

(VI) IFRSs published by the IASB which have not been approved and published by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB(Note1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 -Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in the equity.

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment completed.

IV. Summary of material accounting policies

(I) Statement of compliance

This standalone financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit assets recognized at the present value of defined benefit obligations less the fair value of plan assets, this standalone financial report has been prepared on the basis of historical cost.

For fair value measurements, the inputs are categorized into Level 1, 2, and 3 based on their observability and priority:

1. Level 1 inputs: Quoted prices in active markets for identical assets or liabilities accessible on the measurement date (unadjusted).
2. Level 2 inputs: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. deriving from the price).
3. Level 3 inputs: Unobservable inputs for the asset or liability.

In preparing this standalone financial report, we have adopted the equity method for investments in subsidiaries and associates. To ensure the profit/loss, other comprehensive income and equity for the current year in this standalone financial report are identical to the profit/loss, other comprehensive income and equity for the current year attributable to our owners in our consolidated financial report, the differences in accounting treatments on standalone and consolidated bases are presented as adjustments to "investments accounted for using the equity method," "share of profit/loss of subsidiaries and associates accounted for using the equity method," "share of other comprehensive income of subsidiaries and associates accounted for using the equity method" and other related items of equity.

(III) Criteria for classification of assets and liabilities as current and non-current

Current assets include:

1. assets held primarily for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash and cash equivalents (excluding those restricted to be used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held primarily for the purpose of trading;
2. liabilities maturing for settlement within 12 months after the balance sheet date; and
3. liabilities whose settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date.

Assets or liabilities other than those classified above as current are classified as non-current.

(VII) Foreign currency

In preparing this financial report, a transaction in a currency other than our functional currency (a foreign currency) has been recorded by translating that currency into our functional currency at the exchange rate on the date of the transaction.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss of the year in which they arise.

Foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction without being retranslated.

In preparing the standalone financial report, the assets and liabilities of foreign operations (including subsidiaries and associates whose countries of operation are different from those of HEC or which use currencies different from those used by HEC) are translated into NTD at the exchange rate on each balance sheet date. Profit, expense and loss items are translated at the average exchange rate in the current period, and the resulting exchange differences are recognized in other comprehensive income.

(VIII) Inventory

Inventories include goods, raw materials, work in process and finished goods. Inventories are measured at the lower of cost and net realizable value. Costs and net realizable values, except for inventories of the same category, are compared on an item-by-item basis. Net realizable value means the estimated selling price in the ordinary course of business, less the estimated cost necessary to complete the sale. The cost of inventories is calculated using the weighted average method.

(IX) Investments in subsidiaries

We use the equity method to account for investments in subsidiaries.

A subsidiary means an entity controlled by us.

Under the equity method, the investment in a subsidiary is initially recognized at cost, and the carrying amount is increased or decreased with our share of the profit or loss and other comprehensive income of and the profit distributed from the subsidiary after the date of acquisition. Additionally, changes in our share of other equity of a subsidiary are recognized in proportion to our shareholding.

Changes in our ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions. The difference between the carrying amount of an investment and the fair value of consideration paid or received is directly recognized in equity.

If our share of losses of a subsidiary equals to or exceeds our equity in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term equity de facto constituting part of our net investment in the subsidiary), we will continue to recognize losses in proportion to our shareholding.

In evaluating impairment, we consider the cash generating units in the financial report on an overall basis and compare their recoverable amounts with their carrying amounts. If the recoverable amount of an asset is increased subsequently, reversal of impairment losses is recognized in profit, provided that the carrying amount of the asset after reversal of impairment losses do not exceed the carrying amount of the asset less the amount accounted for in amortization, without recognition of impairment losses. Impairment losses attributable to goodwill should not be reversed in the subsequent period.

Unrealized profits or losses from downstream transactions between us and a subsidiary are eliminated in the standalone financial report. Profits or losses arising from upstream and side-stream transactions between us and a subsidiary are recognized in the standalone financial report only to the extent where such profits or losses do not involve our equity in the subsidiary.

(X) Property, plant and equipment

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

Each significant part of property, plant and equipment is separately accounted for in depreciation on a straight-line basis over its useful life. We review the estimated useful life, the residual value and the depreciation method at least at the end of each year and prospectively account for the effect of the application of changes in accounting estimates.

For derecognition of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in current profit/loss.

(XI) Investment property

Investment property means property held for earning rents or capital appreciation or for both purposes. It also includes land held for currently undetermined future use.

Private investment property is initially measured at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and impairment losses.

Investment property is accounted for in depreciation on a straight-line basis.

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

(IV) Intangible assets

1. Individual acquisition

   Any individually acquired intangible asset with a limited useful life is initially measured at cost and subsequently measured at cost less accumulated amortization. An intangible asset is amortized on a straight-line basis over its useful life. We review the estimated useful life, the residual value and the amortization method at least at the end of each year and prospectively account for the effect of the application of changes in accounting estimates.

2. Derecognition

   For derecognition of any intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit/loss of the current year.

(V) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

We assess whether there is any sign of possible impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets on each balance sheet date. If any such sign of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is not estimable, we estimate the recoverable amount of the cash generating unit of the asset.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit is decreased to its recoverable amount, with impairment losses recognized in profit/loss.

Where impairment losses are reversed subsequently, the carrying amount of the asset and cash generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (less amortization or depreciation) of the asset and cash generating unit determined under the assumption that impairment losses were not recognized in prior years. Reversal of impairment losses is recognized in profit or loss.

(VI) Financial instruments

Financial assets and liabilities are recognized in the standalone balance sheet when we become a party to the contractual provisions of the instrument.

For initial recognition of financial assets and liabilities, if financial assets or liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to acquisition or issuance of financial assets or liabilities. Transaction costs directly attributable to acquisition or issuance of financial assets or liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(1) Types of measurement

We hold the following types of financial assets: Financial assets measured at amortized cost.

<u>Financial assets measured at amortized cost</u>

If our investments in financial assets meet the following two criteria, they are classified as financial assets measured at amortized cost:

A. Such investments are held under an operating model with the purpose of holding financial assets to receive contractual cash flows; and

B. the cash flows generated by contractual provisions on specified dates are solely for the purpose of paying principal and interest on outstanding principal.

On initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost (including related parties), other receivables (including related parties) and guarantee deposits paid) are measured at the total carrying amount determined using the effective interest method less the amortized cost of any impairment loss, and any profit or loss on foreign currency exchange is recognized in profit/loss.

Interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets, except under the following two circumstances:

A. For any credit-impaired financial assets purchased or originated, the interest income is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.

B. For any financial assets which are not credit-impaired on purchase or origination but subsequently become credit-impaired, the interest income is calculated as the effective interest rate multiplied by the amortized cost of the financial assets in the reporting period after such credit impairment.

A credit-impaired financial asset means that the issuer or debtor has incurred significant financial difficulties or defaulted, that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid term deposits and bonds with conditions for repurchase that are readily convertible to known amounts of cash with an insignificant risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

We assess the impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.

A loss allowance on accounts receivable is recognized at full lifetime expected credit losses. For other financial assets, we first assess whether the credit risk has significantly increased after initial recognition. In the absence of such significant increase, the loss allowance is recognized at the 12-month expected credit losses. Where there is such significant increase, the loss allowance is recognized at full lifetime expected credit losses.

Expected credit losses are weighted average credit losses with the risks of a default occurring as the weightings. The 12-month expected credit losses represent the expected credit losses on a financial instrument resulting from possible default events within 12 months after the reporting date. Full lifetime expected credit losses represent the expected credit losses on a financial instrument from all possible default events over the life of the financial instrument.

For the purpose of internal credit risk management, we determine that a default has occurred on financial assets under any of the following circumstances without considering the collateral we hold:

A. Any internal or external information has indicated the debtor is unable to pay off debts.

B. The age of accounts has exceeded 365 days, unless any reasonable and provable information indicates that a deferred criteria for default is more appropriate.

Impairment losses on all financial assets are accounted for by decreasing their carrying amounts through allowance accounts.

(3) Derecognition of financial assets

We derecognize a financial asset only when the contractual rights on cash flows from the asset become invalid, or when the asset has been transferred and substantially all of the risks and returns of ownership of the asset have been transferred to other companies.

For derecognition of a financial asset measured at amortized cost in its entirety, the difference between its carrying amount and the consideration received is recognized in profit/loss.

2. Equity instruments

Equity instruments issued by HEC are recognized at the amount of the proceeds acquired less the cost of direct issuance.

The reacquisition of our own equity instruments is recognized in and deducted from equity, with its carrying amount calculated at weighted average by share type. The purchase, sale, issuance or cancellation of our own equity instruments is not recognized in profit/loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

For derecognition of a financial liability, the difference between its carrying amount and the consideration paid (including any non-cash asset transferred or any liability assumed) is recognized in profit/loss.

(VII) Liability provision

An amount recognized as liability provision is an optimal estimate of expenses required for the settlement obligations on the balance sheet date, taking into account the risk and uncertainty of the obligations. A liability provision is measured at the estimated discounted value of cash flows of settlement obligations.

The obligation to warrant that products conform with the agreed specifications is recognized upon recognition of the revenue from relevant goods based on an optimal estimate by the management of expenses required for the obligation of settlement of HEC.

(VIII) Recognition of revenue

Once we have identified the performance obligations in the contract with a customer, we allocate the transaction price to each performance obligation and recognize revenue after satisfying each performance obligation.

The revenue from sales of goods is generated through the sales of computer chassis, power supplies and associated computer peripherals. At the time of fulfillment of the trading terms for products, the customer already possesses the right to price and use the goods, assumes the primary responsibility to resell them, and bears the risk of the goods being out-of-date. Therefore, we recognize revenue and accounts receivable at that point in time, while payments received in advance for sales of goods are recognized as contract liabilities.

In the case of exporting materials for processing, control over the ownership of processed goods is not transferred, and revenue is not recognized at the time of export.

(IX) Leases

We assess whether a contract is (or contains) a lease on the date of conclusion of the contract.

1. We are the lessor

   A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership of the asset to the lessee. All other leases are classified as operating leases.

   Under an operating lease, lease payments less the lease incentives are recognized in profit on a straight-line basis over the relevant lease term.

2. We are the lessee

Except that the lease payments for leases of low-value underlying assets and short-term leases to which the recognition exemption applies are recognized in expense on a straight-line basis over the lease term, other leases are recognized in right-of-use assets and lease liabilities on the lease commencement date.

Right-of-use assets are initially measured at cost (at the initially measured amount of lease liabilities) and subsequently measured at cost less accumulated depreciation, with adjusted remeasurement of lease liabilities. Right-of-use assets are separately presented in the balance sheet.

Right-of-use assets are accounted for in depreciation on a straight-line basis over the period from the lease commencement date to the earlier of the date of expiration of the useful life or the lease term.

Lease liabilities are initially measured at the present value of lease payments (fixed payments). If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. Where such interest rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expenses are amortized over the lease term. Lease liabilities are separately presented in the balance sheet.

(X) Loan cost

A loan cost is recognized as profit/loss in the period of occurrence.

(XI) Employee benefits

1. Short-term employee benefits

   Liabilities related to short-term employee benefits are measured at the undiscounted amount expected to be paid for services rendered by employees.

2. Post-employment benefits

   Under a defined contribution plan, pensions are recognized in expense as the amount of pension contribution payable during the period when services are rendered by employees.

   Under a defined benefit plan, defined benefit costs (including servicing costs, net interest and remeasurement) are calculated actuarially using the projected unit credit method. The current service cost and net interest on net defined benefit liabilities are recognized as employee benefit expenses at the time of their occurrence. Remeasurement (including actuarial profit/loss and return on plan assets less interest) is recognized as other comprehensive income and in retained earnings at occurrence, and is not subsequently reclassified as profit/loss.

Net defined benefit liabilities are a deficit in the contribution to a defined benefit plan.

(XII) Share-based Payment Agreement

Employees' stock options are recognized in expenses on a straight-line basis over the vesting period based on the fair value of equity instruments on the grant date and the optimal estimated amount expected to vest, with an adjustment to capital reserves/non-controlling interests at the same time. For the transfer of treasury stocks to any employee by HEC, the grant date is the date when the number of shares purchased by the employee is confirmed.

(XIII) Income tax

Income tax expense is the total of current income tax and deferred income tax.

1. Current income tax

   We determine the current income (loss) in accordance with the Income Tax Act of the Republic of China (Taiwan) to calculate the income tax payable (recoverable).

   The additional income tax levied on undistributed earnings calculated in accordance with the Income Tax Act of the Republic of China (Taiwan) is recognized in the year when the related resolution is adopted by a shareholders' meeting.

   Adjustments to income taxes payable in prior years are recognized in current income tax.

2. Deferred income tax

   Deferred income tax is calculated as the temporary difference between the carrying amounts of assets and liabilities recorded in the account and the tax base for calculation of taxable income.

   Deferred income tax liabilities are generally recognized in respect of all taxable temporary differences. Deferred income tax assets are recognized when it is probable that taxable income will be available for offsetting income tax arising from deductible temporary differences and offsetting of losses.

Taxable temporary differences associated with investments in subsidiaries are recognized as deferred income tax liabilities, unless we are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets for deductible temporary differences associated with such investments are recognized only to the extent where it is probable that sufficient taxable income will be available to realize the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent where it is no longer probable that sufficient taxable income will be available to allow the recovery all or part of the assets. Those that are not initially recognized as deferred income tax assets are also reviewed on each balance sheet date and increased to the extent where it is probable that sufficient taxable income will be available in the future to allow the recovery all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period when the liabilities or assets are expected to be settled or realized. The tax rate is based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax liabilities and assets are measured to reflect our tax consequences on the balance sheet date arising from the methods that are expected to be used to recover or settle the carrying amount of the assets and liabilities.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, except for those related to items recognized in other comprehensive income or directly in equity, which are recognized separately in other comprehensive income separately or directly in equity.

V. Main sources of uncertainty of material accounting judgments, estimates and assumptions

In adopting accounting policies, the management must make judgments, estimates and assumptions in respect of information that is not readily available from other sources based on historical experience and other relevant factors. The actual results could differ from the estimates.

We have taken the possible effects of the Russia–Ukraine war and relevant international sanctions on the economic environment into the consideration of material accounting estimates, including cash flow estimation, growth rate, discount rate and profitability. Its management will continue to review the estimates and basic assumptions. If a correction of the estimates affects only the current period, it is recognized in the period when it is made. If a correction of the estimates affects both the current and future periods, it is recognized in the period when it is made and in the future period.

Main source of uncertainty of estimates and assumptions – income tax

As of December 31, 2023 and 2022, the effects of income tax of taxable temporary differences relating to investments in subsidiaries without recognition of deferred income tax liabilities amounted to NTD397,208 thousand and NTD364,121 thousand respectively. With expected remittance of earnings in the future, reversal of taxable temporary differences and recognition of material deferred income tax liabilities are likely to occur with their recognition as income tax expenses over the period of occurrence.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	$ 150	$ 150
Bank checks and demand deposits	345,756	618,655
Cash equivalents		
Time deposits at banks with an original date of maturity within 3 months	-	15,355
Bonds with conditions for repurchase	199,000	-
	$ 544,906	$ 634,160

The following are the interest rate ranges of cash equivalents on the balance sheet date:

	December 31, 2023	December 31, 2022
Time deposits at banks with an original date of maturity within 3 months	-	4.1%
Bonds with conditions for repurchase	1.15%	-

VII. Accounts receivable (including related parties)

	112 年 12 月 31 日	111 年 12 月 31 日
Measured at amortized cost		
Total carrying amount	$ 1,864,170	$ 1,304,285
Less: Loss allowance	5,161	5,124
	$ 1,859,009	$ 1,299,161

Our average loan period for sales of goods is 1 to 4 months, with zero accrued on accounts receivable. In order to mitigate credit risk, our management has designated special teams for determination of credit lines, approval of loans and other monitoring procedures to ensure that appropriate actions are taken to recover overdue payments receivable. Furthermore, we review the recoverable amounts of payments receivable separately on the balance sheet date to ensure that irrecoverable payments receivable have been accounted for in appropriate impairment losses. Accordingly, our management considers that its credit risks have reduced significantly.

We recognize the loss allowance for accounts receivable based on the full lifetime expected credit losses. The full lifetime expected credit losses are calculated using a provision matrix with consideration of the default history and current financial condition of a customer and the economic trend of the industry. Since our historical experience in credit losses has shown no significant difference in the types of loss between distinct customer bases, we have made no further distinction between the customer bases and have only set the expected credit loss rate based on the number of days of accounting of accounts receivable.

If there is any evidence indicating that the counterparty is faced with severe financial difficulties and that we are not able to reasonably expect any recoverable amount, e.g. the counterparty is undergoing liquidation, we directly write off the relevant accounts receivable, and we will continue to pursue recourse actions. All amounts recovered through recourse are recognized in profit/loss.

Our loss allowances for accounts receivable (including related parties) measured using the provision matrix are as follows:

December 31, 2023

	0 to 90 days	91 to 180 days	181 to 365 days	366 or more days	Total
Credit loss rate	0%～0.14%	0%～1%	15%	100%	
Total carrying amount	$ 1,470,644	$ 344,097	$ 49,157	$ 272	$ 1,864,170
Loss allowance (full lifetime expected credit losses)	(2,027)	(1,237)	(1,625)	(272)	(5,161)
Amortized cost	$ 1,468,617	$ 342,860	$ 47,532	$ -	$ 1,859,009

December 31, 2022

	0 to 90 days	91 to 180 days	181 to 365 days	366 or more days	Total
Credit loss rate	0%～0.09%	0%～0.48%	64%	100%	
Total carrying amount	$ 1,081,741	$ 219,784	$ 2,257	$ 503	$ 1,304,285
Loss allowance (full lifetime expected credit losses)	(960)	(2,214)	(1,447)	(503)	(5,124)
Amortized cost	$ 1,080,781	$ 217,570	$ 810	$ -	$ 1,299,161

The information of changes in loss allowance for accounts receivable (including related parties) is as follows:

	2023	2022
Starting balance	$ 5,124	$ 2,545
Accounted for in the current year	935	2,579
Written off in the current year	(898)	-
Ending balance	$ 5,161	$ 5,124

VIII. Inventory

	112 年 12 月 31 日	111 年 12 月 31 日
Goods	$ 46,492	$ 70,766
Finished goods	103,038	66,330
Work in process	1,916	4,823
Raw materials	111,445	78,292
	$ 262,891	$ 220,211

Our inventory-related sales costs in 2023 and 2022 were, respectively, NTD5,669,887 thousand and NTD3,699,487 thousand, and our sales costs in 2023 and 2022 included losses of inventory depreciation amounted to NTD283 thousand and NTD355 thousand respectively.

IX. Investments accounted for using the equity method

Investments in subsidiaries

	December 31, 2023	December 31, 2022
Wei Shun Int'l Investments Co., Ltd. (WII)	$ 1,312,931	$ 1,213,626
Great Success Group Ltd. (GSG)	872,947	633,553
Grand Victory Group Ltd. (GVG)	-	1,433
Heroichi International Trading Co., Limited (HIT)	-	1,549
Power Master Co., Ltd. (FCC)	5,644	5,062
Compucase Corporation (UCC)	5,618	23,695
Compucase Japan Co., Ltd. (JCC)	66,767	69,265
Cougar Korea Co., Ltd.（KCC）（Note）	158	198
Loyalty Founder Enterprise Co., Ltd. (LFE)	1,217,457	1,203,453
OPT	226,208	232,279
	$ 3,707,730	$ 3,384,113

	Percentage of ownership equity and voting rights (%)	
	December 31, 2023	December 31, 2022
WII	100	100

GSG（Note 1）	100	100
GVG（Note 2）	-	100
HIT（Note 3）	-	100
FCC	60	60
UCC	100	100
JCC	100	100
KCC（Note 4）	100	100
LFE	50.62	50.62
OPT	59.49	59.49

Note1：In 2022, the company's board of directors resolved that its subsidiary, GSG, would undergo a cash capital reduction of USD 5 million. By the end of 2022, the amount to be refunded from the reduction was still outstanding and recorded as other receivables - related parties. However, in June 2023, the company's board of directors subsequently decided to cancel this capital reduction plan.

Note2：GVG has completed the liquidation procedure in February 2023。

Note3：HIT has completed the liquidation procedure in December 2023。

Note4：In June 2022, we acquired a shareholding of 49% from a non-related party. The acquisition was deemed an equity transaction to offset against undistributed earnings of NTD17,815 thousand.

For details of the investee subsidiaries directly and indirectly owned by HEC, see Tables 6 and 7.

X. Property, plant and equipment

For the statement of changes in property, plant and equipment, see Table 10.

The depreciation expense is accounted for on a straight-line basis over the following useful lives:

Premises and buildings	
Main factory buildings	25 to 55 years
Mechanical, electrical and power equipment	10 to 20 years
Engineering system	15 to 20 years
Others	5 years
Machine/Equipment	3 to 19 years
Transport equipment	5 years
Office equipment	5 to 18 years
Other equipment	2 to 15 years

XI. Lease agreement

(I) Right-of-use assets

	Land
Cost	
Balances on January 1 and December 31, 2023	$ 4,908
Accumulated depreciation	
Balance on January 1, 2023	$ 2,945
Depreciation expense	981
Balance on December 31, 2023	$ 3,926
Net amount on December 31, 2023	$ 982
Cost	
Balances on January 1 and December 31, 2022	$ 4,908
Accumulated depreciation	
Balance on January 1, 2022	$ 1,963
Depreciation expense	982
Balance on December 31, 2022	$ 2,945
Net amount on December 31, 2022	$ 1,963

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$ 1,102	$ 1,039
Non-current	$ -	$ 1,102

The discount rate ranges for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Land	1.04%	1.04%

(III) Material lease activities and terms

We have rented land for warehousing and parking purposes with a lease term of 5 years expiring in December 2024.

(IV) Other lease information

	2023	2022
Expenses of short-term and low-value leases	$ 1,192	$ 1,205
Total cash outflow from lease	$ 2,140	$ 2,211

Our company has chosen to apply the recognition exemption for leases that qualify as short-term leases and leases of low-value assets,and do not recognize right-of-use assets and lease liabilities relevant to such leases.

XII. Investment property

	Land	Premises and buildings	Total
Cost			
Balances on January 1 and December 31, 2023	$ 53,018	$ 50,774	$ 103,792
Accumulated depreciation and impairment			
Balance on January 1, 2023	$ -	$ 50,051	$ 50,051
Depreciation expense	-	723	723
Balance on December 31, 2023	$ -	$ 50,774	$ 50,774
Net amount on December 31, 2023	$ 53,018	$ -	$ 53,018
Cost			
Balances on January 1 and December 31, 2022	$ 53,018	$ 50,774	$ 103,792
Accumulated depreciation and impairment			
Balance on January 1, 2022	$ -	$ 49,144	$ 49,144
Depreciation expense	-	907	907
Balance on December 31, 2022	$ -	$ 50,051	$ 50,051
Net amount on December 31, 2022	$ 53,018	$ 723	$ 53,741

The premises and buildings of investment property were depreciated on the straight-line basis over a 55-year useful life.

Based on the valuations conducted by an independent valuator on December 31, 2023, and 2021, the fair value of the investment property amounted to NTD 87,434 thousand and NTD 77,528 thousand, respectively. Our management has assessed that there was no material change in the fair value as of December 31, 2022.

As of December 31, 2023 and 2022, the accumulated amounts of impairment were both NTD23,180 thousand.

All of our investment property is private equity. For the amount of our investment property pledged as collateral for loans, see Note 28.

XIII. Intangible assets

	Trademark rights	Patent rights	Computer software	Total
Cost				
Balance on January 1, 2023	$ 1,992	$ 1,387	$ 28,785	$ 32,164
Individual acquisition	-	-	147	147
Reclassification	-	-	2,349	2,349
Balance on December 31, 2023	$ 1,992	$ 1,387	$ 31,281	$ 34,660
Accumulated amortization				
Balance on January 1, 2023	$ 916	$ 1,344	$ 26,467	$ 28,727
Amortization expense	154	8	857	1,019
Balance on December 31, 2023	$ 1,070	$ 1,352	$ 27,324	$ 29,746
Net amount on December 31, 2023	$ 922	$ 35	$ 3,957	$ 4,914
Cost				
Balance on January 1, 2022	$ 1,992	$ 1,387	$ 28,086	$ 31,465
Individual acquisition	-	-	680	680
Derecognition	-	-	(133)	(133)
Reclassification	-	-	152	152
Balance on December 31, 2022	$ 1,992	$ 1,387	$ 28,785	$ 32,164
Accumulated amortization				
Balance on January 1, 2022	$ 761	$ 1,336	$ 25,447	$ 27,544
Amortization expense	155	8	1,151	1,314
Derecognition	-	-	(133)	(133)
Reclassification	-	-	2	2
Balance on December 31, 2022	$ 916	$ 1,344	$ 26,467	$ 28,727
Net amount on December 31, 2022	$ 1,076	$ 43	$ 2,318	$ 3,437

The amortization expense is accounted for on a straight-line basis over a useful life of 3 to 20 years.

XIV. Short-term loans

	December 31, 2023	December 31, 2022
Bank loans		
Unsecured loans	$ 1,163,500	$ 1,608,000
Secured loans	35,000	-
Total	$ 1,198,500	$ 1,608,000

The annual interest rate for short-term loans is as follows：

	December 31, 2023	December 31, 2022
Unsecured loans	0.5%～1.65%	1.3%～1.8%
Secured loans	0.5%	-

XV. Accounts payable (including related parties)

Our notes and accounts payable (including related parties) have all arisen from its operations. For purchases, the average credit period is 1 to 3 months on a basis of monthly settlement. We have established financial risk management policies to ensure that all accounts payable are paid off within the pre-agreed credit period.

XVI. Other payables

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	$ 53,751	$ 32,461
Remuneration payable to employees and directors	76,137	45,051
Commission payable	15,115	17,280
Advertising fee payable	17,247	4,451
Payment for unused leave	2,320	2,252
Others	26,813	23,829
	$ 191,383	$ 125,324

XVII. Liability provision – current

	December 31, 2023	December 31, 2022
Provision for warranty liability	$ 12,569	$ 5,959

The provision for warranty liability is the present value of an optimal estimate by our management of future outflow of economic benefits incurred due to the obligation of warranty according to the agreement for sales of goods. The estimate is based on the historical experience in warranty and is adjusted after taking into account new raw materials, change in the manufacturing process or other factors affecting product quality.

XVIII. Post-employment benefit plans

(I) Defined contribution plan

The pension system under the "Labor Pension Act," as applied by us, is a defined contribution plan managed by the government. A pension equal to 6% of an employee's monthly salary is allocated and deposited into a special personal account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system adopted by HEC in accordance with the "Labor Pension Act" is a defined benefit plan managed by the government. The pension paid to an employee is calculated based on the length of his/her service and the average salary over the 6 months prior to the approved date of his/her retirement. We allocate a fixed amount each month as pension and deposit it into a special account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. If, by the end of each year, the estimated balance in the special account is insufficient for payments to employees who are expected to meet the criteria for retirement in the next year, we will allocate the difference in a lump sum by the end of March next year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor, and HEC does not have any right to influence the investment management strategies.

The amounts of defined benefit plan included in the parent-only balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 10,467	$ 10,142
Fair value of plan assets	(3,897)	(2,351)
Net defined benefit liabilities	$ 6,570	$ 7,791

The changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance on January 1, 2022	$ 14,702	($ 6,497)	$ 8,205
Interest expense (income)	110	(49)	61
Recognized in profit/loss	110	(49)	61
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(446)	(446)
Actuarial profit – changes in financial assumptions	(645)	-	(645)
Actuarial loss – experience adjustment	677	-	677

Recognized in other comprehensive income	32	(446)	(414)
Employer contribution	-	(61)	(61)
Payment of benefits	(4,702)	4,702	-
Balance on December 31, 2022	10,142	(2,351)	7,791

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Interest expense (income)	$ 142	($ 34)	$ 108
Recognized in profit/loss	142	(34)	108
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(72)	(72)
Actuarial profit – changes in financial assumptions	95	-	95
Actuarial loss – experience adjustment	88	-	88
Recognized in other comprehensive income	183	(72)	111
Employer contribution	-	(1,440)	(1,440)
Balance on December 31, 2023	$ 10,467	($ 3,897)	$ 6,570

Due to the pension system under the “Labor Standards Act,” we are exposed to the following risks:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor has, for own discretionary use or through contracted management, invested the labor pension funds into domestic (foreign) equity and debt securities and bank deposits, even though the distributable amount of HEC’s plan assets is a profit calculated at an interest rate no less than that for a 2-year time deposit with a local bank.
2. Interest rate risk: A decrease in the interest rates of government bonds will increase the present value of defined benefit obligations, but will also increase the return on debt investments in plan assets. Both increases have a partial offsetting effect against the impact of net defined benefit liabilities.
3. Salary risk: The present value of defined benefit obligations is calculated based on the future salary of the plan participants. As a result, an increase in the salary of the plan participants will raise the present value of defined benefit obligations.

The present value of our defined benefit obligations is calculated actuarially by a qualified actuary. The material assumptions on the date of measurement are as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.3%	1.4%
Expected salary increase rate	2.25%	2.25%

In the event of reasonably possible changes in the material actuarial assumptions, the resulting increase (decrease) in the present value of defined benefit obligations where all other assumptions remain the same is as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	($ 243)	($ 253)
Decrease by 0.25%	$ 252	$ 261
Expected salary increase rate		
Increase by 0.25%	$ 242	$ 252
Decrease by 0.25%	($ 236)	($ 245)

Since the actuarial assumptions may be correlated and changes in only a single assumption are unlikely, the sensitivity analysis above may not reflect actual changes in the present value of defined benefit obligations.

	December 31, 2023	December 31, 2022
Expected contribution within 1 year	$ 85	$ 108
Average maturity period of defined benefit obligations	11 年	11 年

XIX. Equity

(I) Common share capital

	December 31, 2023	December 31, 2022
Number of authorized shares (thousand shares)	150,000	150,000
Authorized share capital	$ 1,500,000	$ 1,500,000
Number of issued shares with full payment received (thousand shares)	113,286	113,286
Issued share capital	$ 1,132,856	$ 1,132,856
Publicly issued common shares	$ 1,032,856	$ 1,032,856
Privately placed common shares	100,000	100,000
	$ 1,132,856	$ 1,132,856

Common shares are issued at a par value of NTD10, with each share entitled to one voting right and the right to receive dividends.

On September 28, 2016, our annual shareholders' meeting adopted a resolution for capital increase by cash via private placement. On September 30, 2016, the Board of Directors adopted a resolution for private placement of 10,000 thousand common shares at NTD32.8 per share totaling NTD328,000 thousand.

The foregoing privately placed common shares are, in accordance with the Securities and Exchange Act, subject to restrictions on circulation and transfer, and an application for their public listing and trading may be filed only after a lapse of 3 years from the date of their delivery and following their public listing. The rights and obligations of privately placed common shares are same as those of our outstanding common shares.

The share capital retained from the authorized share capital for the issuance of employees' stock warrants is 6,000 thousand shares.

(II) Capital reserves

	December 31, 2023	December 31, 2023
Usable for offsetting of losses, distribution of cash or contribution to share capital (Note 1)		
Shares issued in excess of par value	$ 357,543	$ 357,543
Trading of treasury stocks	77,277	60,966
Consolidated surplus	254	254

Usable only for offsetting of losses (Note 2)		
Recognized changes in ownership equity in subsidiaries	6,693	6,693
	$ 441,767	$ 425,456

Note 1: This category of capital reserves may be used to offset losses, or to distribute cash dividends or be contributed to the share capital if HEC has no losses, provided that such contribution to the share capital does not exceed a certain percentage of the paid-in share capital each year.

Note 2: This category of capital reserves are the effects of equity transactions recognized due to changes in the equity of subsidiaries where HEC has not actually acquired or disposed of the equity of subsidiaries.

(III) Retained earnings and dividend policy

According to the earnings distribution policy under the Articles of Incorporation, where HEC has earnings in the final accounts of a fiscal year, it shall set aside 10% thereof as legal reserves after paying taxes and offsetting losses as legally required, unless the amount of such legal reserves equals or exceeds HEC's paid-in capital. The remaining amount of the foregoing earnings shall be set aside or reversed as special reserves in accordance with the law. If there are still any remaining earnings, the Board of Directors shall, depending on the operating performance, retain such earnings plus the accumulated undistributed earnings, and shall prepare a proposal for distribution of earnings and submit the proposal to a shareholders' meeting for a resolution on distribution of bonuses to shareholders. For the policy of distribution of the remuneration for employees, directors and supervisors in the Articles of Incorporation, see Note 21(7) "Remuneration for employees and directors."

In consideration of its future investment funding needs and its financial structure, HEC has adopted a balanced and stable dividend policy for the purposes of sustainable management and long-term development, with shareholders' interests and other factors taken into account. Each year, no less than 10% of the distributable earnings shall be appropriated for distribution of bonuses to shareholders. No such distribution is required if the cumulative distributable earnings amount to less than 2% of the paid-in share capital. For distribution of dividends in any future year, it is expected that the amount of cash dividends distributed will be no less than 10% of the total dividends distributed in that year, and that such dividends will, based on the investment funding needs and the level of dilution of earnings per share, be distributed in stock or cash, as appropriate.

Legal reserves may be used to offset losses. Where HEC has no losses and if legal reserves exceed the total paid-in capital by 25%, the excess amount may

At the annual shareholders' meetings held in June 2023 and 2022, the proposals for distribution of earnings in 2022 and 2021 were approved as follows:

	2022	2021
Legal reserves	$ 35,194	$ 29,076
Special reserves set aside (reversed)	($ 71,586)	$ 22,838
Cash dividends	$ 226,571	$ 226,571
Dividends per share (NTD)	$ 2.03	$ 2.0

On March 13, 2024, the Board of Directors proposed distribution of earnings in 2023 as follows:

	Distribution of earnings	Dividends per share (NTD)
Legal reserves	$ 60,584	
Special reserves set aside	61,785	
Cash dividends	393,000	$ 3.5

The proposal for distribution of earnings in 2023 will be subject to a resolution of the 2024 annual shareholders' meeting.

(IV) Special reserves

At the time of our first adoption of IFRSs, we had set aside special reserves from the increase of NTD103,094 thousand in retained earnings generated due to conversion.

(V) Other equity

Exchange differences on translation of financial statements of foreign operations

	2023	2022
Starting balance	($ 188,836)	($ 260,422)
Incurred in the current year		
Net exchange on translation of financial statements of foreign operations	(40,156)	55,623
Share of associates accounted for using the equity method	(21,629)	15,963
Ending balance	($ 250,621)	($ 188,836)

(VI) Treasury stocks

	Shares transferred to employees (thousand shares)	
Reason for repurchase	2023	2022
Number of shares at start of year	2,000	-
Increase in the current year	-	2,000
Decrease in the current year	(1,000)	-
Number of shares at end of year	1,000	2,000

In accordance with the Securities and Exchange Act, treasury stocks held by HEC may not be pledged and are not entitled to any dividends distributed or voting rights.

XX. Revenue

	2023	2022
Revenue from contracts with customers		
Sales revenue	$ 6,422,503	$ 4,132,961

(III) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	$ 1,859,009	$ 1,299,161	$ 1,408,324
Contract liabilities			
Sales of goods	$ 35,889	$ 39,666	$ 17,472

Any change in contract liabilities mainly arises from the difference between the time of fulfillment of contractual obligations and the time of payment by a customer.

The following are the amounts accounted for as revenue in the current period with respect to the starting contract liabilities:

	2023	2022
Starting contract liabilities		
Sales of goods	$ 36,874	$ 15,861

(IV) Sub-items of revenue from contracts with customers

The sales revenue of HEC is generated through the sales of products including power supplies , computer chassis and private brands of computer and gaming peripherals, detailed as follows:

	2023	2022
Power supplies	$ 3,503,279	$ 1,571,868
Computer chassis	1,286,422	1,473,052
Private brands of computer and gaming peripherals	1,477,395	903,663
Others	155,407	184,378
	$ 6,422,503	$ 4,132,961

XXI. Pre-tax net profit

(I) Interest income

	2023	2022
Bank deposits	$ 28,707	$ 3,553
Loaning of funds to related parties (Note 27)	273	1,649
	$ 28,980	$ 5,202

(II) Other incomes

	2023	2022
Revenue from support services (Note 27)	$ 17,644	$ 17,445
Revenue from shipping fees	11,715	14,896
Rent revenue (Note 27)	2,697	2,398
Others	15,227	9,357
	$ 47,283	$ 44,096

(III) Other profits and losses

	2023	2022
Net profit on foreign currency exchange	$ 9,012	$ 37,438
Depreciation of investment property	(723)	(907)
Loss on disposal of investment	(1,217)	-
Profit on disposal of property, plant and equipment	46	-
Others	(615)	(405)
	$ 6,503	$ 36,126

(IV) Financial cost

	2023	2022
Interest of bank loans	$ 21,368	$ 19,347
Loans from related parties (Note 27)	1,471	538
Interest of lease liabilities	17	28
	$ 22,856	$ 19,913

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 23,934	$ 18,168
Right-of-use assets	981	982
Investment property	723	907
Intangible assets	1,019	1,314
	$ 26,657	$ 21,371
Summary of depreciation expenses by purpose		
Operating costs	$ 3,152	$ 4,117
Operating expense	21,763	15,033
Other profits and losses	723	907
	$ 25,638	$ 20,057
Summary of amortization expenses by purpose		
Operating costs	$ 8	$ 24
Operating expense	1,011	1,290
	$ 1,019	$ 1,314

(VI) Employee benefit expenses

	2023	2022
Short-term employee benefits	$ 243,535	$ 186,883
Post-employment benefits		
Defined contribution plan	4,899	4,746
Defined benefit plan (Note 18)	108	61
	5,007	4,807
Share-based payment – equity settlement (Note 24)	16,603	189
	$ 265,145	$ 191,879
Summarized by purpose		
Operating costs	$ 10,719	$ 6,455
Operating expense	254,426	185,424
	$ 265,145	$ 191,879

(VII) Remuneration for employees, directors and supervisors

In accordance with the Articles of Incorporation, we allocate 2%–10% and no more than 4% of the pre-tax profit in the current year before subtracting the remuneration distributed to employees and directors as the remuneration for employees and for directors , respectively. The remuneration for employees and directors in 2023 and 2022 was approved by the Board of Directors in March 2023 and 2022, respectively, as follows:

Estimated percentage

	2023	2022
Remuneration for employees	8%	8%
Remuneration for directors	2%	2%

Amount

	2023	2022
	Cash	Cash
Remuneration for employees	$ 60,910	$ 36,041
Remuneration for directors	$ 15,227	$ 9,010

Any change in the amount after the date of approval and publication of the annual parent-only financial report is treated as a change in accounting estimates and will be adjusted to be accounted for in the next year.

There is no difference between the actually distributed amounts of the remuneration for employees, directors and supervisors in 2022 and 2021 and the amounts recognized in the parent-only financial report of each year.

For information of the remuneration for employees and directors as approved by the Board of Directors, visit the "Market Observation Post System" of the Taiwan Stock Exchange.

(VIII) Profit/Loss on foreign currency exchange

	2023	2022
Total profit on foreign currency exchange	$ 246,980	$ 215,923
Total loss on foreign currency exchange	(237,968)	(178,485)
Net profit (loss)	$ 9,012	$ 37,438

XXII. Income tax

(I) Main items under income tax expense recognized as profit/loss

	2023	2022
Current income tax		
Tax incurred in the year	$ 65,983	$ 36,598
Additional tax on undistributed earnings	12,498	557
Adjusted from prior years	647	2,157
	79,128	39,312
Deferred income tax		
Tax incurred in the year	248	(2,627)
	$ 79,376	$ 36,685

Adjustments to accounting income and income tax expenses are as follows:

	2023	2022
Pre-tax net profit	$ 685,233	$ 405,461
Income tax expense on pre-tax net profit calculated at the statutory tax rate	$ 137,047	$ 81,092
Expenses and losses not deductible from tax	53	53
Effect of adjustments on income tax		
Effect of profit/loss of investment in domestic subsidiaries on income tax	(29,066)	(31,296)
Unrecognized taxable temporary difference of investment in subsidiaries	(41,112)	(14,397)
Other temporary differences unrecognized	(691)	(1,481)
Additional tax on undistributed earnings	12,498	557
Adjustment to income tax in prior year	647	2,157
	$ 79,376	$ 36,685

(II) Income tax profit (expense) recognized in other comprehensive income

2023	2022

Deferred income tax		
Incurred in the current year		
Remeasurement of defined benefits plans	$ 22	($ 83)

(III) Income tax assets and liabilities in the current period

	December 31, 2023	December 31, 2022
Income tax payable	$ 75,669	$ 36,752

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

Deferred income tax assets	Starting balance	Recognized in profit/loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Defined benefit retirement plan	$ 1,558	($ 266)	$ 22	$ 1,314
Unrealized exchange losses	1,838	(794)	-	1,044
Accumulated impairment on property	1,200	-	-	1,200
Liability provision	1,192	1,322	-	2,514
Others	1,472	(510)	-	962
	$ 7,260	($ 248)	$ 22	$ 7,034

2022

Deferred income tax assets	Starting balance	Recognized in profit/loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Defined benefit retirement plan	$ 1,641	$ -	($ 83)	$ 1,558
Unrealized exchange losses	-	1,838	-	1,838
Accumulated impairment on property	1,200	-	-	1,200
Liability provision	868	324	-	1,192
Others	3,590	(2,118)	-	1,472
	$ 7,299	$ 44	($ 83)	$ 7,260
Deferred income tax liabilities				
Temporary difference				
Unrealized exchange profits	$ 2,583	($ 2,583)	$ -	$ -

(V) Consolidated amount of temporary differences relating to investments without recognition of deferred income tax liabilities

To meet the need of foreign investee companies for working capital, our management has decided that the undistributed earnings of foreign subsidiaries will be first used for permanent reinvestments without any distribution of profit. Such temporary differences are unlikely to be reversed in the foreseeable future.

As of December 31, 2023 and 2022, the taxable temporary differences relating to the foregoing investments in subsidiaries without recognition of deferred income tax liabilities amounted to NTD1,986,040 thousand and NTD1,820,605 thousand respectively.

(VI) Approval of income tax

The return of our profit-seeking enterprise income tax up until 2021 was approved by the tax authority.

XXIII. Earnings per share

The earning and the weighted average number of common shares used for calculation of EPS are as follows:

Net profit in the current year

	2023	2022
Net profit in the current year	$ 605,857	$ 368,776

Number of shares

Unit: thousand shares

	2023	2022
Basic EPS		
Starting number of outstanding common shares	113,286	113,286
Less: Weighted average number of treasury shares	(1,375)	(808)
Weighted average number of common shares used for calculation of basic EPS	111,911	112,478
Effect of dilutive potential common shares:		
Remuneration for employees	1,096	1,391
Weighted average number of common shares used for calculation of diluted EPS	113,007	113,869

Where we choose to distribute the remuneration for employees in shares or cash, the diluted EPS is calculated by adding the number of dilutive potential common shares to the weighted average number of outstanding shares under the assumption that the remuneration for employees will be distributed in shares. The dilutive effect of the potential common shares is taken into account when calculating the diluted EPS before a resolution is adopted on the number of shares distributable as the remuneration for employees.

XXIV. Agreement on share-based payment

(III) Transfer treasury shares to employees.

In April 2023, Employees' stock options were issued for 1,000 thousand treasury shares to recipients including the employees of HEC and subsidiaries, with their vesting criteria being immediate vesting.

The following is the information of employees' stock options for treasury shares:

	2023	
Employees' stock options for treasury shares	Unit (thousand shares)	Weighted average price of issue (NTD)
Outstanding at start of the year	-	$ -
Granted in the current year	1,000	29.57
Issued in the current year	(1,000)	29.57
Outstanding at end of the year	-	
Weighted average fair value of employees' stock options for treasury shares granted in the current year (NTD)	$ 16.40	

Regarding the employees' stock options for treasury shares granted in April 2023, we have used the Black-Scholes pricing model adopting the following parameters:

Transfer price	NTD 29.57
Expected lifetime	14days
Share price on the date of granting	NTD 45.95
Expected rate of share price fluctuation	48.744%
Expected dividend yield	0%
Risk-free interest rate	1.10%

The expected rate of share price fluctuation is based on the annualized standard deviation of the daily returns during April 6, 2023 to April 25, 2023. For the full year of 2023, the recognized remuneration cost was NTD16,400 thousand, and the capital reserves generated by transferring treasury shares to employees amounted to NTD16,311 thousand.

(IV) Subsidiaries issue employee stock options

In June 2022, the subsidiary OPT issued employees' stock options for 2,870 thousand shares, the recipients of which included the employees of HEC and OPT. The stock options are valid for three years, and a holder of their warrants may, on each anniversary of the date of their issuance, exercise a certain percentage of such options granted.

Employees' stock options	2023 Unit (thousand shares)	2023 Weighted average price of issue (NTD)	2022 Unit (thousand shares)	2022 Weighted average price of issue (NTD)
Outstanding at start of the year	200	$ 11.7	-	$ -
Granted in the current year	-	-	200	11.7
Outstanding at end of the year	200		200	
Weighted average fair value of employees' stock options for treasury shares granted in the current year (NTD)	$ -		$ 2.35	

Regarding the employees' stock options granted by OPT to the employees of HEC and OPT in June 2022, OPT used the Black-Scholes pricing model adopting the following parameters:

Price on the grant date	NTD 11.7
Expected lifetime	2 to 2.5years
Expected dividend yield	0%
Risk-free interest rate	1.212%～1.216%

For the years 2023 and 2022, our recognized NTD203 thousand and NTD189 thousand, respectively, as remuneration cost.

XXV. Capital risk management

Our chief management periodically reviews our capital structure, including consideration of the costs and relevant risks of all categories of capital. Therefore, we engage in capital management for the purpose of ensuring the availability of required financial resources and operational plans to meet the needs for working capital, capital expenditure, R&D expense, debt repayment and dividend expense in the next 12 months.

XXVI. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

Our management considers that the carrying value of financial assets and liabilities not measured at fair value is near its fair value.

(II) Types of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 2,489,709	$ 2,135,529
Financial liabilities		
Measured at amortized cost (Note 2)	3,623,421	3,315,073

Note 1: The balance included financial assets measured at amortized cost, such as cash and cash equivalents, Financial assets measured at amortized cost - current , accounts receivable (including related parties), other receivables (including related parties) and guarantee deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term loans, , accounts payable (including related parties), other payables (including related parties) and deposits received.

(III) Purposes and policies of financial risk management

Our primary financial instruments include cash and cash equivalents, accounts receivable and accounts and loans payable. Our financial management department is responsible for providing services to business units, planning and coordinating operations for entry into domestic and international financial markets, and monitoring and managing financial risks in relation to our operations using internal risk reports that analyze risk exposure based on the level and scope of risks. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. Market risks

The risks of change in foreign exchange rates (see (1) below) and in interest rates (see (2) below) are the major financial risks we bear as a result of our operating activities.

There has been no change in our exposure to the market risks of financial instruments or our methods for management and measurement of such exposure.

(1) Exchange rate risk

We engage in transactions of the sale and purchase of goods denominated in foreign currencies, exposing us to the risk of change in foreign exchange rates.

For the carrying amounts of our monetary assets and liabilities denominated in non-functional currencies on the balance sheet date, see Note 30.

Sensitivity analysis

We are affected primarily by fluctuations in the exchange rates of USD.

The following table describes in detail our sensitivity analysis in the event where the exchange rate of NTD (our functional currency) to each foreign currency increases or decreases by 1%. 1% is the sensitivity rate used in an internal report to our primary management regarding exchange rate risk, and also represents the range of reasonable possible change in foreign exchange rates as assessed by our management. The positive number in the following table means the amount of increase in the pre-tax net profit when NTD depreciates by 1% against each foreign currency. When NTD appreciates by 1% against each foreign currency, the effect on the pre-tax net profit is a negative number of the same amount.

	2023	2022
USD	$ 980	$ 6,042

(2) Interest rate risk

The interest rate risk exposure occurs due to the borrowing of funds by us at both fixed and floating interest rates. We manage interest rate risks by maintaining a proper combination of fixed and floating interest rates.

The carrying amounts of the financial assets and liabilities of HEC exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
With cash flow interest rate risk		
Financial assets	$ 345,753	$ 618,651
Financial liabilities	700,500	945,000

Our assessment has indicated no significant fair value risk with regard to the time deposits at banks with fixed interest rate, bonds with conditions for repurchase, short-term loans, payable and lease liabilities held by us.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivative instruments on the balance sheet date. The analysis focuses on assets and liabilities with floating interest rates under the assumption that the amounts of outstanding assets and liabilities on the balance sheet date are outstanding over the reporting period. A 1% increase or decrease in interest rate is the rate of change used in an internal report to our primary management regarding interest rate, and also represents the range of reasonable possible change in interest rate as assessed by its management.

If the interest rate increases/decrease by 1% with all other variables remaining constant, our pre-tax net profits in 2023 and 2022 would decrease/increases by NTD3,547 thousand and NTD3,263 thousand respectively, mainly due to the interest rate risk exposure of the cash flows of our deposits and loans with floating interest rate.

2. Credit risk

Credit risk means the risk of financial loss incurred by us as a result of a delay by the counterparty in fulfilling contractual obligations. The greatest credit risk exposure of financial losses we are likely to incur as of the balance sheet date due to failure of the counterparty to fulfill its obligations and our provision of financial guarantees include:

(1) The carrying amount of financial assets recognized in the parent-only balance sheet.

(2) The highest amount we may need to pay in providing financial guarantees, regardless of the likelihood of its occurrence.

The balances of accounts receivable from customers with a significant concentration of credit risk.

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Company A	$ 1,064,347	57	$ 567,594	44
Company B	295,942	16	149,387	11

3. Liquidity risk

We manage and maintain cash and cash equivalents for sufficient positions to sustain our operations and mitigate the effects of fluctuations in cash flows. Our management supervises the use of bank financing amounts and ensures compliance with the terms of loan contracts.

Our working capital and the bank financing amounts acquired are sufficient to meet the needs of our future operations. Thus, there is no liquidity risk arising from inability to raise funds for the fulfillment of contractual obligations.

Bank loans are an important source of liquidity for us. For our undisbursed financing amounts, see the description in "(2) Financing limit" below.

(1) Table of liquidity and interest rate risks of non-derivative financial liabilities

The analysis of maturity of the remaining contracts of non-derivative financial liabilities is prepared based on the earliest date when we are likely to be required to make repayment and the undiscounted cash flow of financial liabilities (including principal and estimated interest). Thus, any bank loan for which we are likely to be required to make immediate repayment is listed within the earliest period in the following table, regardless of the probability of the bank enforcing its rights immediately, and the analysis of maturity of other non-derivative financial liabilities is prepared based on the agreed repayment date.

For the cash flow of interest paid at a floating interest rate, the undiscounted amount of interest is derived according to the yield curve on the balance sheet date.

December 31, 2023

	Within 3 months	3 to 6 months	Over 6 months
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 2,424,430	$ -	$ 491
Lease liabilities	277	277	554
Instruments with floating interest rate	601,649	100,282	504
Instruments with fixed interest rate	279,405	150,448	70,119
	$ 3,305,761	$ 251,007	$ 71,668

December 31, 2022

	Within 3 months	3 to 6 months	Over 6 months
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 1,706,594	$ -	$ 479
Lease liabilities	264	264	1,636
Instruments with floating interest rate	547,727	251,034	150,266
Instruments with fixed interest rate	546,039	118,306	-
Financial guarantee liabilities	540	-	-
	$ 2,801,164	$ 369,604	$ 152,381

(2) Financing limit

	December 31, 2023	December 31, 2022
Limit of credit loan		
Disbursed amount	$ 1,165,670	$ 1,608,000
Undisbursed amount	3,070,329	2,572,000
	$ 4,235,999	$ 4,180,000
Limit of mortgage loan		
Disbursed amount	$ 35,000	$ -
Undisbursed amount	300,000	300,000
	$ 335,000	$ 300,000

XXVII. Related party transactions

The following are transactions between HEC and related parties:

(I) Names of related parties and their relationship with HEC

Name of related party	Relationship with HEC
WII	Subsidiary
GSG	Subsidiary
Wei Shuo Electronics (Shen Zhen) Co., Ltd. (WSE)	Subsidiary
Wei Chang Xing Electronics (Shen Zhen) Co., Ltd. (WCX)	Subsidiary
Wei Yu International Trading (Shenzhen) Co., Ltd. (WYT)	Subsidiary
Anyuan Weijia Electronic Co., Ltd. (WJA)	Subsidiary
Anyuan Weichangfeng Electronic Co., Ltd. (WCF)	Subsidiary
UCC	Subsidiary
JCC	Subsidiary
KCC	Subsidiary
FCC	Subsidiary
HIT	Subsidiary
GVG	Subsidiary
LFE	Subsidiary
Loyalty Founder Enterprise Company (D.G) Ltd. (LFDG)	Subsidiary
OPT	Subsidiary

(II) Operating revenue

Account item	Type of related party	2023	2022
Sales revenue	Subsidiary	$ 168,245	$ 292,229

In terms of our sales to a related party and regular sales, there is no comparable sales price of any product of the same category. The loan period for a related party is approximately 3-4 months with payment received based on the overall funding condition, while the loan period for a regular customer is approximately 1-3 months.

(III) Purchase

Type/Name of related party	2023	2022
Subsidiary		
WSE	$ 3,852,582	$ 1,666,040
LFDG	1,014,152	1,199,274
WYT	9,114	86,332
Others	163,309	189,639
	$ 5,039,157	$ 3,141,285

In terms of our purchase from a related party and regular purchases, there is no comparable price for any product of the same category. The payment period for a related party is 3 months on a basis of monthly settlement, with payment paid based on the overall funding condition, while the payment period for a regular supplier is approximately 2-3 months.

(IV) Payments receivable from related parties (excluding loans to related parties)

Account item	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts receivable – related parties	Subsidiary	$ 59,062	$ 49,005
Other receivables – related parties	Subsidiary		
	GSG	$ -	$ 153,550
	Others	5,059	13,009
		$ 5,059	$ 166,559

Payments receivable from related parties are unsecured and non-interest-bearing, and other payments receivable from related parties primarily consist of share payments returned from capital reduction that are receivable, with no loss allowance set aside.

(V) Payments payable to related parties (excluding loans from related parties)

Account item	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts payable – related parties	Subsidiary		
	WSE	$1,570,029	$ 710,527
	LFDG	206,800	383,824
	Others	22,491	31,927
		$1,799,320	$1,126,278
Other payables – related parties	Subsidiary	$ 3,400	$ 3,765

The outstanding balance of payments payable to related parties is not secured.

(VI) Rental agreement

Lease revenue

Type/Name of related party	2023	2022
Subsidiary		
LFE	$ 229	$ 229
FCC	286	95
	$ 515	$ 324

Type/Name of related party	December 31, 2023	December 31, 2022
Contract liabilities		
Subsidiary	$ 48	$ 48

For the lease of our office to a related party, the rent is agreed with reference to the market price and will be prepaid semiannually and paid on a monthly basis.

(VII) Loans to related parties – other receivables – related parties

Type/Name of related party	December 31, 2023	December 31, 2022
Subsidiary		
UCC	$ 14,931	$ 9,603

Type/Name of related party	2023	2022
Interest income		
Subsidiary		
UCC	$ 273	$ 489
OPT	-	868
KCC	-	292
	$ 273	$ 1,649

We provide unsecured loans to our subsidiaries. The annual interest rates on December 31, 2023 and 2022 were 2.5%–2.9% and 1.44%–2.5%, respectively.

(VIII) Loans from related parties – other payables – related parties

Type/Name of related party	December 31, 2023	December 31, 2022
Subsidiary		
WII	$ 216,654	$ 267,177
LFE	90,000	90,000
	$ 306,654	$ 357,177

Type/Name of related party	2023	2022
Interest expense		
Subsidiary	$ 1,471	$ 538

All loans we borrow from our subsidiaries are unsecured and bear no interest, except in the case of LFE where interest was accrued at annual interest rates of 1.57%~1.67% and 1.61% in 2023 and 2022 respectively.

(IX) Endorsements/Guarantees

The following are the limits of guarantees provided by us to related parties:

Type/Name of related party	December 31, 2023	December 31, 2022
Subsidiary		
LFDG	$ 153,525	$ 153,550
FD	117,245	118,870
	$ 270,770	$ 272,420

The actual amounts disbursed on December 31, 2023 and 2022 were NTD0 thousand and NTD540 thousand, respectively.

(X) Other related party transactions

Type/Name of related party	2023	2022
Revenue from service support		
Subsidiary		
LFE	$ 13,072	$ 12,700
OPT	3,915	4,119
Others	657	626
	$ 17,644	$ 17,445

(XI) Remuneration for key management

	2023	2022
Short-term employee benefits	$ 44,571	$ 27,784
Post-employment benefits	328	285
Share-based payment	2,673	-
	$ 47,572	$ 28,069

The remuneration for directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXVIII. Pledged and mortgaged assets

The following assets have been provided to financial institutions as collateral for our consolidated credit line:

	December 31, 2023	December 31, 2022
Investment property	$ 17,204	$ 53,038
Financial assets measured at amortized cost – current	39,917	-
	$ 57,121	$ 53,038

XXIX. Material contingent liabilities and unrecognized contractual commitments

The following are the material commitments and contingencies of the company on the balance sheet date :

(IV) As of December 31, 2023 and 2022, the letters of guarantee issued by banks for imported goods as requested by the company amounted to NTD2,000 thousand and NTD0 thousand, respectively.

(V) As of December 31, 2023 and 2022 the balance of unused letters of credit issued by the company for purchase of raw materials was NTD170 thousand and NTD0 thousand, respectively.

XXX. Information of foreign currency assets and liabilities with significant effect

The following information is summarized and presented based on foreign currencies other than our functional currency. The disclosed exchange rate represents the rate at which each such foreign currency is translated to the functional currency. The following is the information of foreign currency financial assets and liabilities with significant effect:

Unit: (Foreign currency)/NTD thousand

December 31, 2023

Foreign currency assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 73,259	30.705	$ 2,249,418
		（USD：NTD）	
Non-monetary item			
Subsidiaries accounted for using the equity method			
USD	71,373	30.705	2,191,496
		（USD：NTD）	
Foreign currency liabilities			
Monetary item			
USD	70,054	30.705	2,151,414
		（USD：NTD）	

December 31, 2022

Foreign currency assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 68,006	30.71	$ 2,088,450
		(USD：NTD)	
Non-monetary item			
Subsidiaries accounted for using the equity method			
USD	60,974	30.71	1,872,422
		(USD：NTD)	
Foreign currency liabilities			
Monetary item			
USD	48,332	30.71	1,484,278
		(USD：NTD)	

Our (realized and unrealized) foreign exchange profits in 2023 and 2022 were an exchange profit of NTD9,012 thousand and an exchange profit of NTD37,438 thousand, respectively. Due to the great number of foreign currencies used for transactions, it is not possible to disclose the exchange profit/loss of each foreign currency with significant effect.

XXXI. Note disclosures

(I) Information of material transactions:

1. Funds loaned to others: Table 1.
2. Endorsements/guarantees to others: Table 2.
3. Securities held at end of period (excluding those controlled by investee subsidiaries and associates): Table 3.
4. Cumulative amount of purchase or sale of the same securities equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
5. Amount of acquisition of real property equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
6. Amount of disposal of real property equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
7. Amount of purchase/sale of goods from/to related parties equaling or exceeding NTD100 million or 20% of the paid-up capital: Table 4.
8. Payments receivable from related parties equaling or exceeding NTD100 million or 20% of the paid-up capital: Table 5.
9. Transactions of derivative instruments: None.

(II) Information of investee companies: See Table 6.

(III) Information of investments in Mainland China:

1. The names, scope of primary business and amounts of paid-in capital of the investee companies in Mainland China, the methods of investment, funds remitted inwardly and outwardly, shareholdings, profits/losses of current period and investment profits/losses recognized, the carrying amounts of investment at end of period, remitted investment profits/losses, and limits on the amount of investments in Mainland China: Table 7.
2. The following material transactions with the investee companies in Mainland China directly or indirectly through a third area, and the prices, payment terms and unrealized profits/losses of such transactions:
   (1) The amount and percentage of purchases, and the ending balance and percentage of the relevant payments payable: Table 8.
   (2) The amount and percentage of sales, and the ending balance and percentage of the relevant payments receivable: Table 8.
   (3) The amount of property transactions and the resulting amount of profits/losses: None.
   (4) The ending balance and purposes of note endorsements/guarantees or collateral provided: Table 2.
   (5) The maximum balance, ending balance, interest rate range and total current interest for financing of funds: None.
   (6) Other transactions with significant effect on current profits/losses or the financial conditions, such as the rendering or receiving of services: None.

(IV) Information of major shareholders: The names of shareholders with a shareholding of no less than 5%, and the number and percentage of shares held by each of them: Table 9.

Compucase Enterprise Co., Ltd.

Chairman: Wang Chun-Tung