Stock Code: 8996

Kaori Heat Treatment Co., Ltd.

Annual Report

2023

(Disclaimer: This English translation of the Annual Report is the summarized translation to the Company's Annual Report for the Shareholders' Meeting and does not constitute as an official document to the meeting. In the event there is deviation between the original Annual Report in Mandarin Chinese and its English translation, the Mandarin Chinese edition shall prevail)

Inquire this Annual Report on: https://mops.twse.com.tw
https://kaori.com.tw/tw/

Publication Date: May 10, 2024

1. Information of Spokesperson and Acting Spokesperson:

	Spokesperson	Acting Spokesperson
Name	WU CHUN YING	CHUANG RUI QING
Title	Deputy General Manager	Manager
Phone	(03) 452-7005	(03) 452-7005
Email Address	gilbert_wu@kaori.com.tw	ritachuang@kaori.com.tw

2. Addresses and Phones of Headquarters, Branches and Plants:

Headquarters: No. 5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Chung-Li 1st Plant: No. 2, Chi-Lin North Road, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Chung-Li 2nd Plant: No. 11, Songjiang N. Rd., Chung-Li Industrial Area, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Zi Qiang Plant: No. 8-1, Ziqiang 4th Rd., Chung-Li Industrial Area, Chung-Li District, Taoyuan City
Phone: (03) 452-0062
Kaohsiugn Benzhou Plant: No. 3, Bengong 2nd Rd., Benzhou Industrial Area, Gangshan Dist., Kaohsiung City
Phone: (07) 624-3132

3. Stock Transfer Agency:
Mega Securities Co., Ltd.
Address: 1F, No. 95, Sec. 2, Zhongxiao E., Rd., Taipei City 100
URL: http://www.emega.com.tw
Phone: (02) 3393-0898

4. Name, Name of Affiliating Accounting Firm, Address, URL, Contact Number of Attesting CPA Responsible for the Financial Reports of the Most Recent Year:
Name(s) of Attesting CPA(s): Chen Wen Xiang, Liu Shu Lin
Name of Accounting Firm: Deloitte & Touche Firm
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 11073
Phone: (02)2725-9988
Firm Corporate Website URL: http://www.deloitte.com.tw

5. Name of Exchange for Offering and Trading of Overseas Securities and Manners for Query of Such Securities: None.

6. Corporate Website URL: https://kaori.com.tw/tw/

Contents

I. Report to the Shareholders

Dear shareholders:

2023 was the most impressive year since the establishment of Kaori, with excellent performance in both revenue and profit. The growth of plate heat exchanger was mainly attributed to the pump industry. With the reform of the EU policy, the Company not only continued to grasp the business opportunities in the pump market, but also accelerated the research, development and improvement of other products, and developed cooperation opportunities between other industries and major customers through the exhibitions. Under the increasing climate of global climate and security in recent years, there should be a lot of development room for fuel power cells.

Kaori will usher in its 54th anniversary, standing at the peak and looking to the future, which also brings great pressure. This year, in addition to the more mature heat exchanger and fuel cell business units, it is also expected that the Thermal Energy Division will focus on the cloud data center and the solution of the liquid cooling system proposed for the heat solution of the server can be recognized in the AI industry, thereby obtaining orders and growing rapidly. The Company's business situation in the past year and its outlook for this year are now reported as follows:

I. Results of the Implementation of 2023 Annual Business Plan:

(I) 2023 Individual Financial Report Unit: NT$ thousands

Items	2022	2023	Increase/Decrease in Amounts	Increase/Decrease in Ratio (%)
Operating revenue	2,684,398	4,143,285	1,458,887	54.35%
Net operating profit	288,905	664,378	375,473	129.96%
Net profit of the current period	301,020	576,526	275,506	91.52%
Total comprehensive income of the current period	308,234	555,824	247,590	80.33%
Basic EPS (NT$)	3.37	6.45	3.08	91.39%

(II) 2023 Consolidated Financial Report Unit: NT$ thousands

Items	2022	2023	Increase/Decrease in Amounts	Increase/Decrease in Ratio (%)
Operating revenue	2,843,540	4,325,671	1,482,131	52.12%
Net operating profit	346,136	711,438	365,302	105.54%
Net profit of the current period	301,020	576,526	275,506	91.52%
Total comprehensive income of the current period	308,234	555,824	247,590	80.33%
Basic EPS (NT$)	3.37	6.45	3.08	91.39%

II. Budget Implementation

The Company did not unveil the financial forecast for 2023. In the actual operation of the individual in 2023, with the Company seizing opportunities in external industries and the efforts of all internal employees, the results of operating revenue, net operating profit and net profit of the current period were better than the budget target.

III. Financial Expenditure and Profitability: Unit: NT$ thousand

Items		2023 Individual Financial Reports	2023 Consolidated Financial Reports
Cash Flow	Net cash inflow (outflow) from operating activities	663,232	679,042
	Net cash inflow (outflow) from investing activities	(334,602)	(346,110)
	Net cash inflow (outflow) from financing activities	2,267	2,267
Financial Structure (%)	Ratio of liabilities to assets (%)	43.67	44.01
	Ratio of long-term funds to real property, plants and equipment (%)	214.88	208.48
Solvency (%)	Current Ratio (%)	255.04	271.32
	Quick Ratio (%)	131.96	141.68
Profitability (%)	Return on Assets (%)	13.53	13.43
	Return on Equity (%)	24.21	24.21
	Ratio of net profit before-tax to paid-in capital (%)	80.18	81.63
	Profit Margin (%)	13.91	13.33
	Basic EPS (NT$)	6.45	6.45

IV. R&D Status

The Company attaches great importance to the development of new products and new technologies, and invests considerable resources in product and technology research and development every year. Our Company has a considerable level of expertise in heat treatment, and the high quality of vacuum brazing and argon welding enhances the market competitiveness of our two major products, heat exchangers and fuel cells. In response to market demand, the research and development of new products and production technologies focus on automation and energy saving. For successfully developed results, we protect our Company’s intellectual property rights through patent applications.

The main research and development plan of the Company this year: relying on T400 products, the Heat Exchanger Division has developed a large ultra-high temperature heat exchanger, and relying on a full range of products, it has developed all-stainless steel welding heat exchangers and a simplified structure of the heat exchanger, facilitating our business to reach a larger market. In addition to continuing to cooperate with Bloom Energy to develop high-efficiency hydrogen generators and hydrogen energy generators, and striving to enter the new century of hydrogen energy with net zero carbon emissions, the Fuel and Cell Division will also focus on more semi-automated production processes to reduce production costs and facilitate the development of other new SOEC/SOFC customers. The Thermal Division continues to focus on cloud data centers and continue to propose solutions for liquid cooling systems for server heat dissipation; This year, aiming at customers and applications of waste hydrogen purification/recovery cycle economy and hydrogen generator, Hydrogen Energy

Division uses the existing PSA purification module and system control technology to build a system in cooperation with various metal reduction process processing manufacturers. In terms of hydrogen generator, this year we plan to provide multiple sets of small portable models to meteorological stations and related research units, and have begun to cooperate and plan a solar energy+energy storage+fuel cell power generation system, which will be built on marine piles.

V. Summary of 2024 Business Plans

(I). Business Policies

1. Strengthening process and product design capabilities, actively developing new products or technologies in response to new product capacity requirements, and continuously investing in research and development are the best strategies to implement the sustainable development of the Company.
2. Develop corresponding products for the application of special industries, seize the niche market, and actively strive for cooperation with large-scaled foreign equipment manufacturers and major agent manufacturers to expand distribution bases and sales territory. Through overseas exhibitions and the use of social networks, we will strive to seize the domestic and foreign sales market and increase market share. And we also expand the sales channel through the alliance of dealers, and actively use the network sales to build up and enhance the brand visibility.

(II). Expected Sales Quantity and its Basis

The expected sales budget of the Company is based on the existing orders according to customer demand, as well as market analysis status and overall operating production and marketing plan report. We hope that the overall operation of the Company in 2023 will remain a stable growth.

(III). Important Production and Sales Policies

1. Improving product quality, and continued expansion of production bases and production equipment.
2. Active expansion of domestic and export markets, seeking OEM opportunities from major international players, and continued strengthening of production and sales capabilities of the Company’s overseas subsidiaries.

VI. Future Development Strategies of the Company

To achieve operating growth targets, committed to the overall equipment capacity and efficiency to meet the needs of future shipment growth, the focus of the Company in the next few years is mainly on the expansion of heat exchanger products, liquid cooling modules for server, hydrogen fuel cell products business development. Most of the Company’s planned capital expenditures for vacuum furnaces and automation equipment in 2022 have been installed, tested and accepted in 2023. The expansion of these production lines and the increased capacity can meet the needs of the rapid growth of market demand.

Focusing on R290 products, the Heat Exchanger Division continues to develop the heat pump market in Europe, the United States and Japan, accelerating the research and development of all stainless steel welding products and high temperature H series products to develop the hydrogen energy industry market. In cooperation with Bloom Energy, a major customer, the Fuel and Cell Division continues to improve the quality of the Company's products and services to develop new SOEC/SOFC customers. In addition to the two major businesses of fuel and cell and plate heat exchanger, the Company, based on the core technology of hydrogen energy and heat energy and combined with existing metal processing technologies, has made great efforts in the development of waste hydrogen purification equipment for hydrogen furnace, the development of submerged dielectric liquid cooling tank and various heat dissipation fields to create another opportunity of rising to the top for Kaori

VII. The Impact of External Competitive Environment, Regulatory Environment, and Overall Business Environment

ESG has been one of the hot topics in recent years. In response to the depletion of global warming energy, governments around the world are striving to achieve the goals of energy conservation, carbon reduction, and maintaining the ecological environment. In view of the global goal of achieving net zero carbon emissions by 2050, the development of hydrogen energy is one of the important options; as the overall economic environment is affected by several adverse risk factors such as the pandemic, geopolitical tensions, inflation, and persistently high raw material prices, supply chain management for international business development is increasingly important.

Political and economic regulations, policy trends, the external environment and the overall business environment, the business cycle, etc., can be said to be closely related to the company. These effects have not had a significant impact on the company so far. Regarding legal issues, the Company has engaged Lawyer Hsie, Tien-Jen, former Chairman of the Consumers' Foundation, Chinese Taipei as its legal counsel to get important consulting for future legal changes and to reduce the operational risks of legal changes.

Since its founding, Kaori has responded to changes in the external competitive environment with the best core technology, rich experience and excellent management. In the future, all colleagues of the Company will continue to adhere to the business philosophy of "innovation, quality, responsibility and honor", and strive to achieve the Company's operating objectives and maintain the stable growth of the Company, so as to live up to the expectations of shareholders.

Wish all shareholders
Good health and happiness.

Chairman WU CHIH HSYONG

General Manager WANG HSIN WU

Accounting Supervisor CHANG WAN CHING

II. Company Profile

I. Company Profile

(I) Date of Incorporation: October 11, 1970

(II) Milestones:

Month/Year	Milestone(s)
Oct 1970	The Company was incorporated at No.1, Ln. 211, Huacheng Rd., Hsin-Chuan City, Taipei County. The investment capital was NT$ 2,600,000.
Mar 1977	The Company made re-investment in Kaohsiung and established Kaori Heat Treatment, Co., Ltd.
Apr 1988	The Company relocated to Chung-Li Industrial Area for scaled-up production.
Jul 1989	The Company's Chung-Li Plant obtained recognition of Japanese Industrial Standards (JIS) marking.
Nov 1989	The Company's capital was increased to NT$ 86,304,000.
Feb 1990	A merger was made between the Kaori Heat Treatment Co., Ltd. and Kaori Precision Co, Ltd. The merged companies became Kaohsiung Plant and Brazing Plant.
Mar 1990	The Company's capital was increased to NT$ 51,374,000.
Apr 1994	The Company established its Plate Heat Exchanger Plant for self development of Brazed Plate Heat Exchangers.
May 1994	The Company's Chung-Li Plant was certified in the evaluation by McDonnell Douglas (US).
Jul 1997	A Capital increase out of earnings and capital surplus was made. The paid-in capital following Capital Increase was NT$ 20,000,000, and the Company's public offering was approved by the Securities and Futures Management Committee.
Aug 1998	A Cash Capital Increase by NT$ 49,000,000 was made. The paid-in capital following Capital Increase was NT$ 249,000,000.
Jun 1999	The Company's Chung-Li Plant was certified ISO 9002 by the International Organization for Standardization.
Jan 2001	The Company's Brazed Plate Heat Exchanger obtained pressured vessel certification by US UL.
Jun 2001	The roll heat treatment of Yungan Plant was certified ISO 9001:2000.
Oct 2001	The Kaohsiung Main Plant in Benzhou Industrial Area, Kaohsiung was established.
Jul 2002	Kaori Technology (Ningbo) Co., Ltd., a subsidiary of the Company, was established.
Aug 2002	A Capital Increase out of Earnings by NT$ 12,450 thousand was made. The Company's total capital became NT$ 261,450,000.
Jun 2003	The Company's Plate Heat Exchanger Plant, Chung-Li Heat Treatment Plant and Brazing Plant were certified ISO 9001:2000.
Aug 2003	The Company's Brazed Plate Heat Exchanger was certified by EU PED for pressurized vessels.
Aug 2003	A Capital Increase out of Earnings at NT$ 28,550 thousand was made. The Company's total capital became NT$ 290,000,000.
May 2004	The Company's Heat Technology Business Department was established for the needs to respond to circumstances changes and expansion of heat energy market.
Aug 2004	Capital Increase out of Earnings at NT$ 29,000 thousand was made. The Company's paid-in capital became NT$ 319,000,000.
Sep 2004	The Company's registration for stock trading at ESB was approved.
Nov 2004	The HTU product by Heat Technology Business Department was released.
Mar 2005	Kaohsiung Benzhou Plant (specialized in manufacturing of Brazed Plate Heat Exchanger) was certified ISO 9001:2000.
Jun 2005	The Company made submissions for OTC exchanges.
Aug 2005	A Capital Increase out of Earnings at NT$ 28,710 thousand was made. The Company's paid-in capital became NT$ 347,710,000.

Month/Year Milestone(s)

Jan 2006: The Company purchased lands and plants in the Chung-Li Industrial Area and completed ownership transfer for scaled-up production.

Feb 2006: Securities and Futures Bureau approved the Company's registration for OTC listing.

Jun 2006: The Company's listing at TPEx was effective, available for exchange.

Jul 2006: A Cash Capital Increaseat NT$ 42,290 thousand was made. The paid-in capital following Capital Increase was NT$ 390,000,000.

Aug 2007: The Company issued its 1st domestic Unsecured Convertible Corporate Bond at NT$ 150,000 thousand.

Sep 2007: A Cash Capital Increase at NT$ 50,000 thousand was made. The paid-in capital following Capital Increase was NT$ 440,000,000.

Apr 2008: Renovation of the Company's 2nd Plant in Chung-Li Industrial Area was completed and open for manufacturing.

Sep 2008: A Capital Increase out of Earnings at NT$ 22,000 thousand was made. The paid-in capital following Capital Increase was NT$ 462,000,000.

Oct 2008: The Company commenced the development and research for the key heat exchange system in fuel cells.

Aug & Sep 2009: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 50,844,550 and a Capital Increase out of Earnings at NT$ 46,200 thousand. The paid-in capital following said Capital Increases was NT$ 559,044,550.

Oct 2009: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 14,105,810. The paid-in capital following Capital Increase was NT$ 573,150,360.

Jan 2010: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 3,061,220. The paid-in capital following Capital Increase was NT$ 576,211,580.

Feb 2010: A Cash Capital Increase at NT$ 50,000 thousand was made. The Company's registered paid-in capital after the said increase became NT$ 626,211,580.

Apr 2010: The Company made its Capital Increase out of its 2nd Convertible Corporate Bond at NT$ 9,112,150. The Company's registered paid-in capital after the said increase became NT$ 635,323,730.

Jul 2010: The Company made its Capital Increase out of its 2nd Convertible Corporate Bond at NT$ 30,334,450. The Company's registered paid-in capital after the said increase became NT$ 665,658,180.

Jul 2010: Construction of the Company's New Fuel Cell Plant in Chung-Li Industrial Area was completed.

Dec 2011: Construction of the Company's New Fuel Cell Plant in Benzhou Industrial Area, Kaohsiung was completed.

Sep 2012: A Capital Increase out of Earnings at NT$ 33,282,900 was made. The paid-in capital following Capital Increase was NT$ 698,941,080.

Aug 2013: The Company issued its 3rd Domestic Unsecured Convertible Corporate Bond at NT$ 100,000 thousand.

Aug 2013: A Capital Increase out of Earnings at NT$ 34,947,050 was made. The paid-in capital following Capital Increase was NT$ 733,888,130.

Sep 2013: A Cash Capital Increase at NT$ 40,000,000 was made. The paid-in capital following Capital Increase was NT$ 773,888,130.

Oct 2013: The Company made its submittion for change of listing to TWSE.

Dec 2013: The Company's registration for TWSE listing was approved.

Feb 2014: The Company's TWSE listing and exchange was made available.

Aug 2014: A Capital Increase out of Earnings at NT$ 38,694,410 was made. The paid-in capital following Capital Increase was NT$ 812,582,540.

May 2015: The Company held its CO_2 Air-Source Heat Pump Dissemination Seminar in Beijing.

Month/Year Milestone(s)

Sep 2015: A Capital Increase out of Earnings at NT$ 81,258,260 was made. The paid-in capital following Capital Increase was NT$ 893,840,800.

Oct 2015: The Company developed the nation’s only fuel cell power generator with natural gas as fuel.

Feb 2017: The office building as global operational headquarters at the Company’s main plant in Chung-Li Industrial Area was inaugurated.

Mar 2019: The product launch party for the Company’s liquid-cooled heat dissipation system for servers was held at the Company’s main Plant in Chung-Li District.

Feb 2020: The Company acquired lands and plants for its Zi Qiang Plant in Chung-Li Industrial Area.

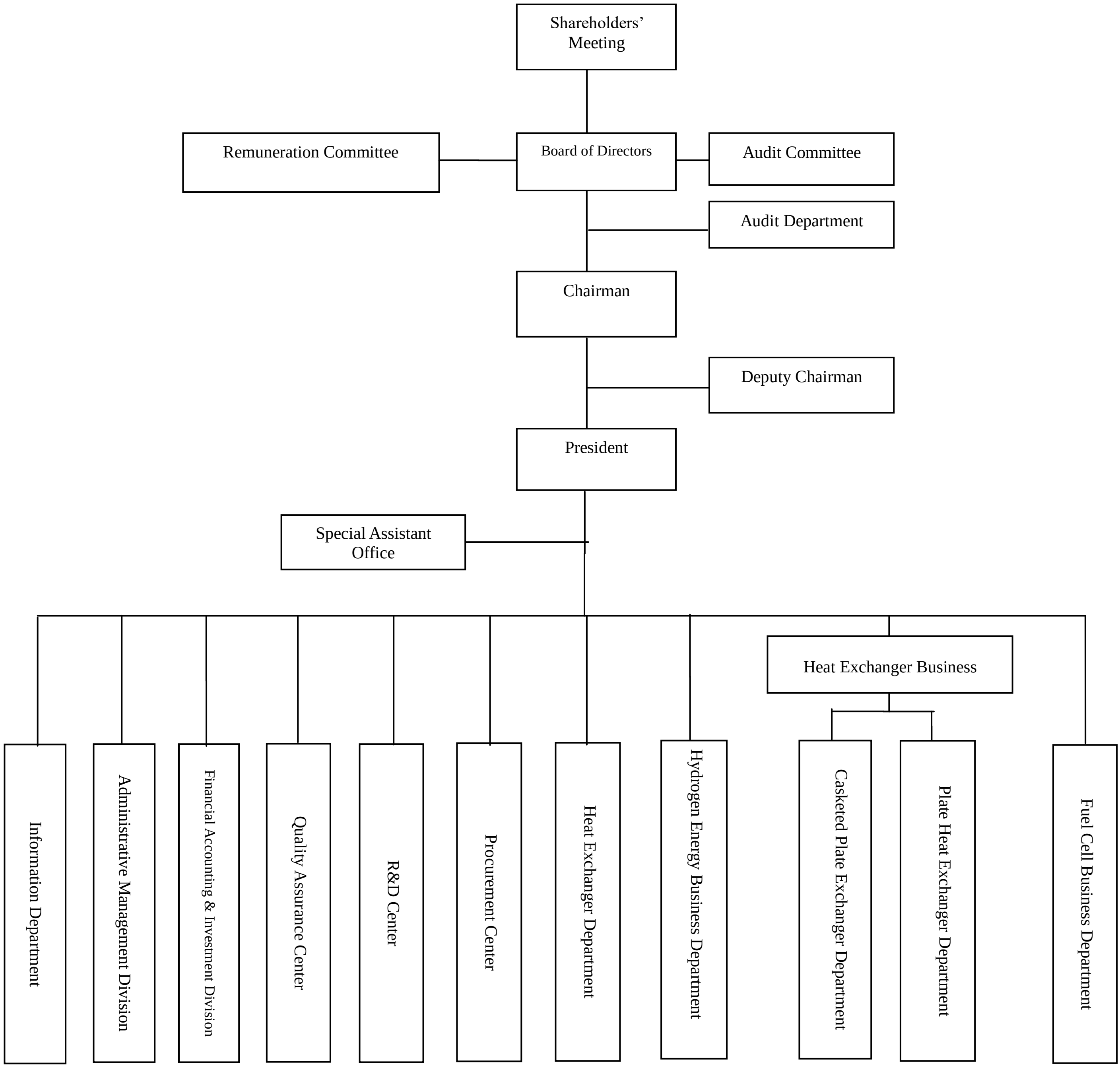
Jun 2022: The Company made its first publication of Enterprise Sustainability Report.

Dec 2023: The Company’s Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market of NT$1,000,000,000.

III. Corporate Governance Report

I. Organizational System:

1. Organization Structure:



2. Business of Major Departments April 2024

Department	Responsibilities
Special Assistant Office (Headquarters)	1. Coordination of summarization, documentation, implementation, follow-up and nudge for plans and strategies under the Company's projects as a whole. 2. Legal affairs, litigation, and patent rights management. 3. Public relations.
Auditing Office	1. Formulating and revising internal audit systems. 2. Inspecting and evaluating internal control systems, along with recommendations at a timely manner and followup on improvements.
Administrative Management Division	1. Responsible for managing personnel, general affairs, and occupational safety of the Company and its subsidiaries. 2. Assisting in equipment maintenance and repair for various business units. 3. Assisting in project implementation for various business units.
Financial Accounting & Investment Division	1. Handling of financial, accounting, and tax affairs related to the Company and its subsidiaries. 2. Responsible for budgeting, stock affairs, financial planning, and investment planning of the Company and its subsidiaries.
R&D Center	Technical development for new products, and R&D of new technologies. Feasibility verification of R&D results and planning for commercialization.
Quality Assurance Center	Implementing internal audit of the quality assurance system and management of external audits and document control. Planning and implementation of various certification works.
Hydrogen Energy Business Department	Responsible for the design, development, and production and sales of methanol and natural gas fuel cell power generation systems.
Fuel Cell Business Department	Responsible for manufacturing and processing fuel cell components as well as metal product development, production technology R&D, and manufacturing and processing of related products.
Heat Exchanger Business Division	Responsible for the production and sales of brazed and gasketed plate heat exchangers, plates punching, vacuum furnace subcontracting, and R&D business.
Heat Exchanger Department	Responsible for market research, development, manufacturing, and sales of liquid-cooled heat dissipation system for servers.
Procurement Center	Responsible for procurement operations and import.
Information Department	Planning, maintenance, control, promotion, and information security management of computerized operations for the Company and its subsidiaries.

II. Information of Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Manager, and the Chiefs of all the Company's Divisions and Branch Units:

1. Directors and Supervisors' Information:

April 22, 2024; Unit: Share;%

Title	Nationality or Place of Registration	Name	Gender and Age	Date the Current Position is Assumed	Term of Contract (Years)	Commence Date of First Term	Shares Held upon Assumption		Current Shares Held		Shares Held by Spouses and Children of Minor Age of Director		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company and/or in any other company	Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship			Remarks (Note)
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
Chairman	ROC	WU CHIH HSYONG	MALE 60-69	2023/06/13	3	2020/06/17	210,000	0.23%	227,001	0.25 %	0	0.00%	0	0.00%	PhD in Materials Science Engineering, University of Illinois at Urbana-Champaign Senior Vice President of Motech Industries Inc.	Director of TAI-SAW TECHNOLOGY CO., LTD.	None	None	None	None
Deputy Chairman	ROC	HAN HSIEN FU	Male 80-89	2023/06/13	3	1997/06/22	1,469,000	1.64%	1,469,753	1.64%	487,702	0.54%	0	0.00%	Department of Mechanical Engineering, Tatung University President of Kaori since June 2000	Director, Kaori Technology (Ningbo) Co., Ltd.	Chairman Assistant Manager	HAN WEN TENG	Father and son	None
Director	ROC	HSIN WU WANG	MALE 50-59	2023/06/13	3	2011/06/28	290,356	0.32%	290,778	0.32%	0	0.00%	0	0.00%	Institute of Financial Management of Taiwan Central University Vice President of Kaori since January 2006	Vice President of the Company Director of Kaori Technology (Ningbo) Co., Ltd.	None	None	None	None
Director	ROC	HUANG HUNG HSING	Male 40-49	2023/06/13	3	2020/06/17	219,165	0.25%	1,406,165	1.57%	0	0.00%	0	0.00%	institute of Technology Management, National Tsing Hua University Investment Manager, International Bills Finance Corporation	CSO of the Company	None	None	None	None
Director	ROC	Aladdin Holdings Group	N/A	2023/06/13	3	2023/06/13	301,000	0.34%	370,000	0.41%	N/A		0	0.00%		N/A	N/A			None
		Representative WU CHUN YING	Male 40-49						14,000	0.02%	0	0.00%	0	0.00%	Doctor of Law, Tulane University Law School Advanced Master of Business Administration from Lausanne School of Management, Venture partner, Switzerland MiiCs & Partners	Vice President of the Company Chief Business Officer, YUAN TSUN PLASTIC CO., LTD.	None	None	None	None
		Representative KU HUNG TAO	Male 40-49						2,204,000	2.45%	9,000	0.01%	0	0.00%	Master of Finance and Economics, University of York, UK Bachelor of Business Administration, National Chengchi University Director, LEDEN SCIENCE&TECHNOLOGY CO., LTD.	Executive Director, IN HOUSE INDUSTRY CO., LTD Consultant, DYNACARD CO., LTD. Director, Chinese Association Leaders Union	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender and Age	Date the Current Position is Assumed	Term of Contract (Years)	Commence Date of First Term	Shares Held upon Assumption		Current Shares Held		Shares Held by Spouses and Children of Minor Age of Director		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company and/or in any other company	Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship			Remarks (Note)
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
Independent Director	ROC	HONG HSIANG WEN	Male 60-69	2023/06/13	3	2014/06/20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Institution of Business, National Taiwan University Funds Manager, Kwanghua Securities Investment & Trust Co., LTD.	Consultant, Li-Mei-Jia Investment Company	None	None	None	None
Independent Director	ROC	MAO EN KUANG	Male 60-69	2023/06/13	3	2023/06/13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Passed the Grade B Examination for Ordinary Administrative Personnel in the Examination Yuan for Demobilized Soldiers Transferred to Civil Servants in 1987 (passed the civil service higher education examination with the same degree as a junior college diploma) Deputy Secretary General, , Taiwan Electrical and Electronic Manufacturers' Association	Secretary General, Wind Power Industry in Taiwan Independent Director, Century Iron and Steel Industrial Co., Ltd.	None	None	None	None
Independent Director	ROC	TANG CHI YAO	Male 40-49	2023/06/13	3	2023/06/13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business, School of Management, National Taiwan University Head of Human Resources, TAIWAN STAR TELECOM CORPORATION LIMITED	Vice President of Human Resources, Lion Travel Co., Ltd.	None	None	None	None

Note: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: None.

(1). Principal Shareholders of Corporate Shareholders:

April 22, 2024

Name of Corporate Shareholders	Principal Shareholders of Corporate Shareholders
Aladdin Holding Group	KU YAN TAO (24.75%), KU KE TAO (24.75%), KU CHENGTAO (24.75%), KU HUNG TAO (24.75%), YANG EN HUI (1%)

(2).Principal shareholders when principal shareholders of corporate shareholders are legal persons: omitted

(3).Disclosures of Information for Directors and Supervisors' Professional Qualifications and Independence of Independent Directors:

Qualifications / Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of TWSE/TPEx Listed Companies the Role Serves as an Independent Director at Several Companies
WU CHIH HSYONG	TAI-SAW TECHNOLOGY CO., LTD. -Director		None
HAN HSIEN FU	Kaori Technology (Ningbo) Co., Ltd.-Director,		None
HSIN WU WANG	Vice President of the Company Kaori Technology (Ningbo) Co., Ltd.-Director		None
HUANG HUNG HSING	CSO of the Company International Bills Finance Corporation-Investment Manager		None
Aladdin Holding Group Representative WU CHUN YING	Vice President of the Company YUAN TSUN PLASTIC CO., LTD.- Chief Business Officer MiiCs & Partners Co., Ltd.- Partner		None
Aladdin Holding Group Representative KU HUNG TAO	IN HOUSE INDUSTRY CO., LTD.- Executive Director DYNACARD CO., LTD.- Consultant Chinese Association Leaders Union - Director LEDEN SCIENCE&TECHNOLOGY CO., LTD.-Director		None
HUNG HSIANG WEN (Independent Director)	Li-Mei-Jia Investment Company - Consultant	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
MAO EN KUANG(Independent Director)	Wind Power Industry in Taiwan - General Secretary Taiwan Electrical and Electronic Manufacturers' Association- Vice General Secretary	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1

Name \ Qualifications	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of TWSE/TPEx Listed Companies the Role Serves as an Independent Director at Several Companies
TANG CHI YAO (Independent Director)	Lion Travel Co., Ltd.- Vice President of Human Resources TAIWAN STAR TELECOM CORPORATION LIMITED - Head of Human Resource	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None

Note 1: Professional Qualifications and Experience: State the professional qualifications and experience of the individual directors and supervisors and, if they are members of the Audit Committee and have accounting or financial expertise, their accounting or financial background and work experience, and indicate whether they are not covered by the provisions of section 30 of the Company Act.

Note 2: For independent directors, it should be stated whether they meet the requirements of independence, including but not limited to whether himself/herself, his/herspouse, or relatives within second generation have served as directors, supervisors, or employees of the company or its affiliated enterprises; whether himself/herself, his/her spouse, relatives within second generation (or in the name of others) have held the shares of the Company and shareholding ratios; whether he/she has assumed the post of director, supervisor or employee of specific affiliated companies of the Company (refer to Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration obtained for providing business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years.

(4). Diversity and Independence of Board of Directors:

1).Diversity of the Board of Directors:

To formulate an appropriate diversity approach, it is appropriate for directors to include, but not limited to, the following criteria:

①Basic requirements and values: Gender, age, nationality, and culture.

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

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

To achieve the ideal goal of corporate governance, the board of directors shall possess:

①The ability to make judgments about operations.

②Accounting and financial analysis ability.

③Business management ability.

④Crisis management ability.

⑤Knowledge of the industry.

⑥An international market perspective.

⑦Leadership ability.

⑧Decision-making ability.

The Company’s 21st Board of Directors Board of Directors consists of 9 directors, with concrete management goals and implementations as follows:

Item	Management Goals	Implementation Status
1	A majority of all directors do not have spousal relationship or are not within 2nd degree of kinship with other directors.	Implemented
2	The Company's roles of Chairman and General Manager is not assumed by the same individual.	Implemented

The implementation of director diversification is as follows:

Item	Title	Director Name	Gender	Nationality	Concurrently an Employee of the Company	Age Group					Years of Service as an Independent Director				The ability to make judgments about operations	Accounting and Financial Analysis Ability	Business Management Ability	Crisis Management Ability	Knowledge of the industry	An international market perspective	Leadership Ability	Decision-making ability	Knowledge and Ability for Risk Management
						40 to 49	50 to 59	60 to 69	70 to 79	80+ yo	Under 3 Years	3 to 9 Years	9 to 12 Years	12+ Years									
1	Chairman	WU CHIH HSYONG	Male	ROC				V							V		V	V	V	V	V	V	V
2	Deputy Chairman	HAN HSIEN FU	Male	ROC	V					V					V		V	V	V	V	V	V	V
3	Director	HSIN WU WANG	Male	ROC	V		V								V	V	V	V	V	V	V	V	V
4	Director	HUANG HUNG HSING	Male	ROC	V	V									V	V	V	V	V	V	V	V	V
5	Director	Aladdin Holding Group Representative WU CHUN YING	Male	ROC	V	V									V	V	V	V	V	V	V	V	V
6	Director	Aladdin Holding Group Representative KU HUNG TAO	Male	ROC		V									V	V	V	V	V	V	V	V	V
7	Independent Director	HUNG HSIANG WEN	Male	ROC				V					V		V	V	V	V	V	V	V	V	V
8	Independent Director	MAO EN KUANG	Male	ROC				V			V				V		V	V	V	V	V	V	V
9	Independent Director	TANG CHI YAO	Male	ROC		V					V				V	V	V	V	V	V	V	V	V

2). Independence of Board of Directors:

①Diversification Background of Directors (including Independent Directors): In addition to 4 employees of the Company and 5 directors who are actually involved in the operation of the Company, the remaining directors (including independent directors) are external professionals with corporate management, financial economics and industry-related knowledge.

②Age Distribution: Among the existing directors (including independent directors), 1 is aged 80 or above, 3 are between 60 and 70, 1 is between 50 and 60, and 4 are below 50. All of them are male.

2. General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of all the Company's Divisions and Branch Units:

April 22, 2024; Unit: Share

Title	Nationality	Name	Gender	Date the Current Position is Assumed	Shares Held		Shares Held by Spouses and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remarks (Note 1)	Title
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship		
President	ROC	HSIN WU WANG	Male	2023/06/26	290,778	0.32%	0	0.00%	0	0.00%	Institute of Financial Management,Taiwan Central University Vice President of Kaori since January 2006	Kaori Technology (Ningbo) Co., Ltd-Director	None	None	None	None	None
Vice President	ROC	WU CHUN YING	Male	2023/08/09	14,000	0.02%	0	0.00%	0	0.00%	Doctorate in Law from Durham University Advanced Master of Business Administration from Lausanne School of Management, Switzerland Investment Partner of MiiCs&Partners (Stock) Company	YUAN TSUN PLASTIC CO., LTD., Chief Business Officer	None	None	None	None	0
Vice President	ROC	CHOU WU HSING	Male	2020/03/02	916	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Mechanics, University of Michigan President of Yupei Environmental Protection (Shandong) Co., Ltd. President of Ming Kei Energy Holdings Limited	None	None	None	None	None	None
Vice President	ROC	CHIU HUNG YI	Male	2020/03/16	80,104	0.09%	0	0.00%	0	0.00%	Department of Human Resources, Taiwan Central University Manager of Department of Management, EXCELLENCE OPTOELECTRONICS INC.	None	None	None	None	None	None
Vice President	ROC	HUANG HUNG HSING	Male	2023/09/04	1,406,165	1.57%	0	0.00%	0	0.00%	Institute of Science and Technology Management, National Tsing Hua University Investment Manager, International Bills Finance Corporation	None	None	None	None	None	None
Assistant Manager	ROC	TSAI MENG FANG	Male	2007/07/01	29,013	0.03%	0	0.00%	0	0.00%	Department of Refrigeration and air Conditioning, Taipei University of Science and Technology Manager of Industrial Products Department, METTLER TOLEDO, Taiwan	None	None	None	None	None	None
Assistant Manager	ROC	CHU CHIU MING	Female	2010/08/01	23,954	0.03%	0	0.00%	0	0.00%	Faculty of Law, University of Myanmar From May 1996 to July 2010, served as the Business Manager of the PHE Business Unit at Kaori	None	None	None	None	None	None
Assistant Manager	ROC	HSU YUNG CHENG	Male	2018/10/03	0	0.00%	0	0.00%	0	0.00%	Master of Science, Department of Management, University of Texas at Arlington, USA	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date the Current Position is Assumed	Shares Held		Shares Held by Spouses and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remarks (Note 1)	Title
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship		
											Mechanical Research Institute, Taiwan University Director, Chicony Power						
Assistant Manager	ROC	CHIANG CHI HUNG	Male	2019/02/18	4,292	0.00%	0	0.00%	0	0.00%	Department of Computer Science, Tamkang University Motech Industries Inc.-Deputy Director of Information Technology Director of Information Department, Topcell Solar International Co., Ltd.	None	None	None	None	None	None
Assistant Manager	ROC	LI CHING CHUN	Male	2019/04/01	28,731	0.03%	0	0.00%	0	0.00%	PhD, Institute of Applied Mechanics, Taiwan University Postdoctoral researcher, Institute of Applied Mechanics, Taiwan University	None	None	None	None	None	None
Assistant Manager	ROC	LIN YUE HUNG	Male	2019/04/01	47,456	0.05%	16,000	0.02%	0	0.00%	Doctor, Institute of Mechanical Engineering, Taiwan Central University Serving as the R&D Manager of Colliers since April 2014	None	None	None	None	None	None
Assistant Manager	ROC	HAN WEN TENG	Male	2020/03/15	27,291	0.03%	0	0.00%	0	0.00%	Master, Department of Materials Science, Feng Chia University Serving as the Manager of Kaori since September 2008	None	Deputy Chairman	HAN HSIEN FU	Father and son	None	None
Assistant Manager	ROC	HUANG YAO CHUN	Male	2020/03/15	0	0.00%	0	0.00%	0	0.00%	Master of Science, Institute of Mechanical Engineering, Chenggong University Component Manufacturing Manager of Foxsemicon Integrated Technology Inc.	None	None	None	None	None	None
Assistant Manager	ROC	CHEN YU CHUNG	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	PhD, Department of Materials Science and Engineering, National Cheng Kung University Motech Industries Inc.Deputy Director, Electric Utilities Division	None	None	None	None	None	None
Assistant Manager	ROC	CHENG CHANG LI	Male	2022/03/16	0	0.00%	0	0.00%	0	0.00%	PhD in Chemical engineering, National Cheng Kung University Hydrogen Energy Project Manager, CHEM R&D Manager, Motech Industries Inc.	None	None	None	None	None	None
Financial Executive	ROC	CHUANG JUI CHIN	Female	112/06/26	5,092	0.01%	0	0.00%	0	0.00%	Department of Business Administration, Fu Jen Catholic University Manager of Finance Department, SUNNER SOLAR CORP.	None	None	None	None	None	None
Accounting Executive	ROC	CHANG WAN CHING	Female	112/08/09	0	0.00%	0	0.00%	0	0.00%	EMBASchool of Management Senior Management in Vocational Program EMBA, National Cheng Kung University Finance Manager/Accounting Supervisor of NEW BEST WIRE INDUSTRIAL CO., LTD.	None	None	None	None	None	None
Corporate Governance Executive	ROC	LI CHIA JUNG	Male	110/11/05	4,230	0.00%	0	0.00%	0	0.00%	Master's Program in Business Management, Yuan Ze University Audit Manager of BRIGHTKING HOLDINGS LIMITED	None	None	None	None	None	None

Note 1: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

III. Remunerations Paid to Directors, Supervisors, General Manager and Vice General Managers in the Most Recent Year

(1) Remunerations of General Directors and Independent Directors: (Disclose name and remuneration method for individual directors)

December 31, 2023 Unit: NT$ thousands

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Remunerations Received by Directors Concurrently Serving as Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Compensation (G)						
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company Cash Amount	The Company Stock Amount	All Companies in the Financial Statements Cash Amount	All Companies in the Financial Statements Stock Amount	The Company	All Companies in the Financial Statements	
Chairman	WU CHIH HSYONG	6,202	6,202	45	45	1,986	1,986	90	90	8,323 1.44%	8,323 1.44%	0	0	0	0	92	0	92	0	8,415 1.46%	8,415 1.46%	None
Deputy Chairman	HAN HSIEN FU	0	0	0	0	1,986	1,986	80	80	2,066 0.36%	2,066 0.36%	5,885	5,885	210	210	0	0	0	0	8,160 1.42%	8,160 1.42%	None
Director	HSIN WU WANG	0	0	0	0	1,986	1,986	90	90	2,076 0.36%	2,076 0.36%	4,640	4,640	287	287	68	0	68	0	7,070 1.23%	7,070 1.23%	None
Director	HUANG HUNG HSING	0	0	0	0	1,986	1,986	80	80	2,066 0.36%	2,066 0.36%	702	702	35	35	0	0	0	0	2,803 0.49%	2,803 0.49%	None
Director (Note 1)	Aladdin Holding Group Representative WU CHUN YING	0	0	0	0	0	0	40	40	40 0.01%	40 0.01%	1,473	1,473	53	53	0	0	0	0	1,566 0.27%	1,566 0.27%	None
Director (Note 1)	Aladdin Holding Group Representative KU HUNG TAO	0	0	0	0	0	0	40	40	40 0.01%	40 0.01%	0	0	0	0	0	0	0	0	40 0.01%	40 0.01%	None
Independent Director	HUNG HSIANG WEN	662	662	0	0	0	0	90	90	752 0.13%	752 0.13%	0	0	0	0	0	0	0	0	752 0.13%	752 0.13%	None
Independent Director (Note 1)	MAO EN KUANG	264	264	0	0	0	0	40	40	304 0.05%	304 0.05%	0	0	0	0	0	0	0	0	304 0.05%	304 0.05%	None
Independent Director (Note 1)	TANG CHI YAO	264	264	0	0	0	0	40	40	304 0.05%	304 0.05%	0	0	0	0	0	0	0	0	304 0.05%	304 0.05%	None
Director (Note 2)	HAN HSIEN SON	4,119	4,119	115	115	3,972	3,972	50	50	8,256 1.43%	8,256 1.43%	0	0	0	0	0	0	0	0	8,256 1.43%	8,256 1.43%	None

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Remunerations Received by Directors Concurrently Serving as Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Compensation (G)						
																The Company		All Companies in the Financial Statements				
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All Companies in the Financial Statements	
Director (Note 2)	CHEN CHUN LIANG	0	0	0	0	1,986	1,986	50	50	2,036 0.35%	2,036 0.35%	0	0	0	0	0	0	0	0	2,036 0.35%	2,036 0.35%	None
Independent Director (Note 2)	CHEN FAN HSIUNG	200	200	0	0	0	0	50	50	250 0.04%	250 0.04%	0	0	0	0	0	0	0	0	250 0.04%	250 0.04%	None
Independent Director (Note 2)	WU CHUN YING	200	200	0	0	0	0	50	50	250 0.04%	250 0.04%	0	0	0	0	0	0	0	0	250 0.04%	250 0.04%	None

1.Please specify payment policy, system, standard and structure of the remunerations received by independent directors, and the relevance of remunerations paid to the directors based on their duties, risks, duration of engagement and other relevant factors: The Company conducted a re-election of all directors on January 24, 2022, and the remunerations are calculated and distributed pro-rate based on years of service by individual directors.

In accordance with the Company's Articles of Incorporation, the Company's remunerations for independent directors are distributed based on review by the Remuneration Committee by individual directors based on their degree of participation in Company operations, value of contributions in conjunction with performance evaluation results, diring which the reasonable and fare remunerations level are proposed, and resolution by the Board of Directors.

2. Except as disclosed in the above table, remuneration received by the directors of the Company in the most recent year for providing services to all companies in the financial reports (such as acting as consultants to non-employees of the parent company/all companies in the financial reports/subinvested businesses, etc.) : NT$0

Note 1: Reappointed at the Shareholders' Meeting on June 13, 2023.

Note 2: Naturally dismissed after the general re-election at the Shareholders' Meeting on June 13, 2023.

Remuneration Range Table

Range of Remunerations paid to Directors of the Company	Director Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Statements H	The Company	All Companies in the Financial Statements I
Less than NT$ 1,000,000	HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO, CHEN FAN HSIUNG (Note) , Aladdin Holding Group Representative WU CHUN YING, Aladdin Holding Group Representative KU HUNG TAO	HUNG HSIANG WEN,MAO EN KUANG,TANG CHI YAO, CHEN FAN HSIUNG (Note), Aladdin Holding Group Representative WU CHUN YING, Aladdin Holding Group representative KU HUNG TAO	HUNG HSIANG WEN,MAO EN KUANG,TANG CHI YAO, CHEN FAN HSIUNG (Note), Aladdin Holding Group representative KU HUNG TAO	HUNG HSIANG WEN,MAO EN KUANG,TANG CHI YAO, CHEN FAN HSIUNG (Note), Aladdin Holding Group representative KU HUNG TAO
NT$1,000,000 ~ NT$1,999,999	-	-	Aladdin Holding Group Representative WU CHUN YING	Aladdin Holding Group Representative WU CHUN YING
NT$2,000,000 ~ NT$3,499,999	HAN HSIEN FU,HSIN WU WANG,HUANG HUNG HSING, CHEN CHUN LIANG (Note)	HAN HSIEN FU,HSIN WU WANG,HUANG HUNG HSING, CHEN CHUN LIANG (Note)	HUANG HUNG HSING, CHEN CHUN LIANG (Note)	HUANG HUNG HSING, CHEN CHUN LIANG (Note)
NT$3,500,000 ~ NT$4,999,999	-	-	-	-
NT$5,000,000 ~ NT$9,999,999	WU CHIH HSYONG, HAN HSIEN SON (Note)	WU CHIH HSYONG, HAN HSIEN SON (Note)	WU CHIH HSYONG,HAN HSIEN FU,HSIN WU WANG, HAN HSIEN SON (Note)	WU CHIH HSYONG,HAN HSIEN FU,HSIN WU WANG, HAN HSIEN SON (Note)
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
Greater than or equal to NT$100,000,000	-	-	-	-
Total	12	12	12	12

Note : Naturally dismissed after the general re-election at the Shareholders' Meeting on June 13, 2023.

(2) Remunerations for Supervisors: N/A.

(3) Remunerations for President and Vice President(s):

Remunerations for President and Vice President (Disclose name and remuneration method for individual managers)

December 31, 2023 Unit: NT$thousands

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Special Disbursement (C)		Employees' Compensation Amount (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income(%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	HSIN WU WANG	2,982	2,982	287	287	1,658	1,658	68	0	68	0	4,995 0.87%	4,995 0.87%	None
Vice President	HUANG HUNG HSING	702	702	35	35	0	0	0	0	0	0	737 0.13%	737 0.13%	None
Vice President	WU CHUN YING	1,473	1,473	53	53	0	0	0	0	0	0	1,526 0.26%	1,526 0.26%	None
Vice President	CHIU HUNG YI	1,725	1,725	102	102	881	881	46	0	46	0	2,754 0.48%	2,754 0.48%	None
Vice President	CHOU WU HSING	3,163	3,163	108	108	1,991	1,991	87	0	87	0	5,349 0.93%	5,349 0.93%	None

Note 1: In the Company's 2023 expenses, the Severance Pay and Pension recognized was NT$ 585 thousand, and the actual distribution for Severance Pay and Pension was NT$ 0.

Remuneration Range Table

Range of Remunerations paid to Individual General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company	All Companies in the Financial Statements
Less than NT$ 1,000,000	HUANG HUNG HSING	HUANG HUNG HSING
NT$1,000,000 ~ NT$1,999,999	WU CHUN YING	WU CHUN YING
NT$2,000,000 ~ NT$3,499,999	CHIU HUNG YI	CHIU HUNG YI
NT$3,500,000 ~ NT$4,999,999	HSIN WU WANG	HSIN WU WANG
NT$5,000,000 ~ NT$9,999,999	CHOU WU HSING	CHOU WU HSING
NT$10,000,000 ~ NT$14,999,999	-	-

Range of Remunerations paid to Individual General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company	All Companies in the Financial Statements
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
Greater than or equal to NT$100,000,000	-	-
Total	5	5

(4) Remunerations Received by the Top 5 the Highest Paid Supervisors in the TWSE/TPEx Company: N/A

(5) Name of Managerial Officer(s) Distributing Employees' Compensations and Distribution Status:

December 31, 2023 Unit: NT$ thousands

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock Bonus Amount</th><th>Cash Bonus Amount</th><th>Total</th><th>Ratio of Total to 2023 Individual Financial Reports (%)</th></tr>
<tr><td rowspan="20">Manager</td><td>Chairman</td><td>WU CHIH HSYONG</td><td rowspan="20">0</td><td rowspan="20">1,515</td><td rowspan="20">1,515</td><td rowspan="20">0.26%</td></tr>
<tr><td>Deputy Chairman</td><td>HAN HSIEN FU</td></tr>
<tr><td>President</td><td>HSIN WU WANG</td></tr>
<tr><td>Vice President</td><td>HUANG HUNG HSING</td></tr>
<tr><td>Vice President</td><td>WU CHUN YING</td></tr>
<tr><td>Vice President</td><td>CHIU HUNG YI</td></tr>
<tr><td>Vice President</td><td>CHOU WU HSING</td></tr>
<tr><td>Assistant Manager</td><td>TSAI MENG FANG</td></tr>
<tr><td>Assistant Manager</td><td>CHU CHIU MING</td></tr>
<tr><td>Assistant Manager</td><td>CHEN YU CHUNG</td></tr>
<tr><td>Assistant Manager</td><td>LIN YUE HUNG</td></tr>
<tr><td>Assistant Manager</td><td>LI CHING CHUN</td></tr>
<tr><td>Assistant Manager</td><td>HSU YUNG CHENG</td></tr>
<tr><td>Assistant Manager</td><td>CHIANG CHI HUNG</td></tr>
<tr><td>Assistant Manager</td><td>HUANG YAO CHUN</td></tr>
<tr><td>Assistant Manager</td><td>HAN WEN TENG</td></tr>
<tr><td>Assistant Manager</td><td>CHENG CHANG LI</td></tr>
<tr><td>Finance Supervisor</td><td>CHUANG JUI CHIN</td></tr>
<tr><td>Accounting Supervisor</td><td>CHANG WAN CHING</td></tr>
<tr><td>Corporate Governance Supervisor</td><td>LI CHIA JUNG</td></tr>
</table>

Note: The Board of Directors of the Company held on March 8, 2024 resolved to approve the amount of directors' compensation and employee bonuses distributed by the Company's 2023 surplus, which will be reported at the shareholders' meeting on June 20, 2024.

(6)Compare and analyze the total amount of remuneration paid by the Company to the Company's directors, supervisors, president and vice presidents as a percentage of net profit after tax in individual or individual financial reports for the most recent two years and explain the policy, criteria and mix of remuneration payments, the procedures for determining remuneration, and the correlation with operating performance and future risks.

1). The remuneration of the directors, supervisors, president and vice presidents of the Company is paid by the Company only, and the total amount paid in 2023 and 2022 is 8.36% and 12.36% of net profit after tax respectively.

Analysis of the total amount of remuneration paid to directors, supervisors, president and vice presidents of the Company as a percentage of net profit after tax in individual or individual financial reports by the Company and by all companies in the consolidated financial statements for the most recent two years:

Unit: NT$ thousands

Item	Total Remuneration			
	2023		2022	
	The Company	All companies in the financial report	All companies in the financial report	All companies in the financial report
Director	32,857	32,857	19,523	19,523
Supervisor	N/A	N/A	N/A	N/A
President and vice president	15,452	15,452	17,664	17,664

Unit: %

Item	Proportion of Total Remuneration to Net Profit after Tax			
	2023		2022	
	The Company	The Company	The Company	The Company
Director	5.70%	5.70%	6.49%	6.49%
Supervisor	N/A	N/A	N/A	N/A
President and vice president	2.68%	2.68%	5.87%	5.87%

Note: The Company established its Audit Committee on June 17, 2020, with all supervisors discharged simultaneously on the same date.

2). Policies, standards, and composition of remunerations paid, the process for determining remuneration, and its relevance with business performance and future risks:

① The remunerations received by directors and supervisors of the Company include travel allowance and directors and supervisors' remunerations under the earnings distribution:

The remunerations received by directors and supervisors of the Company include travel allowance and directors and supervisors' remunerations under the earnings distribution. The travel allowances for the directors and supervisors are paid based at the amounts with reference to amount level of peers and in accordance with their attendance to the Board of Directors meetings; the directors' remunerations under the earnings distribution is handled in accordance with the Company's Articles of Incorporation, which "after closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations. The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals by the Board of Directors based on the circumstances of the industry the Company is in and at the percentage ranging from 10 to 100 percent for submission to the meeting of shareholders for resolutions. The Company's remunerations received by the president and the vice presidents include salary, bonus, employees' remunerations, etc. are determined based on the role(s) held and the responsibilities assumed, with reference to level of remunerations paid by the peers to their equivalent roles.

②Relevance with business performance and future risks:

As the remunerations structure, including bonuses and earnings distribution items, within the Company, is determined based on the achievement of the Company's annual operating performance, taking into account the overall economic circumstances, relevant industry norms for remunerations, and the future capital requirements for the Company's development, the remuneration for directors, supervisors, president, and vice president at the Company (excluding fixed compensation for independent directors and supervisors) is positively correlated with their performance and future risks.

IV. Implementation Status of Corporate Governance:

(I) Implementation Status of the Board:

1. A total of 10 Board meetings (A) in 2023. The attendance of director was as follows:

Title	Name (Note 1)	Attendance in Person B	By Proxy	Attendance Rate (%)[B/A](Note 2)	Remarks
Chairman	WU CHIH HSYONG	10	0	100	Note 1
Director	HAN HSIEN FU	9	0	90	Note 1
Director	HSIN WU WANG	10	0	100	Note 1
Director	HUANG HUNG HSING	9	0	90	Note 1
Director	Aladdin Holding Group Representative WU CHUN YING	5	0	100	Note 1
Director	Aladdin Holding Group Representative KU HUNG TAO	5	0	100	Note 2
Director	HAN HSIEN SON	5	0	100	Note 3
Director	CHEN HSUN LIANG	5	0	100	Note 3
Independent Director	HUNG HSIANG WEN	10	0	100	Note 4
Independent Director	MAO EN KUANG	5	0	100	Note 5
Independent Director	TANG CHI YAO	5	0	100	Note 5
Independent Director	CHEN FAN HSIUNG	5	0	100	Note 6
Independent Director	WU CHUN YING	5	0	100	Note 1

Note 1: WU CHIH HSYONG,HAN HSIEN FU,HSIN WU WANG,HUANG HUNG HSING and Aladdin Holding Group’s representative WU CHUN YING was reappointed as director at the re-election of Regular Shareholders’ Meeting on June 13, 2023.

Note 2: Aladdin Holding Group’s representative KU HUNG TAO was appointed as the director at the re-election of Regular Shareholders’ Meeting.

Note 3: HAN HSIEN SON and CHEN HSUN LIANG were re-elected as Directors at the general meeting of shareholders on June 13, 2023.

Note 4: HUNG HSIANG WEN was re-elected as an independent Director at the regular shareholders' meeting on June 13, 2023.

Note 5: MAO EN KUANG and TANG CHI YAO were re-elected as new Independent Directors at the regular shareholders' meeting on June 13, 2023.

Note 6: CHEN FAN HSIUNG was re-elected as an Independent Director at the regular shareholders' meeting on June 13, 2023.

Other information required to be disclosed:

1.If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(1). Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up Audit Committee and Item 1, Paragraph 5 of the Securities Exchange Act, Article 14 and Paragraph 3, Article 14 of Securities Exchange Act doesn't apply.

(2). Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

1. Motion 3 of the Board of Directors on January 17, 2023: to approve the 2021 executive year-end and operating bonus distribution plan reviewed by the Compensation Committee of the Company. In this case, the directors and president of the interested parties did not join the discussion and vote on the year-end and operating bonuses of the president, and the remaining directors present had no objection to the motion passed.
2. Motion 4 of the Board of Directors on June 26, 2002: Proposed Dismissal and Appointment of the President of the Company. The recusing directors included HSIN WU WANG, who did not participate in the discussion and voting, and the remaining directors present had no objection to the motion passed.
3. Motion 5 of the Board of Directors on June 26, 2023: Appointment of Members of the Compensation Committee of the Company. The recusing directors included HUNG HSIANG WEN,MAO EN KUANG and TANG CHI YAO, who did not participate in the discussion and voting, and the remaining directors present had no objection to the motion passed.
4. Motion 4 of the Board of Directors on August 9, 2023: Appointment of the Vice President of Financial Accounting & Investment Division of the Company. The recusing directors included the representative WU CHUN YING of Aladdin Holding Group, who did not participate in the discussion and voting, and the remaining directors present had no objection to the motion passed.
5. Motion of the Board of Directors on November 7, 2023: Current Compensation of the Chairman, Deputy Chairman, President and General Counsel of the Company. The directors and managers of the interested parties in this motion withdrew one by one and did not join the discussion and vote, and the remaining directors present did not object to the motion passed

3. A TWSE/TPEx listed company shall disclose the information concerning the cycle and period, scope, methods, and items of the Board of Directors' self-evaluation (or peer evaluation).

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once each year	January 1, 2023 ~ December 31, 2023	Board of Directors, Board members and functional committees	Self-evaluation	As shown below

The Company's Board of Directors has adopted its "Regulations Governing Performance Evaluation of the Board of Directors". On March 8, 2024, the Board of Directors passed the self-evaluation report on the performance of the 2023 Board of Directors. The evaluation results are as follows:

(1) Board of Directors Performance Evaluation

Five Major Aspects of Self-Evaluation	No. Of Question	Average Score
A. Degree of Participation in Company Operations	12	4.75
B. Enhancement of Quality concerning Decisions by the Board of Directors	12	4.83
C. Composition and Structure of the Board of Directors	7	4.71
D. Election and Continuing Education of Directors	7	4.43
E. Internal Control	7	4.71
Total/Average Score	45	4.69

(2) Board Members Performance Evaluation

Six Major Aspects of Self-Evaluation	No. of Questions	Average Score
A. Grasps over Company Goals and Tasks	3	4.85
B. Awareness of Directors' Duties	3	4.96
C. Degree of Participation in Company Operations	8	4.81
D. Management and Communications concerning Internal Relationship	3	5.00
E. Professionalism and Continuing Education of Directors	3	4.85
F. Internal Control	3	4.81
Total/Average Score	23	4.88

(3) Functional Committee Performance Evaluation

Five Major Aspects of Self-Evaluation	Audit Committee		Remuneration Committee	
	No. of Questions	Average Score	No. of Questions	Average Score
A. Degree of Participation in Company Operations	4	4.67	4	4.67
B. Awareness of Functional Committees' Duties	5	4.67	5	4.53
C. Enhancement of Quality concerning Decisions by the Functional Committees	7	4.57	7	4.57
D. Composition of Functional Committees and Election of its Members	3	4.67	3	4.67
E. Internal Control	3	4.56	-	-
Total/Average Score	22	4.63	19	4.61

※ Director KU HUNG TAO, MAO EN KUANG and TANG CHI YAO were newly appointed and self-evaluated during June 13, 2023 and December 31, 2023.

Overall, based on the evaluation results, the performance of the Board of Directors in 2022 has been assessed as "excellent", which are evidently indicating that the Company has strengthened the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will

continue to strive for improvement and uphold shareholders' rights in order to enhance corporate governance effectiveness. 4. Goals for Strengthening Competency of the Board of Directors (e.g. establishment of Audit Committee, enhancement of information transparency, etc.) in the Current Year and the Most Recent Year and Evaluation on the Implementation Status: On June 17, 2020, the Company established its Audit Committee consisting of a total of 3 members. The Company plans to engage the practicing director in the actual operations and business meetings of each business unit's management team for review purposes. Additionally, diversification education and training courses will be arranged for directors to enhance their corporate governance capabilities.

(II) Implementation Status of Audit Committee and Board of Directors:

(1) The Company's Audit Committee was established on June 17, 2020, composed of 3 members.

(2) The term of office of the second committee member is from June 13, 2023 to June 12, 2026. In 2023, the Audit Committee held 7 meetings (A), and the attendance of the committee members is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remarks
Independent Director	HUNG HSIANG WEN	7	100	Note 1
Independent Director	MAO EN KUANG	4	100	Note 2
Independent Director	TANG CHI YAO	4	100	Note 2
Independent Director	CHEN FAN HSIUNG	3	100	Note 3
Independent Director	WU CHUN YING	3	100	Note 3

Note 1: HUNG HSIANG WEN was re-elected as an independent Director at the regular shareholders' meeting on June 13, 2023.

Note 2: MAO EN KUANG and TANG CHI YAO were re-elected as new independent Directors at the regular shareholders' meeting on June 13, 2023.

Note 3: CHEN FAN HSIUNG and WU CHUN YING were re-elected as independent Directors at the regular shareholders' meeting on June 13, 2023.

Other information required to be disclosed:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

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

Audit Committee	Contents of the Motion and Subsequent Handling	Resolution Result	Company's Response to the Audit Committee's Opinion
13th meeting of the first term January 17, 2023	Proposal of Plans for Taiwanese Businessmen to Invest in Taiwan.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
14th meeting of	1. 2022 Business Reports and Financial Statements.	Approved by all	Submitted to the Board

the first term March 22, 2023	2. Proposal for 2022 Surplus Distribution. 3. Proposal of 2022 "Statement on Internal Control". 4. Assessment of the independence and suitability of the Company's CPAs. 5. Proposed pre-approval of CPAs whose firm and firm affiliates provide non-assurance services to the Company and its subsidiaries.	Audit Committee Members	of Directors meeting to be approved by all attending directors
15th meeting of the first term May 5, 2023	Q1 Financial Report of Year 2023	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
1st meeting of the second term June 26, 2023	1. proposed to elect the Convenor and Chairman of the current session of the Audit Committee. 2. Proposal for Handling Capital Increase in Cash or Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market. 3. Proposal to invest in and set up branch in Qiaotou Park. 4. Proposal of Change in the Company's Finance and Accounting Supervisor	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
2nd meeting of the second term August 9, 2023	1. Proposal of the Change in the Company's Accounting Supervisor. 2. Q2 Financial Report of Year 2023. 3. Appointment of Vice President of Financial&Accounting and Investment Department of the Company.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
3rd meeting of the second term October 4, 2023	Proposal of the Company's Handling of Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
4th meeting of the second term November 7, 2023	Q3 Financial Report of Year 2023.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors

2. Other matters not approved by the Audit Committee and approved by more than two-thirds of all directors, except the items mentioned above: none.

II. For the implementation of the withdrawal of an independent director from a motion with an interest, the name of the independent director, the content of the motion, the reason for the withdrawal of interest and the voting situation should be stated: none.

III. The communication between the independent director and the internal audit supervisor and the accountant (including the important matters, methods and results of the communication on the Company's financial and business conditions, etc.) :

1. Convening method: forum.
2. Important matters and results of communication on the Company's financial and business status:

Date	Venue	Communications	Results
November 7, 2023	17F, No. 95, Sec. 2, Zhongxiao E. Rd., Taipei City (Headquarter Building	1.Explanation on the content of internal audit indicators in the 2023 corporate governance evaluation. 2.Report on the professional training received by	Opinions exchanged

		of Mega Securities)	auditors for the year 2023, etc.		
			1. Audit Plan for 2024. 2. Improvement of internal control deficiencies implemented as of August 2023.	No objection	
			1. On the responsibilities of the audit committee/internal quality requirements of accountants in accordance with international standards. 2. Explanation of the key points of the accountant's year-end audit. 3. Introduction to Compliance Requirements for Sustainable Development	Opinions exchanged	

Note 1: If an independent director leaves the Company before the end of the year, the date of departure shall be indicated in the Remarks column, and the actual attendance rate (%) shall be calculated by the number of meetings of the Audit Committee and the number of actual attendance during his/her tenure.

Note 2: If an independent director is reelected before the end of the year, the new and old independent directors shall be listed, and indicated in the Remarks column whether the independent director is the former, newly appointed or re-elected one and the date of re-election. The actual attendance rate (%) shall be calculated by the number of meetings of the Audit Committee and the number of actual attendance during his/her tenure.

(III) Implementation Status of Corporate Governance and its Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons:

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has adopted relevant regulations and measures in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclosed the corporate governance practices on the corporate website.	None
2. Shareholding Structure & Shareholders' Right (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading securities with undisclosed information?	 V V V V		(1) The Company's finance department has designated dedicated personnel to handle shareholder suggestions, inquiries, disputes, and related matters. Where legal issues are involved are handled by the Company's legal personnel or legal firms entrsuted by the Company. (2) The company has entrusted Mega Securities Co., Ltd. to handle stock affairs, allowing the Company to promptly access information on major shareholders and the ultimate controllers of major shareholders. (3) The Company has adopted operational guidelines for financial transactions among affiliated enterprises, guidelines for managing short-and-long-term investments, and procedures for monitoring subsidiary companies and has implemented accordingly. (4) The Company has adopted its "Code of Ethics for Supervisors and Senior Professionals" and the "Procedures for Handling Material Information" to regulate and prohibit insider trading using undisclosed information in the market. All actions are conducted in compliance with applicable laws and regulations.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board formulate and implement a diversity policy, specific management objectives and implementation? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection? (4) Does the Company regularly evaluate the independence of attesting CPA?	V V V V		(1) The Company has adopted its "Regulations Governing Elections of Directors and Supervisors" and the "Corporate Governance Best-Practice Principles", and has formulated its policy on diversification for board members and set specific management objectives, gradually implementing them. For the implementation status, please refer to "Implementation of Director Diversification", pages 13~14 of this Annual Report (2) The Company has established the "Remuneration Committee" and the Board meeting held on May 8, 2024 has approved the establishment of "Sustainable Development Committee". (3) The Board of Directors of the Company has adopted the "Regulations Governing Performance Evaluation of the Board of Directors" specifying that the Board of Directors shall conduct an internal performance evaluation of the board at least once a year, and that the evaluation shall be held at the end of each fiscal year following the evaluation procedures and indicators specified in these Regulations. In the future, the evaluation results can be reported to the Board of Directors and used as a reference for individual director's remuneration and nomination for re-election. The Company has completed the self-evaluation of the 2023 Board of Directors and its members. The evaluation criteria are as follows: "5 points" (Excellent), "4 points" (Good), "3 points" (Average), "2 points" (Needs Improvement), and "1 point" (Poor). (Best of 5 points for each criterion). Board of Directors Self-Evaluation on Performance includes five	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			major aspects: Degree of Participation in Company Operations, Enhancement of Quality concerning Decisions by the Board of Directors, Composition and Structure of the Board of Directors, Election and Continuing Education of the Board of Directors, and Internal Control. The result in weighted average score in this evaluation is 4.69. Board Members Self-Evaluation includes five major aspects: Grasps over Company Goals and Tasks, Awareness of Directors' Duties, Degree of Participation in Company Operations, Management and Communications concerning Internal Relationship, and Internal Control. The result in weighted average score in this evaluation is 4.88. Functional Committees (Audit Committee and Remuneration Committee) Self-Evaluation on Performance includes five major aspects: Degree of Participation in Company Operations, Awareness of Functional Committees' Duties, Enhancement of Quality concerning Decisions by the Functional Committees, Composition of Functional Committees and Election of its Members, Internal Control. The results in weighted average score in this evaluation are 4.63 and 4.61. Overall, based on the evaluation results, the performance of the Board of Directors in 2022 has been assessed as "excellent", which are evidently indicating that the Company has been strengthening the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will continue to strive for improvement and uphold shareholder' rights in order to enhance corporate governance effectiveness.	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			(4) On August 7, 2020, the Company's Board of Directors approved the "Assessment Method for Auditor Independence and Suitableness". On March 8, 2024, based on the information provided by the auditors in the "Auditing Quality Indicators Explanation" and the auditors' independence statement, the Board of Directors approved the independence and suitability of the attesting CPAs for the year 2024. The Company's attesting CPAs are Chen Wen Hsiang and Liu Shu Lin of Deloitte & Touche Firm, who are not related parties of the Company and there are no circumstances indicating a lack of independence.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The designated unit responsible for handling the Company's board meeting affairs is the Finance Department, as appointed by the Company's Board of Directors. On November 5, 2021, the Board of Directors approved the appointment of a Corporate Governance Supervisor. Therefore, the meeting affairs unit is responsible for handling requests from the Board of Directors and Shareholders' Meetings, assisting directors and independent directors in complying with laws and handling Company registrations and change registrations, preparing board and shareholders' meeting minutes, and providing timely and effective assistance to directors in performing their duties as promptly as possible within 3 days.	None
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues	V		The Company has complied with the regulations by setting up a dedicated section for stakeholders on its corporate website and has appropriately responsed to important corporate social responsibility issues raised by stakeholders.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
they care for in terms of corporate social responsibilities?				
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has entrusted Department of Stock Affairs, Mega Securities Co., Ltd. to handle the affairs of the Shareholders' Meeting and relevant stock affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit	V V V		(1) The Company has disclosed financial and corporate governance information on its corporate website. (2) The Company has made its corporate website available in English and has regularly and irregularly reports various financial and business information on the MOPS in compliance with regulations; a dedicated person responsible for information collection and disclosure within the company has been appointed, and a spokesperson system has been established. (3) On March 8, 2024, the Company's Board of Directors approved the 2023 Financial Reports, and the Company has timely disclosed and reported quarterly financial reports and monthly operating conditions within the prescribed deadlines set by the competent authority.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Employee Rights and Employee Care: In addition to complying with the Labor Standards Act and relevant laws, The Company has established an Employee Welfare Committee and implemented a retirement pension system. It encourages employees to participate in domestic and international training programs and technical seminars, provides employee group insurance and regular health check-ups, emphasizes labor relations, and offers equal employment opportunities. (2) Investor Relations, Supplier Relations, and Stakeholders' Rights: The Company has set up an investor section on its corporate website (please refer to corporate website: https://www.kaori.com.tw/tw/) and provides contact numbers and email addresses for designated personnel to handle shareholder issues, suggestions, inquiries, and disputes. The Company maintains smooth communication channels with investors, suppliers, and customers, maintains good interactive relationships, adheres to the principle of integrity in business dealings, and complies with the Company's internal control systems and management practices. (3) Continuing Education for Directors: In the 2023 fiscal year, The Company's directors have received education on corporate governance topics, including courses on finance, business, legal matters, and accounting. Independent directors also receive a minimum of six hours of annual education on law, finance, or accounting. The status of the said education has been disclosed in the "Corporate Governance Section" of the MOPS. (4) Implementation of Risk Management Policies and Standards: The Company has established various internal management regulations	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			and risk management policies in compliance with the law. Furthermore, the Company's internal audit units regularly or irregularly implements various risk management, assessment, and auditing activities according to these regulations. (5) Implementation of Customer Policy: The Company has established customer policies and complaint handling procedures and maintains regular contact with customers through its designated personnel. For customer complaints, the Company properly identifies the issues and accountability, proposes rapid and effective measures to address the issues, and proposes preventive improvement measures to prevent recurrence. Meanwhile, the Company ensures maximum benefits for both parties through good negotiation and communication channels. (6) Directors and Supervisors' Liability Insurance and Social Responsibility: The Company has insured liability insurance for its directors and supervisors, with coverage of USD 1 million, to strengthen the protection of shareholders' equity.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measure: In the 2023 evaluation of corporate governance for TWSE/TPEx listed companies, the evaluation system consists of seven levels. The Company's evaluation result in 2023 falls within the fifth level at 51% to 65%. The Company has completed the corporate governance self-evaluation in accordance with the requirements of the TPEx, which has been carried out in accordance with the statutory requirements as far as possible. For voluntary announcement projects, it is still improving phase by phase. The improvement this year is mainly the formulation of human rights protection policies and specific management plans, and the disclosure of annual greenhouse gas emissions in the past two years. In the future, the Company will also need to cooperate with the competent authorities to promote and improve the corporate governance evaluation.				

Note 1: For each indicator, specify measures and conducts at the Abstract Illustration field, no matter if "Yes" or "No" is ticked at the Implementation Status.

(IV) Implementation Status: Composition, Responsibilities and Operations of the Remuneration Committee, where the Company has established its Remuneration Committee:

1. Composition of the Remuneration Committee:

Information of Members of the Remuneration Committee

December 31, 2023

Role (Note 1)	Name	Professional Qualifications and Experience (Note 2)	Independence (Note 3)	Number of Companies the Member Concurrently Serve as a Remuneration Committee Member
Independent Director (Convenor)	HUNG HSIANG WEN	Consultant of Li-Mei-Jia Investment Company	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
Independent Director	MAO EN KUANG	General Secretary of Wind Power Industry in Taiwan Vice General Secretary of Taiwan Electrical and Electronic Manufacturers' Association	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1
Independent Director	TANG CHI YAO	Vice President of Human Resources of Lion Travel Co., Ltd. Head of Human Resources of TAIWAN STAR TELECOM CORPORATION LIMITED	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None

Note 1: Please specify in the form the relevant years of service, professional qualifications and experience and independence of the members of the Remuneration Committee (if the convenor, please add a note).

Note 2: **Professional Qualifications and Experience:** State the professional qualifications and experience of individual member of Remuneration Committee.

Note 3: **Independence:** State the independence status of the members of the Remuneration Committee, including but not limited to whether they, their spouses, or their relatives within the second generation are supervisors or employees of the Company or its affiliated enterprises; whether they, their spouses, or their relatives within the second generation (or in the name of others) hold the Company's shares and shareholding ratio; whether assume the post of director, supervisor or employee of the companies with specific relationship with the Company (refer to Items 5 to 8, Paragraph 1, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration obtained in the last 2 years for providing business, legal, financial, accounting and other services to the Company or its affiliates.

2. Duties of Remuneration Committee:

The relevant matters regarding the authority of the Company's Remuneration Committee are performed in accordance with the provisions under the "Organizational Charter of the Remuneration Committee" adopted in accordance Article 3 of the "Regulations Governing the

Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". Unless otherwise provided by laws or the Company's Articles of Incorporation, the conducts shall be performed in accordance with the provisions of the said organizational charter. The functions of this committee involve the evaluation of remunerations policies and systems for directors, supervisors, and managers of the Company from a professional and objective perspective as well as making recommendations to the Board of Directors as reference for their decision-making.

3. Information for Implementation Status of Remuneration Committee:

(1) The Company's Remuneration Committee is composed of 3 members.

(2) Term of Contract for the incumbent members:

From June 13, 2023 to June 12, 2026. In the most recent year, the Remuneration Committee convened 4 meetings (A), with attendance and member qualifications as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	HUNG HSIANG WEN	4	0	100	Note 1
Member	MAO EN KUANG	1	0	100	Note 2
Member	TANG CHI YAO	1	0	100	Note 2
Member	CHEN FAN HSIUNG	3	0	100	Note 3
Member	WU CHUN YING	3	0	100	Note 3

Note 1: HUNG HSIANG WEN was re-elected as an independent Director at the regular shareholders' meeting on June 13, 2023.

Note 2: MAO EN KUANG and TANG CHI YAO were re-elected as an independent Director at the regular shareholders' meeting on June 13, 2023.

Note 3: CHEN FAN HSIUNG and WU CHUN YING were removed as independent Directors in the re-election at regular shareholders' meeting on June 13, 2023.

Other information required to be disclosed:

I. Where the Board of Directors does not adopt or amends suggestions by the Remuneration Committee, Board of Directors meeting date, period, contents of proposal, Board of Directors resolutions and Company response to Remuneration Committee opinions should be specified (e.g. where the remunerations adopted by the Board of Directors if more preferable than the amounts suggested by Remuneration Committee, the deviation and cause for such deviation shall be specified): None.

II. Where a member expresses objection or reserved opinions to resolution by the Remuneration Committee and a record or written statement is in place, Remuneration Committee meeting date, period, contents of proposal, opinions of all members and response to member opinions should be specified: None.

Remuneration Committee	Proposal	Resolution	Response by the Company
The 8th meeting of the 4th term January 17, 2023	1. Year-end Bonus and Operating Bonus of the Company for Year 2022 2. President's Year-end Bonus and Operation Bonus Distribution for Year 2022.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
The 9th meeting of the 4th term March 22, 2023	1. Employee and Directors' Remuneration Distribution for Year 2022. 2. Amendments to the Company's "Regulations Governing the Distribution of Year-end Bonus".	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
The 10th meeting of the 4th term May 5, 2023	The Company's Employee and Directors' Remuneration Distribution for Year 2022.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
The 1st meeting of the 5th term November 7, 2023	Proposal of current compensation of the Chairman, Deputy Chairman, president and general counsel of the Company.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors

Note: (1) If a member of the Remuneration Committee has resigned before the end of the year, the date of departure shall be indicated in the Remarks column. The actual attendance rate (%) shall be calculated on the basis of the number of meetings of the Remuneration Committee and the number of actual attendance during the period of his/her employment.

(2) Before the end of the year, if there is a reelection of the Remuneration Committee, the new and old members of the Remuneration Committee should be listed, and indicate in the Remarks field whether the member is the former, newly appointed or re-elected one and the date of reelection. The actual attendance rate (%) is calculated by the number of meetings of the Remuneration Committee and the number of actual attendance during his/her employment.

(V) Fulfillment of Sustainable Development: Implementation of Sustainable Development and its Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company promote governance structure for sustainable development and establish a dedicated (concurrent) unit for promoting sustainable development, with corresponding handling by senior management under authorization of the Board of Directors? If so, please describe the status of supervision by the Board of Directors.	V		The framework for promoting sustainable development within the Company is organized with the Chairman as the chairperson, the Deputy Chairman of the Board as the vice chairperson, the President as the convenor, and the Deputy General Manager of the Administrative Management Division as the deputy convenor. The implementing units are organized based on four dimensions: environmental management, corporate governance, social engagement, and green sustainable products. The Board of Directors supervises and guides the environmental, social, and corporate governance issues related to sustainable development and arranges periodic meetings throughout the year to report on the progress of implementation to management and the Board of Directors. For details on the governance structure of the members involved in such promotion, please refer to the "Implementation Status of the Company's Sustainable Development" (Pages 52-54) in this Annual Report. Record of promoting sustainable development related affairs of the Board of Directors for the year 2023: (1) Resolved on January 17 to adopt the revised "Code of Practice for Sustainable Development" of the Company. (2) Resolved on March 22 to adopt the greenhouse gas examination and verification schedule planning of subsidiaries	No material difference

2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2)	V		The Company has adopted its "Sustainable Development Best Practice Principles" to fulfull corporate governance conduct risk assessments related to environmental, social, and corporate governance issues relevant to the Company's operations, develop a sustainable environments, promote social welfare, meanwhile establishing risk management strategies and measures for materiality issues. Please refer to the "Implementation Status of the Company's Sustainable Development" (Pages 52-54) in this Annual Report.	No material difference
3. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has established an appropriate environmental management system in accordance with the requirements of environmental regulations, with industry characteristics taken into consideration. The Company's Kaohsiung Plant obtained ISO 14001 certification for environmental management systems, demonstrating the Company's implementation of effective environmental management systems and legal basis of relevant regulations.	No material difference
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		Through process optimization, the Company enhances energy efficiency, promotes paperless electronic signatures, domestic waste reduction, and recycling activities to achieve continuous energy conservation and carbon reduction. **Management goals achievement of 2023:** (1) Energy saving 1%: The capacity increment plan of vacuum furnace is expected to increase the output of each furnace by at least 50%, which can reduce the number of redundant vacuum furnace operations and time consumption by 50%, cut down the production electricity cost and reduce energy consumption. (2) Lighting energy saving: inductive lighting tubes are installed in the stairwell and locomotive parking shed of the factory; Lights are turned off during lunch break and rest time. (3) 1% reduction in waste: Kaori recycles 100% of protective materials and containers for chevron-strip plates.	No material difference

(4) The Kaohsiung plant has set an environmental target of reducing the total use of gasoline and diesel by 5% over the previous year.

Energy consumption	Unit	2022	2023	YOY
Gasoline, diesel	Liter	14,357	13,867	-3.4%

.Power saving rate (%) effect of each plant

According to Article 9 of the Energy Management Law issued by the Energy Bureau of the Ministry of Economic Affairs, each factory area shall provide annual feedback on energy performance and energy improvement plans, as well as performance goals, for energy users with a contracted power consumption of 800KW or more: “annual electricity saving rate” or “average annual electricity saving rate” is greater than 1%. The Chung-Li No. 2 Plant and the Benchou Plant in Kaohsiung have appointed dedicated energy managers to implement energy conservation measures and achieve an average annual electricity saving rate of more than 1%.

Plant/Year	**2021**	**2022**	**2023**	**2015~2023 Average Electricity Saving Rate (%)**
Chung-Li Plant 1	1.97	0.17	6.08	1.85
Chung-Li Plant 2	1.75	3.03	1.42	1.76
Benchou Plant in Kaohsiung	1.19	3.05	6.19	3.67

<table>
<tr>
<td>(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</td>
<td>V</td>
<td></td>
<td>Since 2022, the Company has voluntarily invoked the Task Force on Climate-related Financial Disclosures (TCFD) international guidelines to disclose four core elements in accordance with the TCFD recommendations: “Governance”, “Strategy”, “Risk Management” and “Indicators and Objectives” to identify the significant risks and opportunities that climate change may pose to the company and propose relevant strategies to deal with them.Please refer to Kaori’s ESG Corporate Sustainable Private Network Report to download the TCFD report https://esg.kaori.com.tw/tw/download</td>
<td>No material difference</td>
</tr>
<tr>
<td>(4) Does the Company take examination of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</td>
<td>V</td>
<td></td>
<td>Statistics
(1) Greenhouse Gas (tons of CO_2e)
<table>
<tr><th>Emission Category/Total (tons of CO_2e)</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>Scope 1</td><td>326.6783</td><td>292.4936</td><td>238.4160</td></tr>
<tr><td>Scope 2</td><td>7,031.5215</td><td>7,275.9728</td><td>7,530.5588</td></tr>
<tr><td>Scope 3</td><td>8,594.9524</td><td>19,059.0917</td><td>15,112.2364</td></tr>
<tr><td>Total</td><td>15,953.1522</td><td>26,627.5581</td><td>22,881.2112</td></tr>
</table>
(2) Water Resources: The water usage mainly consists of domestic water, and the water source is tap water, which has no major impact on natural water sources, and the wastewater produced is limited to general domestic wastewater. The Company will continue its implementation of water-saving policies through relevant advocacy campaigns.
<table>
<tr><th rowspan="2">Total Usage (in Million Liters)</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>5.85</td><td>6.095</td><td>9.449</td></tr>
</table>
(3) Wastes: (tons)
<table>
<tr><th>Waste Category\Volume (tons)</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>Hazardous Wastes</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Non-Hazardous Wastes</td><td>72.466</td><td>89.157</td><td>91.369</td></tr>
</table>
</td>
<td>The data in the 2023 field are internal statistics and will be checked externally in June 2024</td>
</tr>
</table>

<table>
<tr><td></td><td></td><td></td><td><table><tr><td>Total</td><td>72.466</td><td>89.157</td><td>91.369</td></tr></table>(4) The Company has adopted its “Energy Conservation and Carbon Reduction Management Measures”, with the policy objectives of reducing water and electricity usage, enhancing energy efficiency, and raising awareness of sustainable development.
(5) The greenhouse gas emission examination from 2021 to 2022 will follow the ISO 4064-1:2018 standard and be verified by a third-party examination; The 2023 examination is expected to be completed in the second quarter.</td><td></td></tr>
<tr><td>4. Social Issues
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>Kaori attaches great importance to the implementation of human rights, practices labor policies and their spirit with a fair and respectful attitude, establishes a culture of equality, inclusiveness and open communication, builds a working environment that guarantees human rights, and ensures that the implementation of relevant spirits is internalized in the work of employees and corporate culture. In addition to complying with the provisions of the national law to protect workers, Kaori also respects the human rights of its employees, including gender equality, the prohibition of any form of discrimination, forced labor, the use of child labor, and the avoidance of excessive working hours. We have zero tolerance for any harassment, discrimination or other breach of employment law.
.Kaori’s human right policies
1. Diversity, inclusion and equal opportunities
2. Against discrimination, bullying and harassment
3. Meet the basic wage and reasonable hours
4. No forced labor and no child labor
5. Healthy and safe workplace environment
6. Implement information security
7. Promote harmony between labor and capital
Official website announcement:
https://www.kaori.com.tw/tw/modules/about/isopolicy
.Human rights measures adopted and implemented in 2023
Regularly assess the risk of violations of human rights at work, such</td><td>No material difference</td></tr>
</table>

as non-discrimination, forced labor and prohibition of child labor. The risk and control measures are shown in the table below, exposing information to supervisors to ensure that similar situations do not occur in the future.

Items	**No forced labor**	**Prohibited child labor**
Risk assessment	Internal control of work hours	Verify that the applicant is at least 16 years old according to the ID card
Practicing principle	Do not force or coerce unwilling personnel to perform labor service or overtime work	Do not employ child workers under the age of 16
Control measures	Control over work hour Continuous attendance, attendance traceability on holidays Provide opinion feedback channels	The HR department verifies the identity card during the interview Control over the date of birth when receiving a resume
Items	**Eliminate illegal discrimination**	**Safe and healthy environment**
Risk assessment	According to Taiwan's labor law, the principle of non-discrimination applies to new-employee interview, on-the-job training, salary and promotion.	Do a good job of hazard identification and risk assessment → high-risk jobs should be listed for control. Implement the prevention of occupational diseases and promote the physical and mental health of employees.

Practicing principle	During the interview, new employees are not asked for personal information unrelated to work, and verbal discrimination between colleagues and supervisors or between colleagues is prohibited.	Develop a safety culture and a friendly working environment
Control measures	Regularly review regulations and internal management systems for compliance with legal requirements.	Formulate measures for personnel safety and work environment protection. Provide medical assistance, doctor on-site service. Personnel education, training and advocacy.
Risk assessment	**Balance between work and life**	
Practicing principle	Promote interpersonal interaction with colleagues through participation in leisure activities, and strive to maintain work-life balance and physical and mental health of employees.	
Control measures	The Welfare Committee handles travel, handwork, sports-related activities.	
Risk assessment	Strengthen the publicity channels in the factory, encourage employees to participate, and distribute questionnaires to participants after the event, optimize and increase the number of future events.	

Committed to complying with Taiwan's labor laws, Kaori has formulated a code of labor rights protection and management that

			includes working hour wages, humane treatment, non-discrimination, anti-workplace bullying, and freedom of association: prevention of non-voluntary labor, prevention of sexual harassment, protection of workplace motherhood, and prevention of illegal violations in the performance of duties. ˙ **Implementation of human rights targets in 2023** (1) No discrimination occurred (2) Freedom of association is not prohibited (3) No child Labor was employed (4) No major forced or compulsory labor incidents occurred	
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		The Company regularly holds labor-management meetings and weekly meetings to maintains a good two-way communication, and formulates and implements reasonable employee welfare measures including salaries, vacations and other benefits in accordance with the Labor Standards Act and related laws and regulations, with business performance and outcome reflected in the form of employee compensations: (1) The Board of Directors has established its Remuneration Committee responsible for payment policy, system, standard and structure of the remunerations. (2) Bonus Distribution: Liked with Company operation performance, net income of each fiscal year and employee evaluation results. (3) Birth allowance: NT $50,000 for single births, NT $100,000 for twins, NT $150,000 for triplets, more than multiple births and so on. (4) Child care allowance: For children under six years old whose registered residence is in the employee's account of the company, NT $10000 per child per household per year will be granted. (5) Employees propose to improve the outstanding performance, will be commended at the monthly meeting, and paid the achievement bonus, in order to encourage excellent employees.	No material difference
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The Company has passed the ISO 45001 TOSHMS' certification. The Company conducts annual employee health check-ups and regularly promotes a safe and healthy working environment during monthly meetings. Regular safety and health education participated by all employees have been organized. Through these events, regular communications and interaction with employees as well as the	No material difference

			dissemination of policy plans and educational training are implemented. Employees can gain a comprehensive understanding of the Company's operational updates through these meetings. The Company provides and maintains a safe and healthy working environment in compliance with industrial practices and legal requirements, and conducts regularly the labor safety education and prevention training in accordance with legal regulations. **.Implementation of ESH indicators in 2023** (1) No major occupational disaster. (2) Passed the certification of ISO 45001 TOSHMS (3) All the occupational safety and health personnel are in compliance with the regulations and effective and completed the training (4) 100% of new employees participate in safety education and training (5) The participation rate of health examination is greater than or equal to 80% (6) The training rate of high-risk operators is 100% (7) Major occupational disaster ≦5 cases/year (excluding death) (8) Risk and chance improvement rate is 100% There were no fire incidents in Kaor in 2023. Kaori attaches great importance to the fire safety of the factory. In addition to the annual declaration of fire equipment maintenance stipulated by the law, Kaori also strengthens the training of the fire self-defense team of the factory. Through situational drills, the simulated fire response of the whole factory area is carried out to ensure that all employees can implement the correct measures in the first time when the fire occurs. In terms of fire prevention, Kaori conducts fire potential analysis of the plant area to identify high-risk areas for relevant improvement and prevention (e.g. infrared photography of circuits, channel maintenance, regular environmental inspection, etc.).	
(4) Does the Company provide its employees with career development and training sessions?	V		In response to rapid technological changes in the industry and to ensure employees' skills and career development, the Company has adopted its "SOP Manual for Education and Training Management" for the objectives to enhance employees' knowledge and skills,	No material difference

			thereby improving work efficiency and quality. Furthermore, the Company provides non-periodic on-the-job training or encourages employees to participate in external professional training. Employee learning and development are prioritized in human resources management of the Company to cultivate outstanding professionals and enhance operational performance to achieve the Company's business objectives.	
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		In terms of marketing and labeling of products and services, the Company follows relevant regulations and does not engage in deceptive, misleading, or any hidden practices which may impair consumer rights. The Company has adopted its a customer complaint management procedure and established a customer-oriented quality system. Additionally, the Company values customer feedback and has set up a stakeholder section on the Corporate Website https://www.kaori.com.tw/tw/modules/investors/stakeholder, providing contact information and channels for inquiries, complaints, or suggestions to ensure customer rights.	No material difference
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		1. Supplier management policy: with stable quality, delivery time, supply stability, long-term cooperation willingness as the priority. 2. Following the Responsible Alliance Code of Conduct, suppliers are required to sign the "Supplier Code of Conduct" as the basis. 100% of suppliers signed. The supplier undertakes to conduct any activities in accordance with the relevant legal and ethical guidelines. We explain Kaori's sustainable management policy to our suppliers and ensure that suppliers continue to meet our expectations through formal sign-off. In 2023, 142 companies signed the pledge.	No material difference
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?	V		The Company has prepared the 2023 Sustainability Report on a voluntary basis and in accordance with GRI Standards of Global Reporting Initiative and UN's SDGs. Please refer to Kaori's ESG Corporate Sustainability Report download pagehttps://esg.kaori.com.tw/tw/download	No material difference
6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies: The Company's "Corporate Social Responsibilities Best Practice Principles" adopted in August 2016, as approved by the Board of Directors were later revised into "Sustainable Development Best Practice Principles" following approval by the Board of Directors on January 21,				

	2022 to align with the Company's commitment to corporate social responsibility and to contribute to economic, environmental, and social progress towards sustainable development goals. The Company regularly assesses its performance based on these principles and makes improvements accordingly. To date, there have been no significant deviations from the implementation of these Principles.

7. Other useful information for explaining the status of corporate social responsibility practices:

The Company is committed to integrating ESG principles into its operational processes and striving for sustainable management with the core principles of "energy conservation, carbon reduction, people-oriented, and sustainable operation" in a more systematic and organized manner. In response to the risks of climate change, Kaori grasps international trends and advocates for actions towards achieving net-zero carbon emissions. As achieving net-zero is crucial for the long-term strategic development of the Company, priority is given to promoting sustainable practices focused on "low carbon X emission reduction" before the net-zero carbon emission is realized:

(1) The world's first plate heat exchanger manufacturer to receive both ISO 14064-1 greenhouse gas examination and ISO 14067 carbon footprint certification, ready to meet the challenges of international carbon tariffs.

(2) The Taiwan plant has completed greenhouse gas examination for three consecutive years, and that of the subsidiary Ningbo plant is expected to be completed in 2024.

(3) Terminate the production of high-carbon emission equipment, reduce the use of natural gas, and significantly reduce carbon intensity compared to 2022.

(4) The process is energy-saving and digital, and the main production equipment has been installed with smart meters, with the installation rate of 80%.

(5) The layout of renewable energy green electricity, with Kaohsiung plant being set 744.51Kw, Zhongli plant completing the feasibility assessment of setting.

(6) We will actively promote human rights-related policies and measures, conduct third-party human rights due diligence by 2024, and build a diverse, equal and inclusive workplace culture.

(7) We have passed the TOSHMS ISO 45001 third-party certification. We will implement continuous improvement through systematic occupational safety and health management, and strive towards the goal of zero occupational hazards.

(8) Attaching importance to employees' physical and mental health and emergency rescue skills, more than 70% of Kaori's Zhongli plants have completed CPR+AED emergency rescue training courses, and successfully obtained AED safe place certification from the Ministry of Health and Welfare and Taoyuan Health Bureau.

(9) Passed the ISM ISO27001 third-party certification.

In recent years, the Company has been actively collaborating with international major manufacturers to develop and produce various energy-saving, hydrogen energy, and green energy products, actively venturing into the green energy market and moving towards the green energy industry. The Company's commitment to environmental responsibility is reflected in its transformation from using energy to saving energy and now to manufacturing energy, contributing to the planet's well-being and creating a green energy future. The Company also makes donations from time to time to various organizations supporting underprivileged students, education, social welfare, and programs for disadvantaged children. Examples include donations to the Eden Social Welfare Foundation, Taiwan Society for Metal Heat Treatment, Taiwan Thermal Management Association, participated in warm and caring public welfare activities and donated heat exchangers for a consecutive four years from 2020 to 2023 for Registration and Air Conditioning of National Skills Competition for the contest and energy-saving technical courses. The Company actively participates in activities organized by charitable and public welfare organizations as a means to fulfill its corporate social responsibility.

Note 1: If “Yes” is ticked in the “Implementation status” column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If “No” is ticked in the “Implementation status” column, please explain the deviations and the reasons in the “Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons” column and explain the Company’s plans for adoption of related policies, strategies, and measures in the future. However, for Items 1 and 2, the TWSE/TPEx listed company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, review measures, etc. It additionally shall describe the Company’s risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

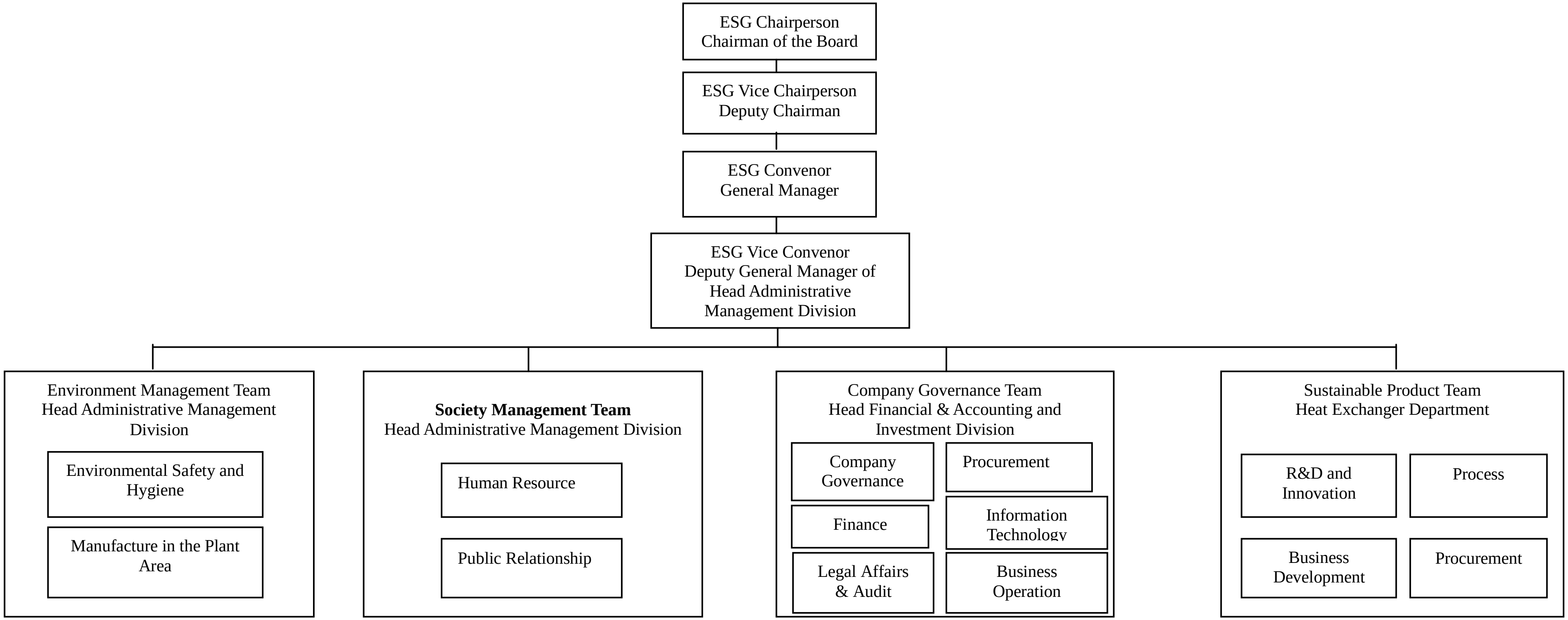
Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Company’s investors and other stakeholders.

Note 3: Regarding the method for disclosure, please refer to the “SAMPLE ANNUAL REPORT” page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Implementation status of the Company's promotion of sustainable development:

I. Framework for Sustainable Development Promotions

Kaori's ESG Promotion Committee primarily organizes initiatives based on four dimensions: environmental management, corporate governance, social engagement, and green sustainable products:



II. Governance and Responsibilities for the Promotion

(I) Environmental Management Team: Led by the Administrative Management Division, the team focuses on developing and implementing environmental policies and management systems, global climate change mitigation and adaptation, pollution control, energy efficiency, carbon emission management, and mechanisms to respond to environmental issues; occupational safety and health policies, workplace safety, prevention of occupational diseases, and health promotion; ensuring communication and compliance with environmental, safety, and health regulations while managing labor relations.

(II) Social Management Team: Led by the Administrative Management Division, the team focuses on attracting and retaining talent, promoting employee physical and mental well-being, work-life balance, labor-management relations, labor rights, employee development and career growth, and integration of public relations efforts for stakeholder interactions and management.

(III) Corporate Governance Team: Led by the General Division of Finance and Investment, the team is responsible for promoting and managing material topics concerning corporate governance, procurement, finance, information technology, legal affairs, auditing, and operations.

(IV) Sustainable Product Team: Led by the operating unit of the Heat Exchanger Business Division, the team promotes R&D innovation, green processes, green procurement, and business development related to sustainable products.

III. Evaluation on the Risks in Sustainable Development Promotion

Materiality Topic	Risk Evaluation Items	Risk Management Strategies and Measures
Environmental	Environmental Protection Climate Change	1. Reducing the impact of Company operations on the natural environment and human beings: (1) ReducING the consumption of resources and energy in products and services. (2) Minimizing emissions of pollutants, toxic substances, and waste, and handling waste properly. (3) Enhancing the recyclability and reuse of raw materials or products. (4) Maximizing the sustainable use of renewable resources. (5) Extending the durability of products. (6) Increasing effects of products and services 2. Conducting a greenhouse gas examination and disclosure thereof in accordance with the international standard ISO 14064-1. The scope should include: (1) Direct greenhouse gas emissions: Emissions from sources owned or controlled by the Company. (2) Indirect greenhouse gas emissions: Emissions resulting from the consumption of purchased electricity, heat, or steam. (3) Other indirect emissions: Emissions generated by the Company's activities that are not related to energy consumption but originate from sources owned or controlled by other companies.
Social	Workplace Safety Employee Recruitment and Training	In accordance with the ISO 45001 TOSHMS and the PDCA cycle concept, Kaori continuously improves the safety of the working environment in each plant, reduces and eliminates workplace hazards and related diseases, thereby achieving the purpose of sustainable management and social responsibility. 1. Providing a safe and healthy working environment for employees inclusive of necessary health and emergency facilities, and striving to reduce hazards to employee safety and health to prevent occupational accidents. 2. Regular safety and health education and training. 3. Establishing an effective career development and training program. 4. Reflecting the Company's business performance or achievements appropriately in the compensation policy to ensure the recruitment, retention, and motivation of human resources, thereby achieving the goals of sustainable operation.
Corporate Governance	Social-economics and Legal Compliance	By establishing a governance organization and implementing effective governance structures, ethical standards, and internal control mechanisms, the Company ensures that all personnel and operations comply with relevant legal and regulatory requirements, thereby fostering sound corporate governance.

IV. Information on Climate of TWSE/TPEx Companies / Information on the Execution of Climate-related Measures.

<table>
<tr><td>Items</td><td>Execution</td></tr>
<tr><td>1. Clarify the Board's and management's oversight and governance of climate-related risks and opportunities.</td><td>The Company has established an "ESG Promotion Committee", led by the chairman to formulate the vision and long-term strategy of Kaori's ESG, regularly review, track and revise the implementation status and effectiveness of sustainable development at weekly business meetings, and submit it to the Board of Directors in accordance with the principle of significance. The ESG Promotion Committee consists of senior executives from different fields, divided into organizational environmental management, Social management, corporate governance and sustainable products groups, which interact closely with customers, government and various sectors of society to enhance corporate transparency and promote sustainable responsibility in all aspects. In addition, following the greenhouse gas examination and verification of the "Sustainable Development Path Chart of TWSE/TPEx Companies", Kaori advanced the regulatory schedule and took the lead in completing the greenhouse gas examination and third-party verification and certification of the parent company in August 2022, and reported to the Board of Directors on a quarterly basis to promote the progress; the greenhouse gas examination and verification plan of the subsidiary has been submitted to the Board of Directors for resolution and adoption in the first quarter of 2023, and the implementation progress is reported every quarter, and the examination and verification work is expected to be completed in 2023.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances (short, medium, and long term).</td><td>The Company is actively developing solutions to reduce the operational and financial impacts of climate change and enhance organizational climate resilience. Defined as less than one year in the short term, two to three years in the medium term, and more than three to five years in the long term, the solution assesses the potential operational and financial impact of relevant climate risks and opportunities on the Company and plans actions to address them.
<table>
<tr><td></td><td>Risk type and opportunity</td><td>Short-term (1~2 years)</td><td>Medium-term (2~3 years)</td><td>Long-term (3~5 years)</td></tr>
<tr><td>Risk</td><td>transformation risk
Focus on the risks associated with the transformation to a low-carbon economy. transformation risks involve</td><td>Changes in domestic and foreign regulations: total greenhouse gas control and carbon tax, carbon fee</td><td>The cost of the transformation to low-carbon technologies</td><td>Net zero emission trend</td></tr>
</table>
</td></tr>
</table>

	policy, legal, technological, market and reputational risks			
	Entity risk Due to the increasing severity of extreme climate, the heavy weather, such as typhoon has intensified, with longer affecting time and causing flooding and power outage, thus affecting the operation of the plant. The company suffered from bad weather, resulting in production interruption, capacity reduction, equipment damage, transportation difficulties, interruption of raw material supply, etc.	The severity of extreme events such as typhoons and floods has increased	Increased drought affects supply chains	Mean temperature rise
Opportunity	Climate change has a positive impact on individuals. mitigation and adaptation efforts can create climate-related opportunities for individuals	Enter a new market	Develop and increase low-carbon goods and services	Enhance corporate reputation

To assess the above risks and identify climate-related risks and opportunities that may have significant financial impact, as well as strategies to address and implement them:

transformation risk/climate-related opportunities		
R Risk/Opportunity	Financial Impacts－/ +	Countermeasures/Implementation measures
R: The cost of the transformation to	- Increasing investment in R&D	◆ Vendor diversification: Build

	low-carbon technologies	funds - Decreasing operating revenue	relationships with multiple vendors to reduce the impact of rising costs and uncertain availability of low-carbon raw materials. ◆ Access to green loans/financing: Negotiate green loan projects with banks to obtain preferential interest rates or funds to reduce operating costs. ◆ Make up for turnover with stable product income: If the transformation of some of Kaori's low-carbon products fails, departments with more stable revenue, such as the Fuel and Power Department, will try their best to increase product revenue to make up for the short turnover caused by the transformation risk.
	R: Carbon tax and carbon charge at home and abroad	- Paying a carbon fee increases operating costs - Violations of the regulations are subject to fines	◆ Keep abreast of regulations and trends: Set up a task force to regularly track the latest product related regulations and trends, and hold regular staff education and training to discuss trends in order to assess the revision needs of existing products and coping strategies, such as re-certification to meet product standards. ◆ Import energy-saving equipment: establish and improve the energy management system, monitor the energy efficiency of equipment, replace high energy consumption equipment; invest in green energy and energy storage equipment in

			plant and office. In addition, the Company will introduce automated production equipment to improve production efficiency and energy efficiency, reduce the frequency of equipment replacement, and use digital transformation to optimize the process. ◆ Termination of high-carbon production services: Two energy-intensive brazing processing and production equipment were sold in the fourth quarter of 2022 and removed from the site in the first quarter of 2023.
	R: Net zero emission trend	- Carbon reduction equipment setup and operating costs increased	◆ Continued implementation of greenhouse gas reduction actions ◆ Set up solar energy system, obtain green electricity certificate ◆ Encourage suppliers to take climate mitigation and adaptation actions
	O: Enter new market	+ Operating revenue increased + Cooperation opportunity available	◆ Develop dedicated products: develop dedicated products for heat pumps to master market trends and increase market share; develop dedicated heat exchangers for air drying models to expand new markets and expand product types and customer bases as well as extensively and frequently contact with customers. ◆ Development of hydrogen energy products: Continue to

			research and develop hydrogen energy products, cooperate with technology partners to innovate, and apply technology to more fields to meet customer and market needs. ◆ Continuous development of submerged liquid cooling modules/systems: the water-cooled and submerged product lines are continuously modelled and technically validated, while maintaining customized flexibility to meet different market needs and accumulate database to maintain a competitive edge in the market.
	O: Developing and increasing low-carbon goods and services	+ Cost reduced + Revenue increased + Access to capital	◆ Develop low-carbon footprint products: by applying green design to improve processes, such as using low-carbon raw materials or reducing raw material usage, developing product recycling mechanisms such as raw material or component reuse, or developing low-carbon transportation and packaging materials to reduce product carbon footprint. ◆ Develop emerging

			low-carbon solutions: integrate hydrogen technologies to provide carbon-neutral solutions, and develop new fuel types to tap into emerging climate adaptation opportunities. ◆ Investment in circular economy applications: invest in the development of recycling technologies for the treatment of waste organic solvents and the recycling of process waste hydrogen and residual hydrogen, in order to develop circular economy related technologies.
	O: Shift in consumer preferences	+ Revenue increased + The company's visibility improved	◆ Map out marketing plan: plan to have business units regularly conduct in-depth understanding of existing and newly developed customers; ensure that product functions fully meet customer needs and can be adjusted in time, continue to develop new markets and new customer sources, such as expanding the European A-level customers. ◆ Stabilize supply in response to market demand: increase stamping plate suppliers and stainless steel suppliers to increase production, and monitor the production process

		through ERP system to improve delivery quality and delivery rate.

Entity risks/climate opportunities		
R/O	Financial Impacts－/ +	Countermeasures
R: The severity of extreme events such as typhoons and floods has increased R: Supply chain disruption (drought)	- Operation costs increased - Operating revenues decreased - Reputation of the Company (credit loss)	◆ Reduce the risks of supply chain disruption: ensure diverse sources of suppliers to stabilize raw material sources and supply demand; negotiate with suppliers to increase the quantity of raw materials and examination turnover; stock locations are located close to customers to reduce the risk of disruption. ◆ Improve production efficiency to make up for capacity: in the event of a shutdown due to a typhoon, Kaori evaluates the progress delayed due to the shutdown

		due to a typhoon, and asks the supplier to assist and improve production efficiency to make up for the reduced capacity, so as to avoid disruption of the production line for lack of materials.
R: Rising mean temperature	- The increase in electricity has caused an increase in operating costs - Price increase for lack of raw materials (R) - Increased costs, or reduced production resulting in reduced revenue	◆ Switch to renewable sources of energy. ◆ Develop alternative raw materials ◆ Purchase energy saving equipment ◆ Introduce energy management system

3. Describe the financial impacts of extreme weather events and transformation actions.	**Financial impacts of extreme weather events** Due to the increasing severity of extreme climate, the heavy weather, such as typhoon has intensified, with longer affecting time and causing flooding and power outage, thus affecting the operation of the plant. The Company suffered from bad weather, resulting in production interruption, capacity reduction, equipment damage, transportation difficulties, interruption of raw material supply, etc, thereby decreasing the operating revenues and increasing costs.

Risk impact oriented assessment	**Delayed delivery of goods: e**xtreme weather affects plant operations, resulting in disruption of production capacity, no access to raw materials, and transportation will also be affected, which may lead to delivery delays of several days or even a week. **Upstream and downstream are affected:** Due to the extreme weather, the quantity of parts delivered to Kaori by suppliers will be reduced, which will also lead to the delay of Kaori's product delivery and affect the production of customers. In the most serious cases, it may even lead to customer production disconnection.
Financial impact	**Operating cost increased, revenue reduced and credit loss**

	oriented assessment	

Financial impacts of transformation actions

In response to the energy conservation and carbon reduction needs of domestic and foreign customers, the Company has accessed to new markets and contacted different types of customers, such as applications on fuel cell ships, green hydrogen energy storage technology for hydrogen production thermal reactors, and residual hydrogen recovery and power generation technology. Actively invest in new markets, expand product categories and customer base, increase the Company's revenue and enhance its reputation. At the same time, by increasing low-carbon products, the Company is encouraged to enhance market competitiveness, increase market share, and increase revenue.

Opportunity impact oriented assessment	**Explore new business opportunities in the industry:** In response to the international trend of carbon reduction, Kaori has reached out to different types of customers and expanded the application of dedicated products for plate heat exchangers, such as heat pumps. In addition, the Company has actively invested in new customers and new markets, which has increased the Company's s revenue and enhanced its reputation. Kaori has been researching and developing hydrogen products, assisting customers accessing to new markets to sell hydrogen products; to meet the demand for hydrogen energy products, customers have successively invited the Fuel Cell Business Department to cooperate in developing the production process of SOEC, hydrogen energy, and marine fuel cells, and arrange trial shipments.At present, the overall shipping demand and revenue have increased significantly, embodying a promising prospect. **Development of submerged liquid cooling modules/systems:** As the power consumption of servers/data centers continues to increase, liquid cooling will be a long-lasting trend. Kaori continues to develop immersive liquid cooling modules/systems, which can improve energy efficiency; Our Company's product technology is gradually maturing and planning to enter the mass production stage, which is expected to expand into new markets and customers.
Financial impact oriented assessment`	**Increased income and opportunities for collaboration**

<table>
<tr>
<td>4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.</td>
<td>Kaori’s ESG Promotion Committee keeps an eye on domestic and international industrial climate policies and action plans, and takes stock of climate change risk and opportunity factors in extreme weather, regulations, and markets. In addition, the Company also assesses the likelihood of occurrence based on past experience and future occurrence points, and assesses the impact in terms of operational, reputational, personnel and financial impacts. According to the results of the analysis, competent units will propose countermeasures to adjust the relevant internal management mechanisms and establish open and transparent communication channels with all stakeholders.</td>
</tr>
<tr>
<td>5. Where scenario analysis is used to assess resilience to climate change risks, the scenario, parameters, assumptions, analytical factors and major financialimpacts should be described.</td>
<td>Based on the two climate change scenarios, Kaori conducts climate change research and discussion through the Climate Change Risks and Opportunities Workshop (Workshop), as well as the assessment of risks and opportunities. The process for identifying climate change-related risks and opportunities is as follows:
<table>
<tr><th>A. Set climate change scenarios</th><th>B. Assess the environmental impact of operations</th><th>C. Identify climate risks and opportunities</th></tr>
<tr><td>Set two climate change scenarios:
SSP5-8.5: heat up to 6℃
SSP1-2.6: heat up to 26℃</td><td>Assess the influence and impacts of climate change on the operating environment and stakeholders</td><td>Establish a risk and opportunity matrix to identify climate change risks and opportunities</td></tr>
</table>
After identifying climate risks and opportunities, three high-risk factors and three high opportunity factors for Kaori in 2023 were identified based on their likelihood of occurrence and degree of impact.
Risk identification and key financial impacts:
<table>
<tr><th>Risk prioritizing</th><th>Risk type</th><th>Risk factors</th><th>Major financial impacts</th></tr>
<tr><td>1</td><td>Transformation risk-science and technology</td><td>The cost of the transition to low-carbon technologies</td><td rowspan="3">Operating cost increased
Revenue reduced
Credit loss</td></tr>
<tr><td>2</td><td>Transformation risk - policy and laws and regulations</td><td>Changes in laws and regulations at home and abroad</td></tr>
<tr><td>3</td><td>Entity risk - immediacy</td><td>The severity of extreme events such as typhoons and floods has increased</td></tr>
</table>
</td>
</tr>
</table>

Summary of opportunity identification and key financial impacts:

Opportunity prioritizing	Opportunity type	Opportunity factors	Major financial impacts
1	Opportunity-market	Reach out to new markets	Revenue increased Cooperation opportunities available Access to capital
2	Opportunity-product and service	Develop and increase low-carbon goods and services	
3	Opportunity-product and service	Shift in consumer preferences	

6. If there is a transformation n plan to manage climate-related risks, describe the plan and the indicators and objectives used to identify and manage physical and transformation risks.

In the face of climate change risks, the Company has developed a low carbon transformation plan to reduce direct emissions from operations (Scope 1), indirect emissions from energy use (Scope 2) and indirect emissions from value chains (Scope 3). The execution includes:

1. Active and independent low-carbon emission reduction: Refine process brazing technology, replace energy-consuming production equipment, improve energy productivity and use efficiency, and continue to reduce carbon emissions in product manufacturing and processing stages. At the same time, waste output from operational activities continues to be reduced.

2. Build green renewable energy equipment: Build solar photovoltaic systems, increase the proportion of renewable energy use, and support low-carbon energy transformation.

3. Development of low-carbon and zero carbon technology: With liquid cooling and hydrogen energy technology, we are leading the way in the sustainable development of the industrial chain and constructing a complete low-carbon transformation structure.

Indicators and objectives for managing entity risk and transformation risk

Schedule	Short-term indicators s:2023-2024	Medium-term indicators: 2025-2028	Long-term indicators: 2029 and beyond
Climate change and energy conservation	Implement energy conservation and carbon reduction projects	Power saving 3%	Power saving 5%
	Production was interrupted for 0 days after the weather disaster	Production was interrupted for 0 days after the weather disaster	Production was interrupted for 0 days after the weather disaster

	Conduct greenhouse gas emission examination and inspection	Set a reduction goal	Internal carbon pricing
	Set up renewable energy	Set up renewable energy	Green voucher transaction
Wastes	Zero violation of waste regulations	Zero violation of waste regulations	Zero violation of waste regulations
	100% of waste is disposed of by legitimate businesses	100% of waste is disposed of by legitimate businesses	100% of waste is disposed of by legitimate businesses
Air pollution	Zero violation of air pollution regulations	Zero violation of air pollution regulations	Zero violation of air pollution regulations
Water resources	Sewage discharge in compliance with regulations	Sewage discharge in compliance with regulations	Sewage discharge in compliance with regulations
	Zero production loss due to water restriction	Zero production loss due to water restriction	Zero production loss due to water restriction
Law compliance	Zero violation of environmental protection regulations	Zero violation of environmental protection regulations	Zero violation of environmental protection regulations

7. Where internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	It is expected to be piloted in Taiwan starting from 2025. Our Company will conduct an internal feasibility evaluation of carbon pricing and set carbon intensity targets and carbon emission limits based on mechanisms such as carbon trading.

8. If climate-related targets are set, information on the activities covered, scope of greenhouse gas emissions, planning period and annual progress towards achieving them should be provided; where carbon credits or renewable energy credits (RECs) are used to achieve the relevant objectives, the source and number of credits or the number of renewable energy credits (RECs) should be stated.	Starting from its own, Kaori manages energy during the operation phase in order to improve performance such as environmental protection and social value. In addition to strengthening related material research and process technology changes, Kaori has also established a Carbon Management Committee to actively promote greenhouse gas reduction and management, energy conservation management, water conservation management and waste recycling and other environmental impacts. At the same time, Kaori invests in environmental protection facilities and integrates green management and energy conservation plans into corporate operations, thereby achieving environmental sustainability. The Company has passed the ISO 14001 Environmental Management System's certification (Benchou Plant in Kaohsiung) in 2019. As for the environmental performance related to greenhouse gas, air pollution, wastewater discharge, waste disposal, etc., the Company has made continuous efforts to continuously improve the environmental impact damage to the minimum, and no major violations of environmental laws occurred during the reporting year. Through the introduction of the ISO 14001 Environmental Management System, the factory can reduce the impact of organizational activities on the environment, provide safe products and services, and ensure the health and safety of employees at work by means of environmental management policies, formulation of effective management processes, compliance with environmental laws, maintenance of environmental order and safety, education and training. Since 2021, a "Carbon Management Committee" has been established to carry out annual GHG emissions examination and verification in accordance with ISO14064-1. The planned schedule and annual progress are detailed in point 9 1-2 below. At this stage, the company reduce carbon through independent energy saving. In terms of renewable energy planning, the Kaohsiung Benchou plant has set up a commercial rooftop solar photoelectric system of 744.51kW, which has been put on the line in September 2022, and its total power generation in 2023 accounts for about 9.44% of the power consumption of the plant area. At the same time, in the Q4 of 2023, Chung-Li No. 3 Plant and Tzuchiang Plant have been evaluated, and it is estimated that 431.73KW commercial rooftop solar photovoltaic system can be built to expand and improve the proportion of renewable energy to the plant's power consumption.
9. Greenhouse gas examination and identification status and reduction targets, strategies and specific action plans (filled in 1-1 and 1-2).	Please refer to the below for details.

1-1The Company’s greenhouse gas examination and assurance status for the last two years

1-1-1Information on greenhouse gas examination

Describe the emissions (tons of CO2e), intensity (tons of CO2e/NT$ millionS), and data coverage of greenhouse gases in the past two years.

Please explain the scope of data coverage that should be disclosed according to the sustainable development path map of TWSE/TPEx companies (relevant schedule planning can refer to the website of the exclusive path map of TWSE/TPEx companies:https://isds.tpex.org.tw）:
1. The individual financial statements of the parent company will be audited from 2026 (the same below).
2. Subsidiaries with consolidated financial reporting should be audited starting in 2027.

The consolidated company shall establish a greenhouse gas examination mechanism in accordance with the Greenhouse Gas Protocol issued by the World Association for Sustainable Development (WBCSD) and the World Resources Institute (WRI)/the ISO 14064-1 Greenhouse Gas examination Standard (specifying applicable examination standards) issued by the International Organization for Standardization (ISO). Starting from 2021, the Company will conduct an annual examination of its individual GHG emissions (for subsidiaries, 2024) to obtain a complete picture of its GHG usage and emissions and verify the effectiveness of its reduction actions.

In addition, the Company’s individual greenhouse gas examination data in the last two years are described as follows:

Carbon emissions (ton of CO2e/year)	2022 *		2023 **	
Scope 1 (A)	292.4936	1.10%	238.4160	1.04%
Scope 2 (B)	7,275.9728	27.32%	7,530.5588	32.91%
Scope 3 (C)	19,059.0917	71.58%	15,112.2364	66.05%
Total	26,627.5581	100%	22,881.2112	100%

* In 2022, the examination was carried out among plants in the boundary of Taiwan, totaling 4 plants: Operation Headquarters and Plant 3, Chung-Li Plant 1, Chung-Li Plant 2 and Benchou Plant, Kaohsiung.
** In 2023, the examination was carried out among plants in the boundary of Taiwan, totaling 5 plants (initiation of new plant): Operation Headquarters and Plant 3, Chung-Li Plant 1, Chung-Li Plant 2, Benchou Plant, Kaohsiung and Tzuchiang Plant.

Note 1: Direct emission (Scope 1, emissions directly from the source owned or controlled by the Company), indirect emission (Scope 2, indirect greenhouse gas emissions from input electricity, heat or steam) and other indirect emission (Scope 3, the emissions generated by the activities of the Company are not indirect emissions from energy sources, but from sources owned or controlled by other companies)

Note 2: Data on direct emissions and indirect energy emissions shall be covered in accordance with the schedule specified in paragraph 2 of Article 10 of this Standard, and other indirect emissions information may be disclosed voluntarily.

Note 3: Greenhouse Gas examination Standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standards (ISO).

Note 4: The intensity of GHG emissions can be calculated per unit of product/service or turnover, provided that at least the data calculated in terms of turnover (NT $ millions) should be stated.

1-1-2 Information on greenhouse gas assurance

A statement of the assurance statys for the two most recent years up to the date of publication of the annual report, including the extent of the assurance, the body of the assurance, the criteria of the assurance and the opinion of the assurance.
Please indicate at least the extent to which the assurance shall be carried out in accordance with the sustainable development path map of the TWSE/TPEx companies (please refer to the exclusive path map website of the TWSE/TPEx companies for relevant schedules) https://isds.tpex.org.tw): 1. The parent company preparing individual financial statements shall implement the assurance from 2028 (the same below). 2. Subsidiaries subject to consolidated financial statements implement assurance since 2029. In the total greenhouse gas emissions disclosed by the consolidated company on 1-1-1, where the companies implementing assurance from 2021 to 2022 are the ones stated individual financial statements of the Company, they have been tested by the third party SGS in accordance with ISO 14063-1:2018 released by the International Organizations for Standardization (ISO). Category I and II are reasonable guarantee levels, and Category II and IV are limited guarantee levels. The Company's third party test for companies as stated in individual financial statements for year 2023 is scheduled to be completed in Q3 of 2024.

Where the companies as stated in individual financial statements of the Company for year 2021 are subject to test.	Where the companies as stated in individual financial statements of the Company for year 2022 are subject to test.

聲明書編號 TW22/00367GG

溫室氣體查驗聲明書

2021 年溫室氣體排放資訊

高力熱處理工業股份有限公司

320030 桃園市中壢區吉林北路 5-2 號

經本公司依據 ISO 14064-3:2006 完成查驗並符合下列標準要求

ISO 14064-1:2018

直接溫室氣體排放量
326.6783 公噸二氧化碳當量
間接溫室氣體排放量
15,626.4738 公噸二氧化碳當量
直接與間接溫室氣體排放量
15,953.152 公噸二氧化碳當量

簽署人

鮑柏宇
知識與管理事業群副總經理
日期: 2022年08月10日
版次:1

TGP56A-15-6 2207
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聲明書編號 TW23/00521GG

溫室氣體查驗聲明書

2022 年溫室氣體排放資訊

高力熱處理工業股份有限公司

320030 桃園市中壢區吉林北路 5-2 號

經本公司依據 ISO 14064-3:2006 完成查驗並符合下列標準要求

ISO 14064-1:2018

直接溫室氣體排放量
292.4936 公噸二氧化碳當量
間接溫室氣體排放量
26,335.0645 公噸二氧化碳當量
直接與間接溫室氣體排放量
26,627.558 公噸二氧化碳當量

簽署人

鮑柏宇
知識與管理事業群副總經理
日期: 2023年10月15日
版次:1

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Note 1: Handled in accordance with the schedule as specified in Paragraph 2, Article 10 of the Standards. Where the Company fails to obtain complete greenhouse gas assurance opinion on the publication date of the Annual Report, the "complete assurance information will be disclosed in the Sustainability Report" shall be noted. If the Company fails to prepare the Sustainability Report, the "complete assurance information will be disclosed on the MOPS" shall be noted.

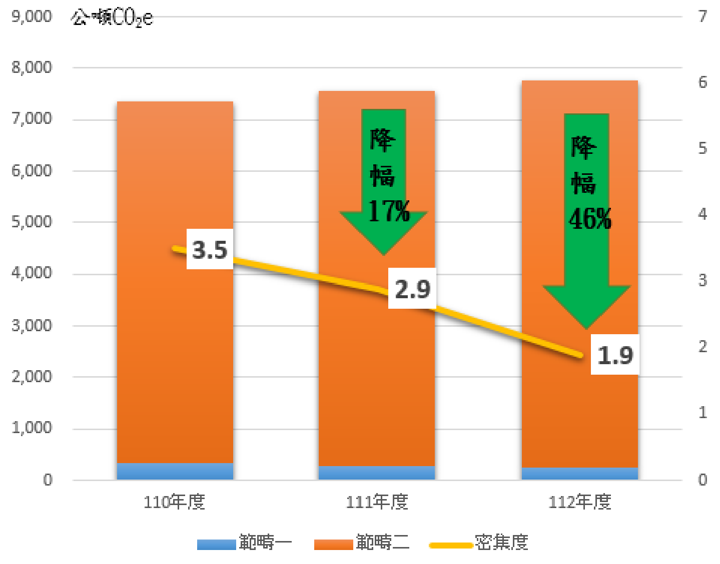
Note 2: The assurance institution shall comply with relevant regulations on the assurance institution for the Sustainability Report formulated by TWSE and TPEx.

Note 3: Please visit the website of the Corporate Governance Center, TWSE for the Best Practice Examples for disclosure contents.

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

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, and specific action plans, as well as the achievement of reduction targets.
Base year and target for greenhouse gas reduction For the purpose of planning the greenhouse gas emission reduction strategy, the individual company completed the examination in 2021 (the same below) on the basis of the individual financial report, so the base year is 2021, and its Category 1 and Category 2 emissions are 326.6783 tonnes of CO2e and 7,031.5215 tonnes of CO2e, respectively. It is hoped that the reduction will be further realized through the following specific actions; it is expected to complete the examination of the consolidated companies (including subsidiaries) in 2024, and then set a further reduction target. **Greenhouse gas reduction strategy and specific action plan** Individual companies are currently integrating carbon management into their operational strategies and seeking breakthroughs in carbon reduction. In response to the international pricing trends, the consolidated companies have taken into account the market price of international carbon, carbon price set according to regulations concerning greenhouse gas and the Company's internal carbon reduction cost before mapping out internal carbon price. On this basis, this serves as the reference for carbon reduction management and planning. by implementing the carbon pricing mechanism, the Company can early responds to internal and external carbon reduction pressure and risks from Taiwan's "Climate Change Response Act", the carbon expenses to be charged and competent supervision mechanism for carbon emission of countries around the world and requirements for green power usage proportion as stipulated in the Regulations on Renewable Energy Development. In order to enable management, executive team and all employees to achieve greenhouse gas reduction targets and improve energy resource efficiency, the evaluation of important program objectives will be included in the operational performance indicators as the basis for employee performance appraisal and bonus, thereby practicing the spirit of responsibility and management.

Fulfillment of reduction target: up to now, the emission data and target achievement of individual companies in each year are as follows:



Note 1: Handled in accordance with the schedule as stipulated in Paragraph 2, Article 10 of the Standards.

Note 2: The base year shall be the year in which the examination of the consolidated financial reports is completed. For example, in accordance with provisions of Paragraph 2, Article 10 of the Standards, the companies with capital over NT$10 billion shall complete the examination of consolidated financial reports of 2024 in 2025. Therefore, the base year shall be 2024. If the Company If the company has completed the examination of the consolidated financial reports ahead of schedule, the earlier year may be the base year and the data for the base year may be averaged over a single year or several years.

Note 3: Please visit the website of the Corporate Governance Center, TWSE for the Best Practice Examples for disclosure contents.

(VI)Status of the Company’s Fulfillment of Ethical Corporate Management and Measures Adopted: Implementation of Ethical Corporate Management and its Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Companies" and Reasons

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy (2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	 V V V		(1) To ensure fulfillment of the ethical corporate management, the Company has formulated an Ethical Corporate Management policy, which has been approved by the Board of Directors. The Company has also established accounting and internal control systems, with its internal auditors regularly auditing compliance with these systems. The core values of the Company's operations-innovation, quality, responsibility, and honor- are explicitly stated in external documents. The policy of Ethical Corporate Management emphasizes guidelines for Directors, Supervisors, senior management, employees, and substantial controllers to follow in conducting business. The Company has adopted its “Ethical Corporate Management of the Company”, “Operational Procedure and Guideline of Conducts for Ethical Corporate Management”, and the “Guidelines for Ethical Conductss” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. (2) Ethical Corporate Management. To prevent instances of dishonest behavior, The Company has implemented preventive measures in its internal control management	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			regulations. These measures specifically target activities with higher risks of unethical conduct as outlined in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" Article 7, Paragraph 2, or other business operations within the scope. These measures are in place to ensure the promotion and implementation of Ethical Corporate Management. (3) The Company has established a strict "Risk Management Policy" to prevent and mitigate the risks associated with business activities that have a higher potential for dishonest behavior within its scope of operations. Additionally, the Company has implemented an appropriate reporting system and channels for whistleblowing, and treats related reports and handling records as confidential information, fulfilling its responsibility to maintain confidentiality. The Company regularly reviews and revises the aforementioned measures to ensure their effectiveness.	

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
2. Ethical Corporate Management Fulfill Operations Integrity Policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V V V V V		(1) The Company avoids conducting transactions with individuals or entities with a history of unethical conducts. Integrity clauses are included in the commercial contracts. Important legal documents of the Company are reviewed by legal personnel or legal consultants, who provide professional opinions and advice. (2) The Company has designated its Special Assistant Office as the dedicated unit to handle the procedures and revisions, execution, interpretation, consultation services, and record-keeping related to the operational procedure and Code of Conduct, supervised by the auditing unit. The Company's auditing unit is an independent department affiliated with the Board of Directors. The Auditing Office conducts regular audits to ensure compliance, monitors various operations, and prepares audit reports to be submitted to the Board of Directors. (3) The Company has established a policy to prevent conflicts of interest and provides appropriate channels for statements, whistleblowing, and complaints. The General Affairs Department is responsible for the authority and duties related to this policy. (4) The Company promotes the avoidance of any behavior that goes against integrity in all business activities. To implement Ethical Corporate Management, all operations are required to comply with accounting	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			systems, internal control systems, and relevant policies. Regular audits conducted by internal auditors have not revealed any violations against ethical corporate management. (5) The Company organizes regular monthly meetings for advocacy that all conducts against integraity shall be avoided in all business activities. Employees are encouraged to participate in internal and external education and training.	
3. Implementation Status Operation of the Integrity Channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the Company provide proper whistleblower protection?	V V V		(1) The Company has established strict preventive measures and disciplinary actions to guide employees in maintaining high ethical standards within the business scope and prevent illegal activities. Additionally, a reporting and complaint channel has been established, with the General Affairs Department responsible for its management. If an employee violates the ethical behavior standards outlined in the Company's work rules, appropriate discipline measures will be administered in accordance with the relevant provisions. If the disciplined employee as mentioned in the preceding paragraph believes that the Company has handled the matter improperly and their legitimate rights and interests have been violated, they may file a complaint with the General Affairs Department in accordance with the Company's relevant complaint handling regulations for appropriate remedies. (2) The Company has formulated processing principles and	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
			confidentiality mechanisms for reported matters. (3) The Company ensures the confidentiality of whistleblowers and treats case-related information and processing records as confidential documents, which are properly archived and retained.	
4. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company currently has disclosed contents related to Rules of Ethical Corporate Management on the corporate website.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has adopted its "Ethical Corporate Management of the Company", "Operational Procedure and Guidelines for Ethical Corporate Management", "Guidelines for Ethical Conducts", ~, "Internal Communication Procedures", "Investor Relations Handling Procedures", and risk management policies in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The two did not reveal any discrepancy.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None				

Note 1: Whether "Yes" or "No" is checked, the Operation Status should be stated in the summary field.

(VII) Where Corporate Governance Principles and relevant regulations have been adopted, the Company shall disclose the matters for inquiry of such regulations:

The Company has, based on the essence of the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”, adoptrd its corporate governance rules and relevant chapters. Inquire relevant contents at:

Corporate Website: https://www.kaori.com.tw/tw/

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

(VIII) Other important information sufficient to improve understanding of implementation status for corporate governance may be disclosed altogether:

1. The Company has established the “Procedures for Handling Internal Material Information” for managing internal significant information and has informed all directors, supervisors, managers, and employees. This procedure is disclosed on the “electronic bulletin board” at the Company's internal network for all employees to follow, so as to avoid violations or occurrences of insider trading.
2. Directors, supervisors, managers, and newly appointed internal personnel of the Company are distributed with the Insider Equity Transactions Advocacy Handbook for TWSE/TPEx Listed Companies upon assuming their positions. This Handbook informs the internal personnel themselves (directors, supervisors, managers, and shareholders holding more than 10%) and their related parties (spouse, childred of minor age, and nominees) about the relevant laws and regulations regarding insider trading and the precautions that should be taken by internal personnel of a TWSE/TPEx Listed Companies.
3. Other ways to inquire about the implementation status of the Company’s corporate governance that are sufficient to enhance understanding:
   Corporate Website: https://www.kaori.com.tw/tw/modules/investors
   MOPS: https://mops.twse.com.tw

(IX) Disclosures Required for the Implementation of the Internal Control System

1. Internal Control Statement:

Kaori Heat Treatment Co., Ltd.
Statement on Internal Control

Date: March 8, 2024

The Company hereby releases this Statement concerning the results of self-inspection on the Company’s internal control system made in 2022:

I. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.

III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.

IV. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2023 its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 8, 2024, where none of the nine attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Kaori Heat Treatment Co., Ltd.

Chairman: HAN HSIEN SON Signature

President: WANG HSIN WU Signature

2. Review on Internal Control System by Entrusted Auditors, where the Company has entrusted a CPA for the review of Internal Control System on a Project Basis: none.

(X) In the most recent year and up to the date of publication of the annual report, the Company and its internal personnel were punished according to law, the Company's penalties for its internal personnel violating the provisions of the internal control system, the main deficiencies and improvements:

In the fourth quarter of 2023, the Taiwan Stock Exchange conducted an audit of the internal control system of listed companies and found that the Company's audit report signing process was not carried out in accordance with Article 11 (1) of the Regulations Governing Establishment of Internal Control Systems by Public Companies; the Company has sent a reply to its internal control deficiency improvement plan in January 2024, and the audit report signing process shall be submitted by the contractor of the audit department to the audit supervisor for signing and approval, and then signed by the chairman to comply with the regulations, and the signing process shall be corrected from the date of the letter. The most recent audit report shall be submitted to the competent authority in March 2024 to confirm the completion of the missing improvements.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings in the Most Recent Year and as of the Publication Date of this Annual Report:

1. Shareholders' Meeting:

The Company's 2023 Annual General Shareholders' Meeting was held on June 13, 2023 (THU) at 9:30AM at No.5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City, Taiwan. (Large conference room on 5F of the operational headquarters at the head office). The resolutions adopted in the Shareholders' Meeting were as follows:

Major Resolutions	Implementation Status
Adoption of Business Report and Financial Statements for Year 2022.	In terms of earnings distribution, April 19, 2023 has been set as the ex-dividend base date, and all dividends have been fully distributed on May 8, 2023 (cash dividend of NT $1.5 per share of earnings) and processed in accordance with the resolution of the Shareholders Meeting
Discussion on Re-election of the Company's Directors.	The elected directors are listed as follows: 6 directors: WU CHIH HSYONG, HAN HSIEN FU, HSIN WU WANG, HUANG, HUNG HSING, Aladdin Holding Group's representative KU HUNG TAO, Aladdin Holding Group's representative WU CHUN YING 3 independent directors: HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO
Discussion on Lifting the Restriction on the Newly-appointed Directors from Competition.	This proposal is not subject to discussion for the reason of no competition.

2. Board of Directors:

The Company has convened 13 Board of Directors Meetings in 2023, with proposals and resolutions summarized as follows:

Date/ Session of Board Meeting	Proposals and Resolutions
January 17, 2023 the 16th meeting of the 20th term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Whole Company's Year-end Bonus and Business Reward for Year 2022. 3. To adopt Distribution of Managers' Year-end Bonus and Business Reward for Year 2022. 4. To adopt the Company's Budget for Year 2023. 5. To adopt the Formulation of Action Plan for Taiwanese Businessmen to Invest in Taiwan. 6. To adopt the Amendments to the Company's "Code of Practice on Corporate Governance" 7. To adopt the Amendments to the Company's "Code of Practice on Sustainable Development". Results of the above resolutions: Adopted as proposed.
March 22, 2023 the 17th meeting of the 20th term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Business Report and Financial Statements for Year 2022. 3. To adopt the Surplus Distribution for Year 2022. 4. To adopt the Formulation of Schedule for Cash Dividends Payment of Surplus Distribution for Year 2022. 5. To adopt the Distribution of Employee and Directors' Remuneration for Year 2022. 6. To adopt the Presentation of "Statement on Internal Control" for Year 2022. 7. To adopt the Company's Evaluations on the Independence and Suitability of Attesting CPAs 8. To adopt the Proposal of Pre-approval of Attesting CPAs, Their Firms, and Firm-affiliated Enterprises Concerning Provision of Non-assurance Services to the Company and Its Subsidiaries. 9. To adopt the Schedule and Plan for Greenhouse Gas Inventory and Verification on the Subsidiaries of the Company. 10. To adopt the Amendment to the Company's "Rules of Procedure for Board of Directors Meeting". 11. To adopt the Amendment to the Company's "Regulations Governing Distribution of Year-end Bonuses". 12. To adopt the Re-election of All Directors of the Company. 13. To adopt the Proposal of List of Candidates for the 2023 Directors (incl. Independent Directors) Proposed by the Board of Directors of the Company. 14. To adopt the Proposal of Releasing Prohibitions on the New Directors from Participation in Competitive Businesses. 15. To adopt the Formulation of Affairs Relevant to 2023 Annual General Shareholders' Meeting. Results of the above resolutions: Adopted as proposed.
April 21, 2023 the 18th meeting of the 20th term	To adopt the Review on the List of Candidates for the 2023 Directors (incl. Independent Directors) Proposed by Shareholders of the Company. Results of the above resolutions: Adopted as proposed.
May 2, 2023 the 19th meeting of the 20th term	To adopt the List of Re-nominated Candidate of Independent Directors for the 2023 b the Board of Directors. Results of the above resolutions: Adopted as proposed.

Date/ Session of Board Meeting	Proposals and Resolutions
May 5, 2023 the 20h meeting of the 20th term	1. To adopt the Q1 Financial Report for Year 2023. 2. To adopt the Company’s Distribution of Directors and Employees’ Remuneration for Year 2022. Results of the above resolutions: Adopted as proposed.
June 13, 2023 the 1st meeting of the 21st term	1. To adopt the Nomination of New Chairman among Directors. 2. To adopt the Nomination of New Deputy Chairman among Directors. Results of the above resolutions: Adopted as proposed.
June 26, 2023 the 2nd meeting of the 21st term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Proposal of the Company’s Handling of Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market. 3. To adopt the Company’s Intention to Invest in and Set up Branch in Qiaotou Park 4. To adopt the Proposed Dismissal and Appointment of the Company’s President. 5. To adopt the Appointment of the Company’s 5th Term Members of the Compensation Committee. 6. To adopt the Changes in the Company’s Finance and Accounting Supervisor. 7. To adopt the Appointment of HAN HSIEN SON as Honorary Chairman and Consultant. Results of the above resolutions: Adopted as proposed.
August 9, 2023 the 3rd meeting of the 21st term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Changes in the Company’s Accounting Supervisor. 3. To adopt the Q2 Financial Report for Year 2023. 4. To adopt the Appointment of Vice President of the Finance & Accounting and Investment Division. 5. To adopt the Amendments to the Company’s “Rules of Procedures for Shareholders’ Meeting”. Results of the above resolutions: Adopted as proposed.
October 4, 2023 the 4th meeting of the 21st term	To adopt the Proposal of the Company’s Handling of Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market.
November 7, 2023 the 5th meeting of the 21st term	1. To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt Q3 Financial Report for Year 2023. 3. To adopt the Company’s Audit Plan for Year 2024. 4. To adopt the Amendments to the Company’s Articles of Incorporation. 5. To adopt the Amendments to the Company’s “SOP for Handling Internal Major Information”. 6. To adopt the Amendments to the Company’s “Organizational Management”. 7. To adopt the Proposal of Current Salary and Remuneration for the Company’s Chairman, Deputy Chairman, Presidents and General Consultant. Results of the above resolutions: Adopted as proposed.
January 17, 2024 The 6th meeting of the 21st term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Whole Company’s Year-end Bonus and Business Reward for Year 2023. 3. To adopt Distribution of Managers’ Year-end Bonus and Business Reward for Year 2023.

Date/ Session of Board Meeting	Proposals and Resolutions
	4. To adopt the Company's Business Plan for Year 2024. 5. To adopt the Proposal of Change in the Company's Spokesman. 6. To adopt the amendments to the Company's "Regulations Governing the Financial Transactions between Affiliated Enterprises" Results of the above resolutions: Adopted as proposed.
March 8, 2024 the 7th meeting of the 21st term	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters 2. To adopt the Business Report and Financial Statements for Year 2023. 3. To adopt the Surplus Distribution for Year 2023. 4. To adopt the Formulation of Schedule for Payment of Surplus by Cash Dividends for Year 2023. 5. To adopt the Remuneration for Employees and Directors for Year 2023. 6. To adopt the Presentation of "Statement on Internal Control System" for Year 2023. 7. To adopt the Company's Evaluations on the Independence and Suitability of Attesting CPAs 8. To adopt the Amendments to the Company's "Articles of Incorporation of the Audit Committee". 9. To adopt the Amendments to the Company's "Rules of Procedures for Shareholders' Meeting". 10. To adopt the Formulation of Matters on Shareholders' Meeting for Year 2024. Results of the above resolutions: Adopted as proposed.
March 8, 2024 the 8th meeting of the 21st term	1. To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2. To adopt the Change of CPA due to Internal Job Rotation of Accounting Firm. 3. To adopt the Q1 Financial Report for Year 2024. 4. To adopt the Remuneration for Employees and Directors for Year 2023. 5. To adopt the Formulation of "Articles of Organization of Sustainable Development Committee". 6. To adopt the Establishment of "Sustainable Development Committee" and Appointment of Committee Members. 7. To adopt the Amendments of the Company's"Accounting System". 8. To adopt the Setting of Base Date of the Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market. 9. To adopt the Proposal to Authorize the Chairman to Evaluate and Prepare Matters Required for the Division of Thermal Energy and Heat Dissipation Business. 10. To adopt the Appointment of the Company's Vice President WU CHUN YING to Concurrently Serve as the President of Kaori Technology (Ningbo) Co., Ltd. Appointed by the Board of Directors of the Subsidiary and the Date of Appointed Is Otherwise Set. Results of the above resolutions: Adopted as proposed.

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Publication Date of this Annual Report: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, including the Chairman, General Manager, Accounting Manager, Chief Internal Auditor Corporate

Governance Supervisor and R&D Supervisor:

1. Summarized Table Concerning Resignation or Dismissal of Relevant Personnel of the Company:

April 22, 2024

Title	Name	Commence Date	Dismissal Date	Reason for Resignation or Dismissal
Chairman	HAN HSIEN SON	1996/6/2	2023/6/13	Dismissed at the re-election of the Shareholders' Meeting
President	WU CHIH HSYONG	2018/5/9	2023/6/13	Dismissed at the re-election of the Shareholders' Meeting
Finance Supervisor	HSIN WU WANG	2005/2/16	2023/6/26	Dismissed for regularization of employment
Accounting Supervisor	HSIN WU WANG	2005/2/16	2023/6/26	Dismissed for regularization of employment
Accounting Supervisor	TENG YI CHEN	2023/6/26	2023/8/9	Dismissed for regularization of employment

Note: The term "relevant persons of the Company" refers to the Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor and R&D Supervisor.

2. Obtaining of Certificates specified by Competent Authority by the Company's Personnel relevant to Financial Information Transparency: None

V. Regarding the Company's Audit Fee:

Information on Audit Fee

Unit: NT$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche Firm	Liu Shu Lin, Chen Wen Xiang	2023. 01.01 ～ 2023.12.31	3,150	1,092	4,242	1. Tax and transfer pricing auditing and attesting: NT$300,000 thousand. 2. Review of Annual Report for Shareholders' Meeting: NT$70,000. 3. Table of Salary Information Check for Full-time employee Assuming Non-executive Positions: NT$30 thousand. 4.4. Translation of financial statements to English: NT$ 130,000. 5. Audit fee for Direct Deduction and Review of

						Funds of NT$286,000 6. ESG Consultation Project at NT$24,000 (by Deloitte Risk Management Consulting Co., Ltd.). 7. Fees for CB4 issuance of NT$160,000 8. Business registration of 92,000

Table of Ranges for Information of CPA Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche Firm	Chen, Wen-Hsiang	Liu, Shu-Lin	2023.01.01～2023.12.31	

Unit: NT$ thousands

Fee Range Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		1,092	1,092
2	NT$2,000,001 ~ NT$4,000,000	3,150		3,150
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

(I) Where the attesting CPAs, accounting firms, and their affiliated enterprises receive non-audit fees equal to or more than one-fourth of the audit fees, the details of audit and non-audit fees as well as the disclosure of non-audit service content shall disclosed as follows: disclosed in the Remarks of CPA's Fees.

(II) Where a replacement of accounting firm is made and the audit fee paid in the year of replacement is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: None.

(III) Where audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed: None.

VI. Replacement of CPA: None.

(I) About Former CPAs

<table>
<tr><td>Date of Replacement</td><td colspan="4">Adopted at the Board Meeting on January 22, 2021.</td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="4">For the need of internal organization of Deloitte & Touche Firm, it was proposed to replace CPA since Q4 2020. The former CPAs were Su, Yu-Hsiu and Liu, Shu-Lin, and new CPAs are Liu, Shu-Lin and Chen, Wen-Hsiang.</td></tr>
<tr><td rowspan="3">Explanation of termination or non-acceptance of appointment by the appointor or CPA</td><td colspan="2">Status/Parties</td><td>CPA</td><td>Appointor</td></tr>
<tr><td colspan="2">Voluntary termination of the appointment</td><td>Omitted</td><td>Omitted</td></tr>
<tr><td colspan="2">Non-acceptance of further appointment</td><td>Omitted</td><td>Omitted</td></tr>
<tr><td>Opinions and reasons for issuing audit reports other than unqualified opinions within the last two years</td><td colspan="4">1. In 2019, an audit report with no reservations was issued.
2. In 2020, an audit report with no reservations was issued.</td></tr>
<tr><td rowspan="6">There is no disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation: omitted</td></tr>
<tr><td>Other matters to be disclosed
(Where it’ s required to be disclosed in accordance with Item 1-4 to 7, Paragraph 6, Article 10 of the Standards)</td><td colspan="4">None</td></tr>
</table>

(II) About Successor CPAs

Firm Name	Deloitte & Touche Firm
Name of CPAs	Liu, Shu-Lin, Chen, Wen-Hsiang
Date of Appointment	Appointed from January 22, 2021
Matters and results of advice on the accounting treatment or accounting principles of specific transactions and the possible issuance of financial reports prior to appointment	None
Written opinion of the successor accountant on matters of disagreement with the predecessor accountant	None

(III) Reply from the former CPA to Items 1 and 2-3, Paragraph 5 of Article 10 of this Standards: Omitted.

VII. Where the Chairman, General Manager, or Manager in charge of Financial or Accounting affairs have worked in the accounting firm affiliated company of the attesting CPA in the last year, the name, title and employment period in the firm or affiliated enterprise of attesting CPA period of affiliated enterprise shall be disclosed: None.

VIII. Changes in Equity Interest Transfer and Pledge of Stock Rights Amongst Directors, Supervisors, Managers and Shareholders with Shareholding Percentage over 10 Percent in the Most Recent Year and as of the Publication Date of this Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: Shares

Title	Name	2023		As of April 22, 2024		Remarks
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman	HAN HSIEN SON	(20,000)	None	0	None	Dismissed naturally after the re-election of directors at the Shareholders' Meeting on June 13, 2023 Trust of 2,000,000 shares
Chairman	WU CHIH HSYONG	17,001	None	0	None	Newly-appointed at the reelection at the Shareholders' Meeting on June 13, 2023
President (concurrently as Vice President)	HAN HSIEN FU	753	None	0	None	Trust of 1,200,000 shares
Director (General Manager)	HSIN WU WANG	(9,578)	None	0	None	
Director	CHEN HSUN LIANG	0	None	0	None	Dismissed naturally after the re-election of directors at the Shareholders' Meeting on June 13, 2023
Director	Aladdin Holding Group	69,000	None	0	None	Elected at the Shareholders' Meeting on June 13, 2023
Director's representative (concurrently as General Manager)	WU CHUN YING	14,000	None	0	None	Elected at the Shareholders' Meeting on June 13, 2023
Director's representative	KU HUNG TAO	300,000	(600,000)	0	700,000	Elected at the Shareholders' Meeting on June 13, 2023
Director (concurrently as Vice General Manager)	HUANG HUNG HSING	1,187,000	455,000	0	None	Elected at the Shareholders' Meeting on June 13, 2023
Independent Director	CHEN FAN HSIUNG	0	None	0	None	Dismissed naturally after the re-election of directors at the Shareholders' Meeting on June 13, 2023
Independent Director	HUNG HSIANG WEN	0	None	0	None	

Title	Name	2023		As of April 22, 2024		Remarks
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Independent Director	WU CHUN YING	0	None	0	None	Dismissed naturally after the re-election of directors at the Shareholders' Meeting on June 13, 2023
Independent Director	TANG CHI YAO	0	None	0	None	Elected at the Shareholders' Meeting on June 13, 2023
Independent Director	MAO EN KUANG	0	None	0	None	Elected at the Shareholders' Meeting on June 13, 2023
Vice General Manager	CHOU WU HSING	(5,084)	None	0	None	
Independent Director	CHIU HUNG YI	30,104	None	0	None	
Assistant Manager	TSAI MENG FANG	(27,333)	None	0	None	
Assistant Manager	CHU CHIU MING	(23,562)	None	0	None	
Assistant Manager	HSU YUNG CHENG	(6,000)	None	0	None	
Assistant Manager	CHIANG CHI HUNG	292	None	0	None	
Assistant Manager	LI CHING CHUN	(5,269)	None	(7,000)	None	
Assistant Manager	LIN YUE HUNG	7,456	None	0	None	
Assistant Manager	HAN WEN TENG	(39,716)	None	0	None	
Assistant Manager	HUANG YAO CHUN	35,604	None	(35,604)	None	
Assistant Manager	CHEN YU CHUNG	5,315	None	(5,315)	None	
Assistant Manager	CHENG CHANG LI	2,728	None	(2,728)	None	
Finance Supervisor	CHUANG JUI CHIN	25,092	None	(20,000)	None	Appointed on June 26, 2023
Accounting Supervisor	TENG YI CHEN	2,883	None	0	None	Dismissed for regularization of employment on August 9, 2023
Accounting Supervisor	CHANG WAN CHING	0	None	0	None	Appointed on August 9, 2023
Corporate Governance Supervisor	LI CHIA JUNG	(7,000)	None	0	None	

(II) Information Concerning Counterparty for Transfer of Share by Director, Manager, and Major Shareholder as a Related Party

Name (Note 1)	Reason for Transfer (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
None						

Note 1: Enter name of the Company’s Director, Supervisor, Manager, and Major Shareholder(s) Holding 10 percent of More of the Company’s Shares.
Note 2: Enter Acquisition or Disposal.

(III) Information Concerning Counterparty for Pledges by Director, Manager, and Major Shareholder as a Related Party: None.

9. Relationship among the Top Ten Shareholders, including Related Parties or Spouse or Relatives within 2nd Degree of Kinship:

April 22, 2024

Name	Shares Held		Shares Held by Spouses and Children of Minor Age of Director/Supervisor		Shares Held through Nominees		Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives within 2nd Degree of Kinship (Note)		Remarks
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name of Entity (or Individual)	Relationship	
LIN CHI PEN	2,532,000	2.82%	0	0.00%	0	0.00%	None	None	
KU HUNG TAO	2,204,000	2.45%	9,000	0.01%	0	0.00%	None	None	
Trust account of HAN CHENG MEI HUI entrusted by HAN HSIEN SON	2,000,000	2.23%	0	0.00%	0	0.00%	None	None	
LI TSUNG HUI	1,643,449	1.83%	0	0.00%	0	0.00%	None	None	
HAN HSIEN FU	1,469,753	1.64%	487,702	0.54%	0	0.00%	None	None	
HUANG HUNG HSING	1,406,165	1.57%	0	0.00%	0	0.00%	None	None	
HSU HSIU MEI	1,310,000	1.46%	0	0.00%	0	0.00%	None	None	
CHANG YOU HUA	1,219,000	1.36%	0	0.00%	0	0.00%	None	None	
Trust and asset account of Mega International Commercial Bank entrusted by HAN HSIEN SON	1,200,000	1.34%	0	0.00%	0	0.00%	None	None	
LIN CANG HAI	1,170,000	1.30%	0	0.00%	0	0.00%	None	None	

Note: The shareholders mentioned above include both juristic persons and natural persons, and their relationships should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by

Securities Issuers.

X. Shares of the Same Re-invested Businesses held by the Company and Directors, Managers and Businesses under Direct or Indirect Control of the Company, with Combined Calculation of the Comprehensive Shareholding Percentages:

December 31, 2023; Unit: Shares;%

Re-invested Businesses	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/ Managers		Comprehensive Investments	
	Shares	%	Shares	%	Shares	%
KAORI INTERNATIONAL CO.,LTD	5,100,000	100.00%	0	0.00%	5,100,000	100.00%
KAORI DEVELOPMENT CO.,LTD	5,050,000	100.00%	0	0.00%	5,050,000	100.00%
Kaori Technology (Ningbo) Co., Ltd	—	100.00%	0	0.00%	—	100.00%

IV. Capital Overview

I. Capital and Shares:

(I) Source of Capital:

1. Capital Constitution History:

Unit: thousand shares; NT$ thousand

Year and Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2002.10	10	35,000	350,000	26,145	261,450	Capital Increase out of Earnings at 12,450	None	Approved per 16 August 2002 Order (91)-Taiwan-Finance-Securities (I) No. 0910145673
2003.09	10	35,000	350,000	29,000	290,000	Capital Increase out of Earnings at 28,550	None	Approved per 15 August 2003 Order (92)-Taiwan-Finance-Securities (I) No. 0920137148
2004.10	10	35,000	350,000	31,900	319,000	Capital Increase out of Earnings at 29,000	None	Approved per 13 August 2004 Order Finance-Management-Securities (I) No.0930136246
2005.09	10	35,000	350,000	34,771	347,710	Capital Increase out of Earnings at 28,710	None	Approved per 9 August 2005 Order Finance-Management-Securities (I) No.0940132241
2006.07	13	50,000	500,000	39,000	390,000	Cash Capital Increase 42,290	None	Approved per 8 May 2006 Order Finance-Management-Securities (I) No.0950115746
2007.10	20	100,000	1,000,000	44,000	440,000	Cash Capital Increase 50,000	None	Approved per 12 July 2007 Order Finance-Management-Securities (I) No.0960034033
2008.09	10	100,000	1,000,000	46,200	462,000	Capital Increase out of Earnings at 22,000	None	Approved per 16 July 2008 Order Finance-Management-Securities (I) No.0970035837
2009.08	21.3	100,000	1,000,000	51,284	512,845	Capital Increase thru Convertible Bonds at 50,845	None	Approved per 14 August 2009 Order MoEA-Authorization-Commerce No. 09801184360
2009.09	10	100,000	1,000,000	55,904	559,045	Capital Increase out of Earnings at 46,200	None	Approved per 13 July 2009 Order Financial-Supervisory-Commission-Issuance No.0980034711
2009.10	10	100,000	1,000,000	57,315	573,150	Capital Increase thru Convertible Bonds at 14,105	None	Approved per 20 October 2009 Order MoEA-Authorization-Commerce No. 09801241260
2010.01	10	100,000	1,000,000	57,621	576,211	Capital Increase thru Convertible Bonds at 3,061	None	Approved per 19 January 2010 Order MoEA-Authorization-Commerce No. 09901012620

Year and Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2010.02	32	100,000	1,000,000	62,621	626,211	Cash Capital Increase 50,000	None	Approved per 26 October 2009 Order Financial-Supervisory-Commission-Issuance No.0980054536
2010.04	10	100,000	1,000,000	63,532	635,324	Capital Increase thru Convertible Bonds at 9,113	None	Approved per 15 April 2010 Order MoEA-Authorization-Commerce No. 09901072230
2010.07	10	100,000	1,000,000	66,566	665,658	Capital Increase thru Convertible Bonds at 30,334	None	Approved per 21 July 2010 Order MoEA-Authorization-Commerce No. 09901164400
2012.08	10	100,000	1,000,000	69,894	698,941	Capital Increase out of Earnings at 33,283	None	Approved per 22 August 2012 Order MoEA-Authorization-Commerce No. 10101172810
2013.08	10	100,000	1,000,000	73,389	733,888	Capital Increase out of Earnings at 34,947	None	Approved per 22 August 2013 Order MoEA-Authorization-Commerce No. 10201170270
2013.09	48	100,000	1,000,000	77,389	773,888	Cash Capital Increase 40,000	None	Approved per 26 September 2013 Order MoEA-Authorization-Commerce No. 10201199280
2014.08	10	100,000	1,000,000	81,258	812,582	Capital Increase out of Earnings at 38,694	None	Approved per 22 August 2014 Order MoEA-Authorization-Commerce No. 10301175910
2015.09	10	100,000	1,000,000	89,384	893,840	Capital Increase out of Earnings at 81,258	None	Approved per 16 September 2015 Order MoEA-Authorization-Commerce No. 10401195310
2019.02	10	150,000	1,500,000	89,384	893,840	-	None	Approved per 2 August 2019 Order MoEA-Authorization-Commerce No. 10801091240

2. Type of Stock: April 22, 2024 Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary Shares	89,384,080	60,615,920	150,000,000	TWSE-Listed Company Shares

3. Information concerning the soliciting and issuance of securities through shelf registration system shall be disclosed: None.

(II) Shareholder Composition: April 22, 2024

Shareholder Composition / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	25	327	25,973	147	26,474
Shareholding (shares)	1,556,000	3,995,391	10,262,506	65,971,416	8,015,843	89,801,156
Percentage	2%	4%	11%	74%	9%	100%

(III) Shareholding Distribution Status: Par Value NT$ 10: April 22, 2024

Class of Shareholding	Number of Shareholders	Shares Held	Shareholding Percentage (%)
1 to 999	17,230	1,005,224	1.12
1,000 to 5,000	7,918	13,545,184	15.08
5,001 to 10,000	599	4,576,168	5.10
10,001 to 15,000	188	2,391,586	2.66
15,001 to 20,000	116	2,140,691	2.38
20,001 to 30,000	107	2,753,074	3.07
30,001 to 40,000	55	1,957,746	2.18
40,001 to 50,000	43	1,981,945	2.21
50,001 to 100,000	90	6,589,313	7.34
100,001 to 200,000	56	8,108,222	9.03
200,001 to 400,000	34	9,569,698	10.66
400,001 to 600,000	15	7,760,152	8.64
600,001 to 800,000	6	4,076,020	4.54
800,001 to 1,000,000	3	2,755,498	3.07
1,000,001 and more shares	14	20,590,635	22.92
Total	26,474	89,801,156	100.00

(IV) List of Main Shareholders:

Name, Shares held and Shareholding Percentage for Shareholders with over 5%of all shares or Top 10 shareholders of the Company

April 22, 2024

Shares / Name of Main Shareholders	Shares Held	Shareholding Percentage
LIN CHIN PEN	2,532,000	2.82%
KU HUNG TAO	2,204,000	2.45%
Trust and asset account of HAN CHENG MEI HUI entrusted by HAN HSIEN SON	2,000,000	2.23%
LI CUNG HUI	1,643,449	1.83%
HAN HSIEN FU	1,469,753	1.64%
HUANG HUNG HSING	1,406,165	1.57%
HSU HSIU MEI	1,310,000	1.46%
CHANG YOU HUA	1,219,000	1.36%
Trust and asset account of Mega International Commercial Bank entrusted by HAN HSIEN SON	1,200,000	1.34%
LIN CANG HAI	1,170,000	1.30%

(V) Market Price, Net Worth, Earnings, and Dividends per Share in the Recent Two Years

<table>
<tr><td colspan="3">Year / Items</td><td>2022</td><td>2023</td><td>Current Year as of March 31, 2024</td></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest Market Price</td><td>188.00</td><td>447.00</td><td>401.00</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>49.20</td><td>174.50</td><td>209.00</td></tr>
<tr><td colspan="2">Average Market Price</td><td>88.91</td><td>258.98</td><td>277.01</td></tr>
<tr><td rowspan="2">Net Worth per Share</td><td colspan="2">Before Distribution</td><td>23.04</td><td>30.25</td><td>28.52</td></tr>
<tr><td colspan="2">After Distribution</td><td>21.54</td><td>26.25</td><td>-</td></tr>
<tr><td rowspan="2">Earnings per Share</td><td colspan="2">Weighted Average Shares</td><td>89,384,080</td><td>89,384,080</td><td>89,801,156</td></tr>
<tr><td colspan="2">EPS</td><td>3.37</td><td>6.45</td><td>1.44</td></tr>
<tr><td rowspan="4">Dividends per Share</td><td colspan="2">Cash Dividends</td><td>1.5</td><td>3.98142224 (Note 9)</td><td>-</td></tr>
<tr><td rowspan="2">Stock Dividends Distribution</td><td>Dividends from Retained Earnings</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td rowspan="3">ROI Analysis</td><td colspan="2">Price / Earnings Ratio</td><td>26.38</td><td>40.15</td><td>-</td></tr>
<tr><td colspan="2">Price / Dividend Ratio</td><td>59.27</td><td>65.05</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate</td><td>1.69</td><td>0.015</td><td>-</td></tr>
</table>

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of ordinary shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year- end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price / Earnings Ratio=average closing price per share for the year / earnings per share.

Note 6: Price / Dividend Ratio=average closing price per share for the year / cash dividends per share.

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

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: On March 8, 2024, the Board of Directors approved the distribution of a cash dividend of NT $4.0. From March 22, 2024 to March 27 of the same year, due to the Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market, the share capital was changed to 89,801,156 shares, and the cash dividend payout ratio was changed from NT $4.0 per share to NT $3.98142224 per share.

(VI) Dividend Policy and Implementation Status:

1. Dividend Policy under the Company’s Articles of Incorporation:

After closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations. The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals with a percentage between 10 and 100 percent by the board of directors based on development circumstances of the industry. Where the distribution is to be made in issuance of new shares, the proposal shall be submitted to the meeting of shareholders for resolutions. According to Article 240, Paragraph 5 of the Company Act, the Board of Directors under authorization distributes dividends and bonuses or allocate all or a portion of the statutory retained earnings and capital reserve specified in Article 241, Section 1 of the Company Act in the form of cash, provided that the resolution is approved by a majority of the attending directors in a meeting attended by two-thirds or more of all directors. The Board of Directors shall report this to the Shareholders' Meeting.

The Company will take into consideration the Company's environment and growth stage, future funding requirements and long-term financial planning along with interests of shareholders and dividend policies by distributing cash dividends not less than 10 percent of the total amount of shareholder dividends.

2. Proposed Dividend Distribution in the year:

The Company’s net profit after tax for the year 2023 is NT $576,526,461, plus an undistributed surplus of NT$202,881,708 at the beginning of the period. After deducting the recognized retained surplus of NT $1,352,205 from the defined welfare plan and deducting the statutory reserve of NT $57,517,426 and the special reserve of NT$5,401,304 the total available for distribution for this period is NT$715,137,234. We plan to distribute cash dividends of NT $4.0 per share, totaling NT $357,536,320.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The Company’s earnings per share in 2023 were NT $6.45. On March 8, 2024, the Board of Directors approved the free distribution of cash dividends of NT $4.0 per share, totaling NT $357,536,320. From March 22, 2024 to March 27 of the same year, due to the Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market, the share capital changed to 89,801,156 shares, and the cash dividend payout ratio changed from NT $4.0 per share to NT $3.98142224 per share. As the Company’s net cash inflow from revenue and operating activities is stable, there is no significant impact on operating performance, earnings per share and return on shareholders' investments.

(VIII) Compensations of Employees and Directors:

1. Percentage or Scope of Compensations of Employees and Directors under the Company’s Articles of Incorporation:

If there is a profit for the current year, a distribution no less than 2 percent of the said profits shall be made as employees’ remuneration, and a distribution no more than 5 percent shall be made as directors’ remuneration. The distribution of employees’ remuneration in the form of stock or cash shall be resolved by the Board of Directors, and individuals entitled to receive shares or cash may include employees inclusive of the employees of parents or subsidiaries of the company meeting certain specific requirements. However, when the Company still has accumulated losses, the compensation shall be made up first before distributing the employees’ remuneration and directors’ remuneration in the aforementioned percentages.

2. Estimation basis for employees’, directors’ and supervisors’ compensations in the current period, Calculation basis for shares distributed as employees’ compensation, and

accounting handling for deviations of actual distribution amount from estimates:

Concerning the estimation basis for the Company's 2023 employee and director compensation amounts, the calculation basis for employee compensation distributed in the form of stock, and the handling where actual distribution amount differs from the estimated amount, if there are significant changes in the distribution amount decided by the Board of Directors at the end of the fiscal year, the necessary adjustments are made to the originally provisioned annual expenses responding to such changes. By the date of the Shareholders' Meeting resolution, if the amount is still subject to change, it will be handled based on accounting estimates and adjusted in the fiscal year of the Shareholders' Meeting resolution.

3. Situation of Compensation Distribution Approved by the Board of Directors:

(1) The amounts for distribution of the compensation of employees, directors and supervisors made in cash or stock:

For the fiscal year 2022, the Company's net profit before tax was NT$716,722,692. It is proposed to distribute employee compensation in the amount of NT$15,944,043, and directors' compensation in the amount of NT$26,573,405, in accordance with the Company's Articles of Incorporation.

(2) The Amount of Employees' Compensation Distributed in Stock and Its Proportions to the Sum of Net Income and Employees' Compensation in the Current Comprehensive or Company Only Financial Statements

The Company did not make any employees compensation distribution in the form of stock in 2023.

4. The actual distribution of the compensation of employees, directors and supervisors in the previous year (including the distribution of shares, amount and stock price); if there is any difference from the recognized compensations employees, directors and supervisors, the difference, reason and handling situation shall be specified: None.

(IX) Buyback of Outstanding Shares of the Company: None.

II. Implementation Status of Corporate Bonds:

(I) Corporate Bonds Outstanding and Handling in Progress

1. Outstanding Corporate Bonds:

Type of Corporate Bonds		Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market
Date of issuing		2023/12/06
Denomination		NT$100,000
Place of issue and trading		Issued at home, listed in Taipei Exchange
Issuing price		Issued in NT $10 denomination
Total amount		NT$ 1,000,000,000
Interest rate		0%
Duration		Five-year period maturity date: 2028/12/06
Guarantee institution		None
Trustee		Mega International Commercial Bank Co., LTD
Underwriter		Mega Securities
Certified lawyer		N/A
CPA		N/A
Repayment method		Please refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market for details (refer to Pages 290-300)
Outstanding principal refund		NT$899,900,000 as of March 31, 2024
Clause for redemption or early repayment		Refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market
Restriction clause		None
Name of credit rating agency, rating date, corporate bond rating results		None
Additional rights attached	The amount of ordinary shares, overseas depositary receipts or other marketable securities converted (converted or subscribed) as at the date of publication of the annual report	As at May 10, 2024, 417,076 shares had been converted
	Issuance and conversion (conversion or subscription) method	Please refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market for details (refer to Pages 290-300)
Issue and conversion, exchange or subscription method, issue conditions on the possible dilution of equity and the impact on the equity of existing shareholders		The total amount of convertible corporate bonds issued this time is NT $1,000,000,000. As the term of the bonds is five years and the time of conversion requested by creditors varies, the dilution effect on earnings per share will be delayed, and it will not have a significant impact on the existing shareholder rights.
Name of entrusted custodian of the subject matter of exchange		N/A

2. Implementation Status of Corporate Bonds:

(II) With Maturity within a year: None.

(III) Information on Convertible Corporate Bonds:

Type of corporate bond		Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market	
Items / Year		2023	As of May 10, 2024
Market price of convertible corporate bonds	Highest	129.00	188.00
	Lowest	116.55	114.30
	Average	121.31	142.79
Conversion price		240.0	237.5
Issuing date and conversion price at time of issuing		On December 16, 2023, the conversion price at time of issuing was NT$240.0	
Manner of performing the conversion obligation		Issuance of new shares	

(IV) Convertible Corporate Bond Issued: None.

(V) Solicitation and Issuance of Ordinary Corporate Bond by the Company using the Shelf Registration Method: None.

(VI) Equity Warrant Bonds Issued: None.

(VII) Handling of Privately Placed Corporate Bonds within the Most Recent 3 Years and as of the Publication Date of this Annual Report: None.

III. Implementation Status of Preferred Shares: None.

IV. Implementation Status of Global Depository Receipt (GDR): None.

V. Implementation Status of Employee Stock Warrant: None.

VI. Implementation Status of Restricted Stock Awards: None.

VII. Implementation Status of M&A or New Shares in Connection with Receiving Transfer of Shares of another Company: None.

VIII. Implementation Status of the Funds Utilization Plan:

(I) Contents of the previous convertible bond issuance plan:

1. Total funding required for this plant: NT $1,137,963 thousand.
2. Source of funds:

10,000 of Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market were issued, with each denominated in NT$100,000, totaling NT$1,000,000 thousand, with a period of 5 years and nominal interest rate of 0%. Public underwriting will be conducted through competitive auction, with an issuance amount of 113.8% of the face value. The actual total issuance amount is NT $1,137,963 thousand

3. Projected Plan and Estimated Fund Utilization Progress

Unit: NT$ thousands

Projected Plan	Expected completion date	Total funds required	Estimated Fund Utilization
			Q4 of 202
Repayment of bank loan	Q4 of 2023	1,137,963	1,137,963
Total		1,137,963	1,137,963

(II) Plan Execution and Effectiveness Evaluation

1. Plan execution

Unit: NT$thousands

Projected Plan	Total Plan Fund	Execution	Year	2023	
			Season	Q4	Accumulated as of Q4 of 2023
				Single season	Accumulative total
Repayment of bank loan	1,137,963	Amount spent	Estimated	1,137,963	1,137,963
			Actual	1,137,963	1,137,963
	100.00%	Execution progress	Estimated	100.00%	100.00%
			Actual	100.00%	100.00%
Total	1,137,963	Amount spent	Estimated	1,137,963	1,137,963
			Actual	1,137,963	1,137,963
	100.00%	Execution progress	Estimated	100.00%	100.00%
			Actual	100.00%	100.00%

2. Effectiveness analysis

(1) Effectiveness evaluation

Unit: NT$ thousands (source: consolidated financial statements)

Item Year	Q2 of 2023 (before fund-raising)	2023 (after fund-raising)	Current year as of March 31, 2024
Current assets	3,008,578	2,701,672	2,490,403
Current liabilities	2,357,412	995,757	1,009,580
Total liabilities	2,834,044	2,125,172	2,048,902
Interest expenditure	14,920	33,394	6,174
Operating revenue	2,278,231	4,325,671	797,922
EPS	3.74	6.45	1.44
Ratio of liabilities to assets (%)	55.81	44.01	44.45
Liquidity ratio	127.62	271.32	246.68
Quick ratio	69.33	141.68	134.33

The Company raised NT $1,137,963 thousand as of December 6, 2023. As of the fourth quarter of 2023, we have repaid a bank loan of NT $1,137,963 thousand. The benefits of saving interest expenses, reducing debt ratio, and current ratio have been demonstrated, so there is no significant difference between the estimated benefits and the actual achievement.

V. Operation Highlight

I. Business Activities

1. Scope of Business:
   (1) Main Contents:
      1) CA02010 Manufacture of Metal Structure and Architectural Components.
      2) CA02090 Metal Wire Products Manufacturing.
      3) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
      4) CA03010 Heat Treatment.
      5) CB01010 Mechanical Equipment Manufacturing.
      6) CB01990 Other Machinery Manufacturing.
      7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
      8) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
      9) CD01020 Tramway Cars Manufacturing.
      10) CD01060 Aircraft and Parts Manufacturing.
      11) CP01010 Hand Tools Manufacturing.
      12) F106010 Wholesale of Hardware.
      13) F113990 Wholesale of Other Machinery and Tools.
      14) F401010 International Trade.
      15) E599010 Pipe Lines Construction.
      16) E601010 Electric Appliance Construction.
      17) E601020 Electric Appliance Installation.
      18) E604010 Machinery Installation.
      19) IG03010 Energy Technical Services.
      20) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

   (2) Proportions in Operations by the Company's 2023 Main Products:

Unit: NT$ thousand; %

Main Products	Individual Financial Reports	Proportion (%)	Consolidated Financial Reports	Proportion (%)
Plate Heat Exchanger	2,127,555	51.35	2,309,941	53.40
Thermal Products	2,015,730	48.65	2,015,730	46.60
Total	4,143,285	100.00	4,325,671	100.00

   (3) Current Line of Products and New Products under Development
      1). Brazed and Gasketed Plate Heat Exchanger Products.
      2). Fuel Cell Reactor Components and Reformer.
      3). Heat Pump Industry-Use Plate Heat Exchanger.
      4). Development of Air Dryer Industry-Use Plate Heat Exchanger.
      5). Highly Effective Next-Generation Plate Heat Exchanger.
      6). Methanol Fuel Cell Power Generation System/Methanol Reforming and Hydrogen Production Machine/PSA Hydrogen Purifier.
      7). Development of carbon dioxide sequestration system
      8). Development of waste hydrogen recovery system
      9). Submerged server cooling module

2. Industry Overview:
   (1) Status Quo and Development of the Industry:

Established on October 11, 1970, the Company initially focused on metal heat treatment processing, and with heat treatment processing technology, it entered the field of brazing processing, manufacturing, and sales of brazed plate heat exchangers. In addition, in order to meet the green energy market and with years of accumulated experience in heat treatment processing technology, the Company set up a related division in 2009 to produce thermal energy products for Solid Oxide Fuel Cell (SOFC) reactor components. Due to Kaori’s mastery of key technologies in heat treatment and copper welding processing, it successfully reached the supply chain of hydrogen fuel cell manufacturers in American listed companies. In addition, in order to increase the diversity of the use of plate heat exchanger products, by mastering the cold and heat conversion technology of plate heat exchanger, the Company developed and applied the submerged liquid cooling technology for the heat dissipation requirements of data centers with large processing capacity and storage capacity in 2017, and has successively obtained orders from large factories at home and abroad in recent years.

With the goal of producing world-class products, Kaori is currently the only company in Taiwan that moves from “energy use” to “energy saving” and “energy manufacturing”, with its core business focusing on energy saving, heat dissipation and green energy solutions. Kaori’s two major business units are plate heat exchangers and thermal products, the latter of which includes fuel cell reactor mechanism components, hydrogen energy application technology and liquid cooling technology. In terms of products, Kaori has a leading position globally with five key competitive technologies: heat transfer flow, thermal energy management, hydrogen energy application, system integration, and welding processes. The revenue growth of our Company’s plate heat exchanger in 2023 is mainly due to the significant increase in demand for the heat pump industry in Europe after the outbreak of the Ukraine Russia war; The revenue growth of thermal products fuel cell reactor components is mainly due to the increase in end demand, benefiting from the fuel cell subsidy policies of governments. The current situation, industry characteristics and future development trend of the Company’s industry are analyzed as follows:

① Fuel cell industry

In recent years, due to the depletion crisis of petrochemical energy and the environmental pollution that has caused abnormal climate change on Earth, countries around the world have been actively seeking and developing alternative energy sources. Fuel cells, with their advantages of low pollution and high power generation efficiency, are a type of power generation device. However, unlike typical disposable non-rechargeable batteries or rechargeable batteries that need to be recharged after use, fuel cells, as their name suggests, continue to add fuel to maintain their power. Therefore, countries worldwide are currently actively developing the fuel cell industry.

Fuel cells are energy conversion power generation devices that can directly convert fuel into electricity through electrochemical reactions without combustion. Therefore, the energy conversion efficiency is quite high. They have a wide range of fuel sources, including coal, oil, natural gas, and other hydrocarbon fuels, from which a large amount of hydrogen can be extracted through reforming reactions. They can also directly use alcohols such as methanol as the fuel input for the fuel cell. The working principle of a fuel cell is composed of positive and negative electrodes and an electrolyte with ion conduction properties. Hydrogen enters the fuel cell from the anode, while oxygen (or air) enters from the cathode. Currently, fuel cells can be classified into six types based on different electrolytes: Alkaline Fuel Cell (AFC), Proton Exchange Membrane Fuel Cell (PEMFC or PEFC), Phosphoric Acid Fuel Cell (PAFC), Molten Carbonate Fuel Cell (MCFC), Solid Oxide Fuel Cell (SOFC), and Direct Methanol Fuel Cell (DMFC). Fuel cells have a wide range of applications, with the current main areas being automobiles, stationary power generators, and portable electronic devices. The Company mainly engages in the production of Solid Oxide Fuel Cells (SOFC), primarily used in large-scale stationary fuel cell power generation systems.

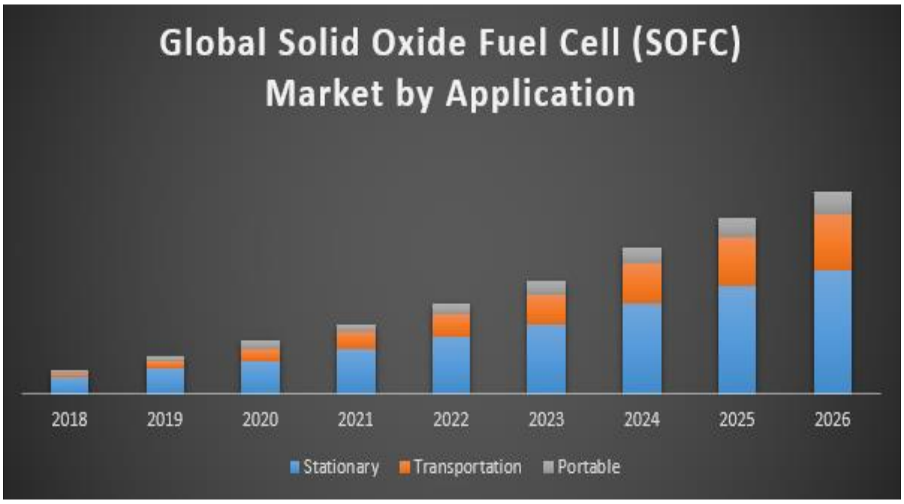
In response to the global net-zero carbon emissions trend, many countries are looking to introduce a significant amount of renewable energy as the optimal solution in the current stage, with major countries actively promoting and supporting the energy storage industry through policy initiatives. The orientation of "energy policies" drives the development of renewable energy. The proportion of renewable energy directly affects the demand for energy storage in the power system, and different policy content will also influence the demand for different energy storage applications and market development. "Policy" can be considered a crucial driving force for the development of the energy storage industry, and collaboration among industry, government, and academia can accelerate the expansion of the energy storage market. For example, in Mainland China, the proportion of renewable energy in the energy structure is gradually increasing, and various provinces are encouraged or required to increase the construction of renewable energy plants with energy storage systems; the U.S. federal government actively supports the research and application of energy storage systems, and local government policies in various states mainly stimulate industry development through tax incentives and installation subsidies; in Australia, each province has adopted its own renewable energy development goals and implemented subsidies, low-interest loans, or other incentive policies; Korea promotes phased nuclear reduction and an "energy transition policy" with a focus on renewable energy development, as well as the Renewable Energy Certificate (REC) system, aiming to rapidly deploy energy storage systems through policy initiatives; in UK, after the introduction of the "Energy Storage Deployment Enabling Act 2020", which removed the limit on project capacity not exceeding 50MW, there is uncertainty in the capacity market, leading UK companies to explore opportunities for behind-the-meter energy storage applications.

Strategies for the Introduction of Major Electrochemical Energy Storage in the Energy Storage Market of Major Countries around the World

	Mainland China	**US**	**UK**	**Germany**	**Australia**	**Korea**	**Japan**
Strategies for the Introduction of Major Electrochemical Energy Storage	Subsidy Empirical Experiments thru Virtual Power Plant	Obligations of Establishment Subsidy Reorganization of Market Electricity Pricing Model Design	Reorganization of Electricity Trading Market	Subsidy	Subsidy	Obligations of Establishment Subsidy	Subsidy Empirical Experiments thru Virtual Power Plant

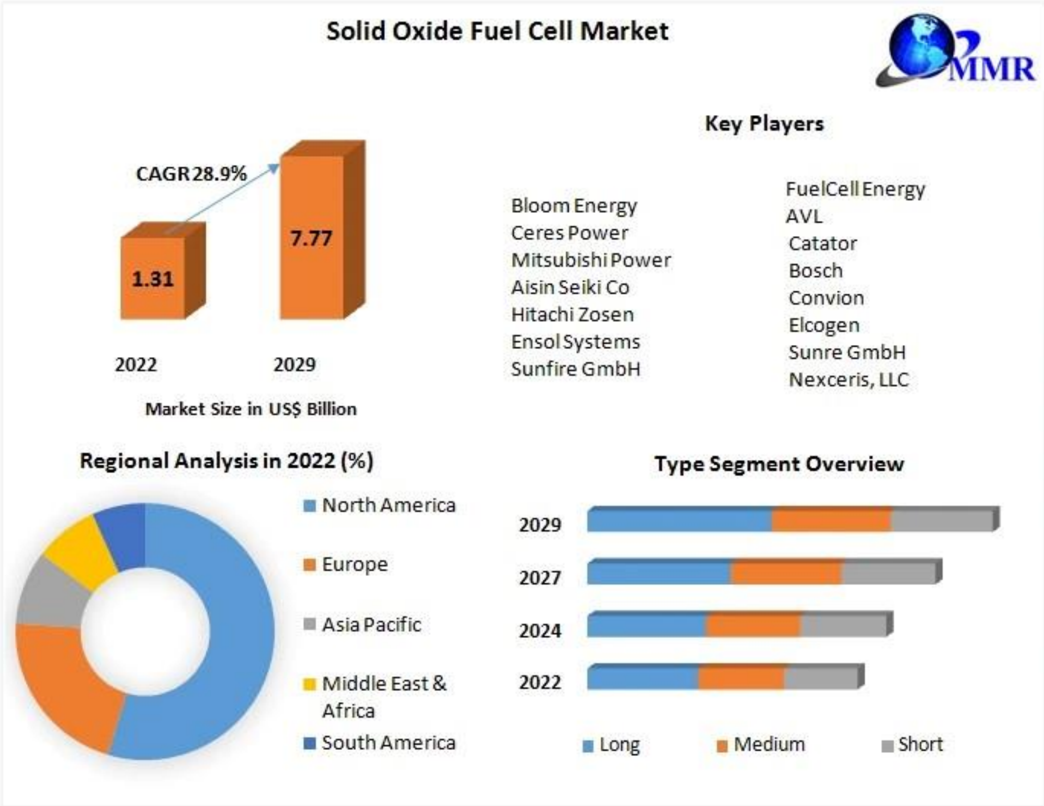
Source: Mitsubishi Research Institute, Inc. (2021); Industrial Economics and Knowledge Center, ITRI (2021)

In terms of applications, fuel cells are divided into stationary, portable and fuel cell vehicles, of which stationary fuel cells refer to the provision of power in a fixed location, stationary fuel cell applications include standby power generation, primary power generation and steam and electricity symbiosis, which can meet the needs of data centers, utilities, industrial, commercial institutions and private households. It currently accounts for more than half of the global market and is expected to account for nearly 60% of the market in the next five years. Solid oxide fuel cells are the most preferred battery for stationary applications because of their high efficiency and ability to operate at high temperatures, and stationary applications also occupy the largest market share for solid oxide fuel cells, accounting for 79% by 2022. The growth of stationary solid oxide fuel cells is attributed to the rapid growth in energy demand and the need for low carbon alternatives for high efficiency power generation and cogeneration plants, driving the growth of the overall solid oxide fuel cell market.



Source: Maximize Market Research, 2022.

Unlike non-rechargeable batteries, which are discarded after use, or rechargeable batteries, which need to be continuously charged, a solid oxide fuel cell (SOFC) is a device that generates electricity by adding fuel to maintain its power. In general, the most common fuel is “hydrogen”, which can be used as fuel in addition to the hydrocarbons that can be broken down into hydrogen, such as natural gas, methanol, alcohol and biogas. The fuel eventually turns into water and a very small amount of carbon dioxide, so it is generally classified as a clean new energy source. Characterized with high efficiency for power generation (close to 60% of its own power generation efficiency, and can be used in conjunction with a hot gas turbine with an efficiency of over 80%), high efficiency of cogeneration (waste heat temperature up to 400℃-600℃, and efficiency of cogeneration of over 90%), water resource saving (2% of water consumption of conventional power generation), green and environmental protection with no precious metal catalyst not required, it is a kind of fuel cell with high application prospect. In addition, it is widely used, mainly in portable power supplies, distributed generation or cogeneration systems, high-performance power supplies and large power stations and other fields. According to Maximize Market Research's estimates, the market size of solid oxide fuel cells will be about $131 million in 2022, and the annual compound rate will grow by 28.9% from 2022 to 2029.



Source: Maximize Market Research, 2022.

The Paris Agreement, signed by UN Member States in 2016, sets out to bring the world to net zero emissions in the second half of this century and stabilize global temperature increases well below 2℃ above pre-industrial levels and close to 1.5℃ to slow the rise in the Earth's temperature. The 2018 report of the United Nations Intergovernmental Panel on Climate Change (IPCC) recommended that global carbon emissions should be nearly halved by 2030 and net zero emissions by 2050 (IPCC, 2018). Therefore, countries are determined to expand their carbon reduction efforts through voluntary commitments and even cooperation with regulatory frameworks, and gradually control the impact of carbon emissions through global cooperation. Moreover, in order to achieve the net zero emission vision with the international community, the construction of energy recycling models is urgently needed. To ensure an efficient and clean energy cycle, solid oxide fuel cells need to be included. According to statistics, the global solid oxide fuel cell market size in 2021 is $953.8 million, and is expected to perform a compound annual growth rate of 15.4% from 2022 to 2027, reaching $2,287.7 million by 2027. The main factors driving the growth of this market are the growth of the power and energy industries, high demand for clean energy, various product innovations, extensive research and development activities, and implementation of favorable government policies. Therefore, it is estimated that under the increasing trend of global demand for clean energy, solid oxide fuel cells will show a year-on-year growth trend.

②.Heat Exchanger Industry

As industries across various sectors seek ways to reduce energy consumption and lower carbon emissions, heat exchangers have gained increasing attention. The future growth of the market can be attributed to several factors:

1. Extreme climates raise awareness of energy conservation and carbon emission reduction, promoting the demand for heat exchangers and expanding the range of applications, such as server water cooling and hydrogen cooling. Energy depletion and climate change have increased awareness of energy conservation and carbon emission reduction, promoting the demand and application of heat exchangers.

2.Energy consuming industries are increasingly concerned about the development of innovative technologies and improving efficiency, making heat exchangers more attractive to a wider range of industries, especially the increase in demand for heat pumps, refrigerated air conditioners, air dryers and other industries.

3. The issue of greenhouse gases has led to increased demand for new refrigerants, equipment replacements, and improvements in thermal conductivity efficiency, which are also expected to contribute to the vibrant development of the market.

4. Government regulations: Governments worldwide are introducing regulations to reduce greenhouse gas emissions and promote energy efficiency. Switching from fossil fuel-based heating equipment, such as boilers, to efficient heat pumps is gradually becoming the preferred choice for sustainable comfort systems. Heat pumps for heating and cooling can reduce energy costs and carbon footprints, helping to mitigate the impact of greenhouse gases globally. Heat exchangers are essential components within heat pump systems, and well-designed heat exchangers can minimize the refrigerant charge and enhance the performance of heat pump systems. Therefore, in the era of a more sustainable and greener environment, heat pumps play a crucial role within heat exchanger systems. In a net-zero emission scenario by 2050, efficient heat pumps are the main technology driving emission reduction in the building sector. Amid the ongoing global energy crisis, heat pumps have been identified as a solution to enhance energy security. The European Committee has proposed the REPowerEU plan to double the deployment rate of heat pumps in the coming years to reduce dependence on Russian natural gas. In the United States, heat pumps have been designated as a priority technology under the Defense Production Act (DPA) to ensure clean energy independence.

As a kind of metal plate to transfer heat between two fluids, the plate heat exchanger is a new type of high efficiency heat exchanger composed of a series of metal sheets with a certain corrugated shape. Thin rectangular channels are formed between various plates, through which heat is exchange. Compared with traditional heat exchangers, plate heat exchangers have the advantages of exposing the fluid to a larger surface area because of their high heat exchange efficiency, small heat loss, compact and lightweight structure, small footprint, easy installation and cleaning, wide application and long service life. Because the fluid is dispersed on the plate, it helps to transfer heat, greatly speeding up the speed of temperature change. Plate heat exchangers are quite common today, reflected in the very small plate exchangers used in the hot water of millions of heat pumps. Because of its extremely high heat transfer efficiency, the domestic hot water flow is improved, which has a significant impact on home heating and hot water. The fluid exchange principle of plate heat exchanger is detailed in the following figure

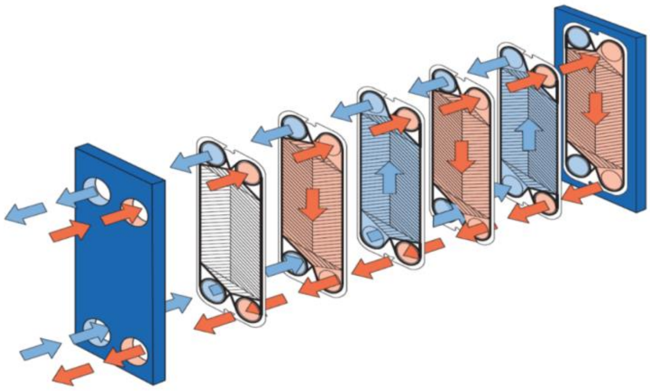
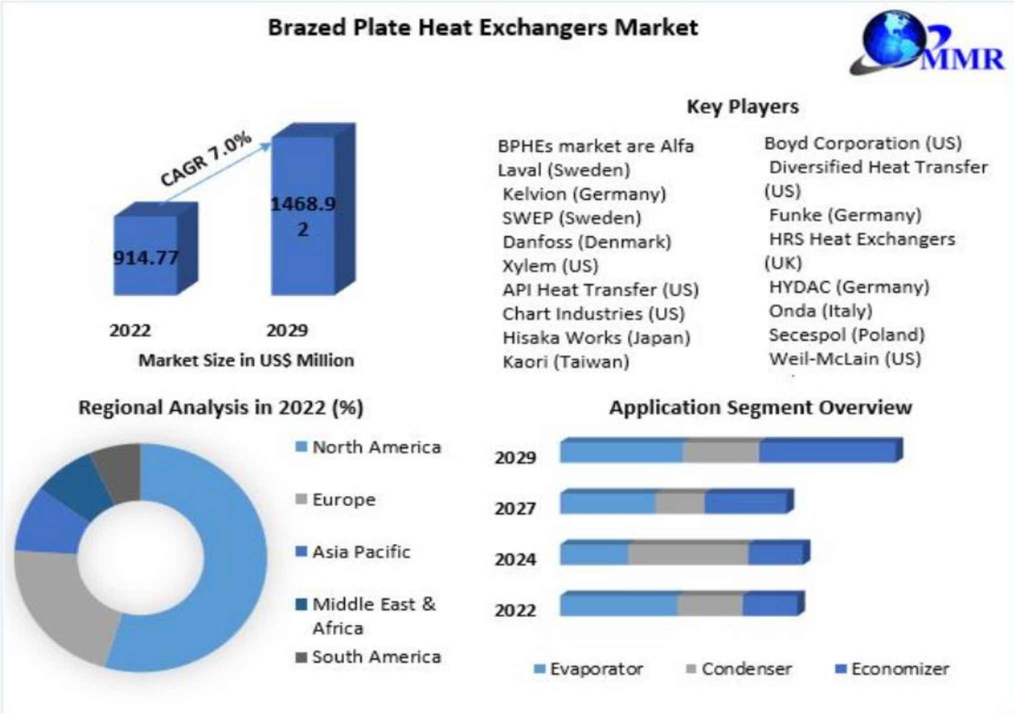


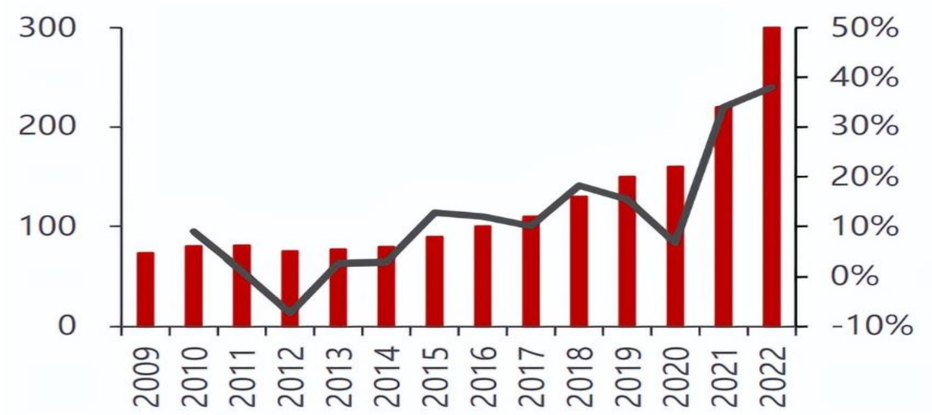
Plate heat exchangers are widely used. The combination of high heat transfer efficiency characteristics, special design through the plates and fluid channels allows heat to be transferred quickly and efficiently, saving energy and increasing system performance. This advantage is particularly critical in the industrial and HVAC fields, and has been widely used in various industrial fields such as chemical, petroleum, metallurgy, electric power, Marine, electrical and heat pump heating. Abnormal changes in global climate have caused countries around the world to face severe challenges in climate, urgent demand for heating in winter, and governments are increasingly paying attention to the trend of ESG, which accelerates the substantial growth of heating demand for plate heat exchangers used in heat pumps and other countries around the world. According to Maximize Market Research's estimates, the plate heat exchanger market size will be about \$914 million in 2022, and is estimated to reach nearly \$1.469 billion in 2029, showing a compound annual growth rate of 7%.



Source: Maximize Market Research, 2022.

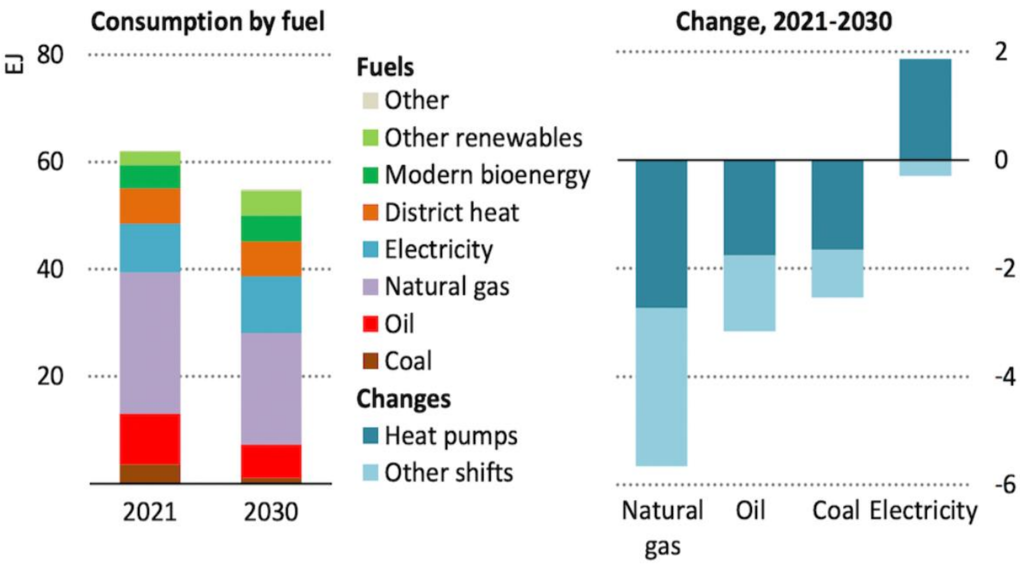
More than 90% of the region's natural gas is imported, with Russia, the largest supplier, accounting for about 45%. Since the energy crisis caused by Russia's invasion of Ukraine in 2022, reducing energy imports such as Russian natural gas has become an inevitable measure. Renewable energy has once again become a hot topic, not only related to global sustainable development, but also plays an important role in national energy security. Therefore, in order to reduce the threat of Russian gas supply, the European Union announced a €210 billion "REPowerEU" plan, aiming to stop relying on Russian fossil fuels before 2027, and is expected to double the construction rate of heat pumps in the next few years to accelerate the green energy transition. As a result, energy efficiency has become a focus for suppliers and consumers around the world. Compared to alternatives that consume fossil fuels, heat pumps have an average energy efficiency 3-5 times higher, resulting in a new high in demand for heat pumps as substitutes for gas boilers and electric heaters in Europe.

According to the European Heat Pump Association (EHPA), heat pump sales in Europe in 2022 are about 3 million units, an annual increase of 39%, a record high, equivalent to replacing 4 billion cubic meters of natural gas, or equivalent to reducing 8 million tons of carbon dioxide emissions. Current data show that the permeability of heat pumps is still low (about 20-30%). The leadership in the efficiency of pump energy use makes heat pumps more competitive in terms of operating costs than traditional gas boilers, which, coupled with expensive natural gas prices, has made heat pumps less expensive to operate than traditional gas boilers before the global energy crisis. However, in view of the relatively high installation costs of heat pumps, some countries such as the United Kingdom, Canada and other countries still need subsidies to make heat pump facilities cost competitive, so in the context of the energy crisis, European countries have also come up with policies to subsidize residents and businesses to reduce the use of fossil fuels. In Italy, where the subsidy policy is the most aggressive, users can obtain a refund of 110% of the purchase price of the heating system from the government for five years through a five-year tax deduction. The European market is expected to usher in the first wave of heat pump installation through policy subsidies, and this trend is expected to spread to other markets such as the United States.



Source: EHPA, 2023.

More than 30 countries around the world already have financial incentives for heat pumps, and as Europe tries to wean itself off natural gas from Russia, switching to heat pumps will help reduce dependence on fossil fuel imports and improve energy security. According to IEA estimates, the use of natural gas in global buildings will fall by 21% in 2030, while the use of fossil fuels such as oil and coal will also decrease, by about 29%.



Source: IEA, December, 2021.

In Europe, the annual sales of boilers are still around 6 million units, so there is significant room for substitution. It is estimated that the annual sales of heat pumps in Europe will exceed 12 million units by 2030. According to EHPA estimates, sales of fossil-fueled boilers in the European region between 2010 and 2020 will average around 6 million units. Currently, except for the Nordic region, non clean energy still dominates the heating structure in Europe. As a substitute product for boiler heating, heat pumps have strong potential and certainty for increasing penetration rate, reflected in the penetration of heat pump in heating equipment in 2020 is about 20%, an increase of about 9% compared with 2015. In addition, the "REPowerEU" forecasts that the number of heat pump installations will double each year in the future, adding 10 million water source heat pumps in 2023-2027, and 30 million more than in 2020 by 2030. To achieve this goal, the European Commission plans to launch the Heat Pump Action Plan by the end of this year, so the EHPA estimates that the total number of heat pumps installed will reach 20 million in 2026, and close to 60 million in 2030, with a compound annual growth rate of 18.9% from 2022 to 2030, indicating that heat pumps are an important technical means to help decarbonize the heating field, which perfectly fits the goal of energy transition and reducing greenhouse gas emissions, and is also the core driving force for the long-term growth of heat pump sales.

Overall, as businesses seek to reduce energy consumption, improve the environment, and comply with regulations, Heat Exchangers, with their low energy costs, reduced carbon footprint, and low maintenance requirements, play a significant role. Therefore, the Heat Exchanger market is expected to continue to grow.

(2) Correlation among Upstream, Midstream, and Downstream of the Industry:

①Fuel Cell Industry

Taiwan's hydrogen and Fuel Cell industry has a complete supply chain, ranging from upstream to downstream, including precious metal catalysts, proton exchange membranes, Fuel Cell assemblies and components, control systems and peripheral components, stationary power generation systems, portable power products, and transportation vehicles. In addition to upstream material technologies, Taiwan's industry has abundant mass production experience and cost advantages, giving it a relative advantage in entering the midstream and downstream product markets. The region already has a strong foundation in industries such as power generators, electronics, and motorcycles. With the introduction of fuel technology, products become more competitive internationally, offering energy efficiency and environmental characteristics.

The development of Taiwan's Fuel Cell industry started with research institutions, and after successful technology development, it gradually formed into an industry involving private companies. The supply chain of Taiwan's fuel cell industry includes upstream, midstream, and downstream manufacturers, as shown in the figure below.

List of domestic and foreign participants in the fuel cell manufacturing industry

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
Main Corporations	Proton-exchange membrane	Battery modules	Fuel Cell Systems	Hydrogen Supply
	Microcosm Technology Co. Ltd. DuPont (US) DSM (Netherlands) JSR(Japan) Hitachi Chemical Co., Ltd. (Japan) Tokuyama Chemical Engineering (Japan) Mitsui Chemicals (Japan) Nitto Denko (Japan) Toagosei (Japan)	Chung Hsin Electric & Machinery Leatec Fine Ceramics Eco-Energy Technology Asia Pacific Fuel Cell Technologies Toplus Energy SDI Corporation Fucell Leadtech Green Hydrogen Power NGK Insulators (Japan) Hitachi (Japan) Fuji Electric (Japan) JOMO (Japan) Daihatsu (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler(Germany) UTC POWER (US) FuelCell Energy (US)	Chung Hsin Electric & Machinery Toplus Energy Asia Pacific Fuel Cell Technologies Enermaster Technology Boyam Power Systems M-Field Energy YC Synergy Eco-Energy Technology Green Hydrogen Power Hephas Energy Fucell Noveltek Industrial Manufacturing Kaori Heat Treatment Asia Hydrogen Energy Neo Solar Power Hitachi (Japan) Fuji Electric (Japan) JX (Japan) Fuji Electric (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler (Germany) FuelCell Energy (US) Bloom Energy (US) Doosan (Korea)	Air Products San Fu LienHwa Air Liquide Far Eastern CPC Corporation Linde Group (Germany) Biocoke Lab (Japan)
	MEA			Methanol Supply
	Yangtze GOC International NGK Insulators (Japan) Nippon Shokubai (Japan)			LCY Chemical Merck Electronic Chemicals (US) Mitsubishi Gas Chemical Company (Japan) Kurita Water Industries (Japan) Methanex (Canada)
	Catalysts			Methanol Fuel Tanks
	Green Hydrotec Sumitomo 3M (Japan) Hitachi Maxell (Japan) Showa Denko (Japan)			Asia Vital Components Toyo Seikan (Japan)
	GDL			Hydrogen storage alloy tank
				HBank Technology Asia Pacific Fuel Cell Technologies Boyam Power Systems Taiwan Innovative Space Canon (Japan) General Motors (US) Japan Metals &

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
	Carbon energy technology			Chemicals (Japan) Toyota (Japan) Samtech (Belgium)
				Fuel reformer
	Bipolar plate	**BOP components**		Chung Hsin Electric & Machinery Asia Hydrogen Energy Green Hydrotec Kaori Heat Treatment JOMO (Japan) ENEOS (Japan) Idemitsu Kosan (Japan)
	Porite Taiwan Plus Metal Tech Toplus Energy SDI Corporation Gallant Precision Machining Carbon energy technology FJ Composite (Japan) Seikoh Giken (Japan) Hitachi Cable (Japan)	Kaori Heat Treatment AcBel Polytech Hephas Energy Apexgreen Tech		
				Hydroelectrolysis Equipment
				Epoch Energy Technology GOC International

Source: Taiwan Hydroden & Fuel Cell Partnership, IEK, ITRI, compiled by Taiwan Industry Economics Services, March 2020.

Specifications of Main Fuel Cells

Fuel Cell Type	Working Temperature	Electrolyte	Catalytic	Fuel Used	Energy Efficiency	Power	Applications
Proton Exchange Membrane Fuel Cell	Room Temperature ~ 100 ℃	High Polymer Membrane	Platinum etc.	Hydrogen	25~60%	1~1000kW	Distributed Power, Transportation, Portable Energy
Direct Methanol Fuel Cell (DMFC)	Room Temperature ~ 120 ℃	High Polymer Membrane	Platinum etc.	Methanol	40~47%	1W~1kW	Small Batteries, Power for Electronics, Backup Power
Alkaline Fuel Cell (AFC)	120~ 200 ℃	35~85 % KOH	Ni, Ag Precious Metal	Hydrogen	25~50%	1~100kW	Distributed Power, Transportation
Phosphoric Acid Fuel Cell (PAFC)	150~ 200 ℃	Phosphoric Acid Solution	Platinum	Hydrogen	25~40%	0.1~1000kW	Distributed Power, Large Power Plants
Molten Carbonate Fuel Cell (MCFC)	600~ 700 ℃	Molten Carbonate	Ni, NiO	Hydrogen, Fossil Fuel	30~55%	1~100MW	Distributed Power
Solid Oxide Fuel Cells (SOFC)	700~ 1000 ℃	Zirconia Ceramics Membrane	-	Hydrogen, Fossil Fuel	35~80%	1 kW ~100MW	Distributed Power, Transportation, Large Power Plants

Source: INER, compiled by Taiwan Industry Economics Services, January 2010.

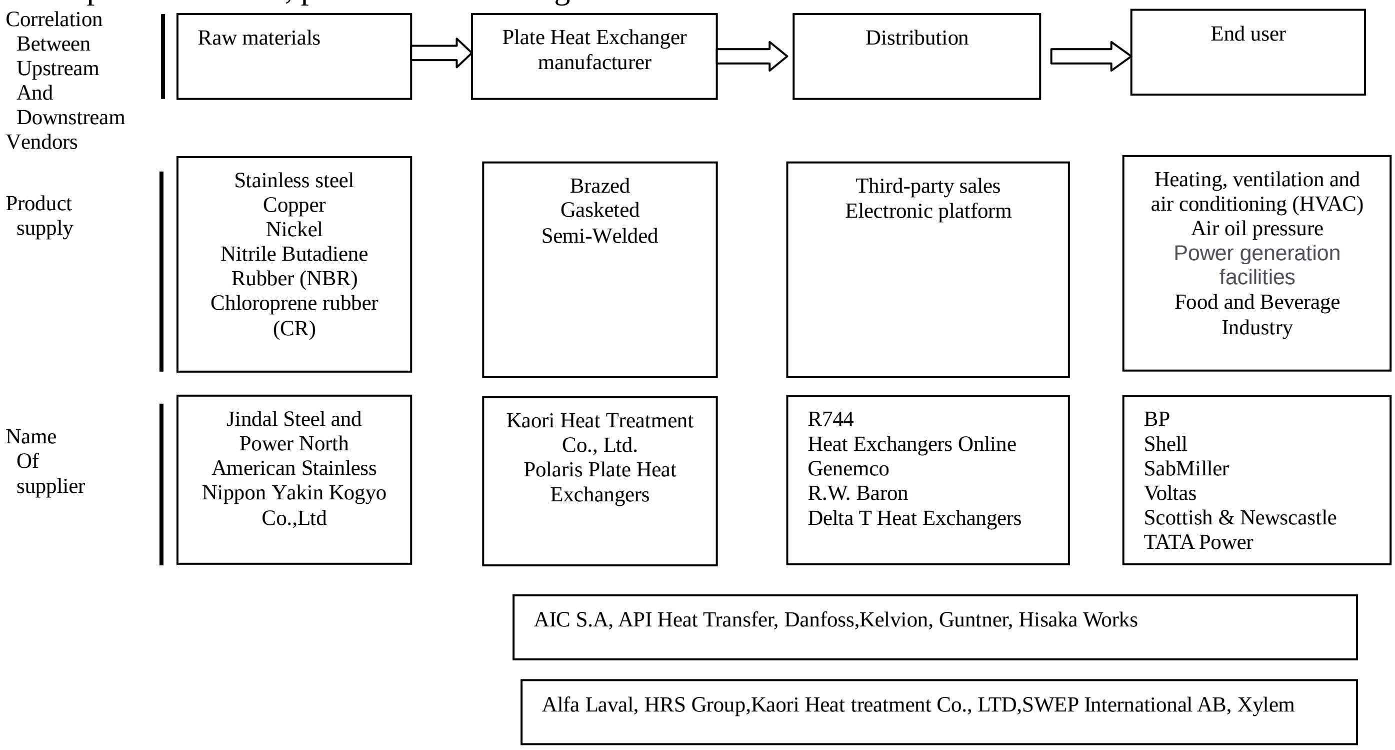
② Heat Exchanger Industry

The main materials for heat exchangers are stainless steel, copper foil, nickel foil, and other rubber products. At present, the raw materials are domestically produced or imported,while the remaining materials are sourced domestically.

Currently, most of the raw materials are imported, while the remaining materials are sourced domestically.

Kaori’s Heat Exchanger Department has two plants located in the Chung-Li Industrial Area in Taiwan, specializing in the production of Brazed Plate Heat Exchangers. The raw materials undergo processing using equipment such as punching machines, milling machines, and laser cutting machines to produce semi-finished products. They are then manually assembled and undergo vacuum brazing in vacuum furnaces to become the final products. Most of the processing is done in-house, while special accessories, protective sleeves, and castings are outsourced. The high level of in-house production allows for efficient order processing and reduces reliance on outsourcing and procurement.

Kaori is the only manufacturer in Taiwan that produces Brazed Plate Heat Exchangers. In addition to having a market share of over 80% in Taiwan, Kaori also exports to more than 70 countries. Kaori has distributors worldwide and, in response to the delivery requirements of European customers, provide warehousing services in the Netherlands.



Source: (GrandView Research Plate & Frame Heat Exchanger Market Analysis, Market Size, Application Analysis, Regional Outlook, Competitive Strategies And Forecasts, 2015 To 2022; compiled by Kaori)

(3) Various Development Trends of Products

1) Expansion of Applications for Steel and Metal Products

The traditional scope of services covered by heat treatment and processing is extremely broad. In the industrial product classification of the Ministry of Economic Affairs, the only directly related coding to heat treatment products is the metal surface treatment industry. However, other indirectly related coding includes metal machinery tools and parts, screws and nuts, metal molds, automotive components, motorcycle components, and bicycle components. Additionally, the value-added rate of the metal product industry is mainly influenced by fluctuations in international steel prices.

Currently, the plate heat exchangers are used in a wide range of applications, including refrigeration and air conditioning, water dispensers, petrochemical industries, pharmaceutical and food industries, heat pumps, heat recovery, wind power generation, and cooling equipment in the machinery industry. In the future, the scope of diverse applications can be further expanded to include seawater desalination equipment on offshore fishing vessels, battery cooling in electric vehicles, cooling solutions for data centers, and more.

2) Improvement in Quality Requirements

In recent years, due to technological advancements and industrial progress, various machinery and industrial products have higher standards and requirements for product quality and manufacturing processes. This necessitates the use of higher-quality heat treatment and processing and heat exchanger services to fully leverage the properties of metals and meet the increasing demand for brand differentiation, thereby facilitating smooth industrial upgrades.

The internals of heat exchangers often contain corrosive or flammable substances. If an explosion occurs, it can cause significant pollution and damage to the operating personnel and the surrounding environment. Therefore, to minimize the probability of such hazards, heat exchangers are classified as pressure vessels, and the safety and quality of the products become the primary considerations for customers.

3) Global Active Development of Alternative Energy Sources

Countries worldwide have generally recognized the necessity and urgency of combating global warming, climate change, and related issues. In December 1997, they jointly signed the “United Nations Framework Convention on Climate Change” and its “Kyoto Protocol”. Since its entry into force in 2005, signatory countries are obligated to reduce greenhouse gas emissions. Fuel Cells, which directly convert chemical energy into electrical energy, have high efficiency and low pollution compared to traditional combustion of fossil fuels. They have a wide range of applications and have become a key industry for the development of alternative energy sources worldwide. For example, Fuel Cell types used for stationary power generation, such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC), emit fewer greenhouse gases and pollutants per unit of electricity generated compared to thermal power generation. They also do not have concerns about radiation pollution from nuclear power generation. Therefore, they have become popular options for decentralized power generation. Many countries, including Taiwan, have recently implemented research funding subsidies, tax reductions, and subsidies for fuel cell-related products to encourage the development of this industry. To further achieve the goal of reducing carbon emissions, major countries and companies are actively promoting the practical application of hydrogen and fuel cell technologies.

The development of hydrogen energy and fuel cells in the European Union (EU) can be traced back to the publication of the "2030 Climate and Energy Policy Framework" draft in 2014. The EU set short- to medium-term goals based on 1990 as the reference year, aiming to achieve by 2020: (1) a 20% reduction in greenhouse gas emissions, (2) a 20% reduction in primary energy consumption, and (3) an overall energy consumption of 20% from renewable sources (with the transportation sector consuming 10% from renewables). To achieve these goals, the EU is committed to developing various green energy technologies, and hydrogen energy and fuel cells are among the solutions. In terms of R&D in applications technology, the EU primarily integrates resources through the Framework Program (FP) plan. Starting in 2014, the eighth phase of the program, called Horizon 2020, was launched and implemented from 2014 to 2020. To coordinate and manage various projects, the EU established The Fuel Cells and Hydrogen Joint Undertaking (FCH JU) in 2008 as a platform for better integration. However, in the past, the EU mainly focused on proton exchange membrane fuel cell (PEMFC) technology, while the R&D of solid oxide fuel cells (SOFC) received more funding and resources under the Horizon 2020 program. During this period, the SOFC technology and industry experienced more significant growth.

From 2017 to 2018, due to the temporary suspension and gradual withdrawal of subsidies from the US ITC, and the slowing growth of the domestic market, countries in Asia, apart from Japan, continued their investments. The South Korean government introduced the Renewable Portfolio Standard (RPS), which mandates that power companies generating more than 500MW must have at least 2% of their electricity from renewable sources starting in 2012, increasing to 10% by 2022. Many large electricity consumers and private power producers in South Korea began purchasing solid oxide fuel cell (SOFC) models that have rapidly caught up in terms of power generation efficiency, apart from using high-efficiency molten carbonate fuel cells (MCFC). In addition, mainland China provides subsidies to the fuel cell industry under the "Thirteenth Five-Year Plan", primarily focusing on new energy vehicles. However, this has also driven the R&D speed of SOFC technology and various applications. Within the research projects funded by the National Natural Science Foundation, SOFC-related technologies constitute a significant portion of recent research items. On the other hand, emerging economies in Asia have experienced rapid economic development in recent years, but their power infrastructure has not kept pace, leading to contradictions in overall national development. To ensure a solid foundation for economic development, most countries prioritize power infrastructure as a key development area. In addition to addressing power supply gaps, issues such as improving power reliability, reducing power theft losses, and promoting the development of renewable energy have gradually gained attention. This has led countries worldwide to include hydrogen energy and fuel cells as key development areas in recent years.

SOFC has a wide range of fuel options, including natural gas, biogas, hydrogen, coal gas, methanol, and diesel. The catalytic electrode does not require the use of precious metals, reducing production costs. The operation of SOFC is not limited by climate conditions and can run continuously without interruption. The overall efficiency of solid oxide fuel cells is above 85%, significantly higher than any other energy converter. The high efficiency of solid oxide fuel cells is a crucial factor in sustainable energy supply and is why it is considered a significant alternative energy source.

(4) Competition Landscape

1) Plate heat exchangers:

Heat exchangers, as fundamental equipment for heat conduction and exchange, have been widely applied in modern industries and mechanical equipment, including automobiles, aerospace, heating and air conditioning systems in commercial buildings, and heat recovery in industrial facilities. As a crucial component of all thermal energy systems, heat exchangers make the most important and irreplaceable contribution to energy efficiency. With continuous technological development and innovation, this market will continue to advance. Heat exchanger devices are indispensable components for energy exchange between hot and cold substances and are commonly used in daily life, industrial processes, and various applications that rely on the transfer and exchange of thermal energy. While there are alternative products such as finned tube heat exchangers for applications involving gases as the medium, plate heat exchangers still hold advantages in terms of performance and compact size.

2) Thermal products

In recent years, countries around the world have actively sought and developed clean and pollution-free alternative energy sources due to the depletion crisis of fossil energy and increasing environmental pollution. These include solar energy, wind energy, biomass energy, and fuel cells derived from hydrogen energy. The future trend of energy development aims to replace existing traditional power plants and nuclear power plants with safe and clean alternative energy sources. While solar and wind power are affected by natural weather conditions and may have fluctuations in power output, fuel cells can provide stable, continuous, low-cost, and low-pollution power. Most importantly, the shift from centralized power generation to distributed power generation reduces significant capital investments and significantly minimizes power transmission losses. In terms of power generation efficiency and supply stability, fuel cells are the most efficient and stable among various alternative energy sources, giving them an advantage in terms of development potential. Although different alternative energy sources have their complementary roles, fuel cells still hold a dominant position.

3. Technology and R&D Overview:

(1) Technical level and research development of the business engaged:

With the increasing frequency of extreme climate, the net zero carbon emission goal has been a global consensus, coupled with the energy crisis caused by the war between Ukraine and Russia, countries have accelerated energy transition, and the requirements for energy efficiency have also increased. Therefore, the provision of high-quality and international net zero, environmentally friendly and sustainable development of products and technologies will become a global development trend. Therefore, the Company continues to invest in the research and development of energy-saving and green energy products according to the market demand. In 2023, the Heat Exchanger Division of the Company will develop a new type of heat exchanger based on the application of asymmetric flow channel technology in the field of heat pumps. Focusing on cloud data centers, the Thermal Energy Division continued to propose solutions for liquid cooling systems for server heat dissipation; in terms of hydrogen energy, research and development focuses on hydrogen storage materials and carbon sequestration devices for carbon recovery of carbon dioxide gas; in addition, the Fuel Cell Division cooperates with Bloom Energy to develop high-efficiency hydrogen generators and hydrogen generators, and strives to enter the new century of hydrogen energy with net zero carbon emissions.

Looking to the future, the Heat Exchanger Division of the Company will focus on the application development of heat pumps. With the advent of the hydrogen energy era, there is a demand for high-voltage nickel welding heat exchangers in electrolytic hydrogen production plants and hydrogen fuel cell vehicles. In the future, the Company plans to conduct research and development of related welding materials, and further promote the development of clean energy towards low-carbon and zero carbon transformation; on the other hand, our company will base our efforts on core technologies of hydrogen and thermal energy, combined with existing metal processing technologies, to advance in the fields of waste hydrogen purification equipment for hydrogen furnaces, development of immersed dielectric liquid cooling tanks, and various heat dissipation, thereby creating the next high growth opportunity for Kaori.

(2) R&D expenses:

Unit: NT$ thousands

Years / Item	Individual financial statement of 2023	Current year as of March 31, 2024 (amount settled on individual financial statement)	Consolidated financial statement of 2023	Current year as of March 31, 2024 (amount settled on consolidated financial statement)
R&D expenses	83,813	18,757	83,813	18,757

(3) Successfully Developed Technologies or Products:

Years	R&D Achievements
112	1. Development of High Efficiency Microchannel Heat Exchanger R046 2. Development of Different Channel Heat Exchanger B080, B080H 3. Development of K040S Energy-saving Assembly Structure Heat Exchanger 4. Development of Carbon Dioxide Sequestration System 5. Development of Waste Hydrogen Recovery 6. Development of Submerged Server 25U80KW Cooling Module

4. Long and Short-Term Business Development Plans:

(1). Short-Term Business Development Plan:

① Develop server cooling market and win international orders.

Developing the heat pump market: Under the RepowerEU policy, the market has the opportunity to grow until 2030.

②New product development: Strive for innovative cooperation opportunities with major brands. Meanwhile grasping market trends and aiming to provide more professional and high-quality services to meet customer demands, thereby increasing market share.

③ Introducing experienced technical and management talents, providing training for R&D and international marketing personnel.

④ Securing appropriate and cost-effective funding aligned with business development needs, and adoption of electronic processes to establish efficient production management and enhance operational efficiency.

⑤ Improving internal management procedures, establishing efficient production management, reducing defect rate and reducing heavy work.

⑥ Continuing to strengthen product technology development and performance improvement research and development.

(2). Long-Term Business Development Plan:

① Continuously exploring international markets to expand product presence globally.

② Serving customers with high-quality, cost-effective, and fast-delivery products.

③ Continuously developing products that meet customer demands.

④ Innovating to gain competitive advantages and maximize shareholder value.

⑤ Expanding market share through obtaining of testimonials by renowned manufacturers.

II. Market and Sales Overview:

1. Market Analysis:

(1) Sales Regions of Main Products:

The Company’s main products include metal products and processing, production of plate heat exchangers, and thermal products. The demand for metal components requiring heat treatment and processing is widespread, including industries such as automotive, machinery, molds, hardware, home appliances, and defense manufacturing. Heat treatment and processing are essential in the production process of these industries. In the meantime, plate heat exchangers are primarily sold to domestic and international renowned air conditioning manufacturers; thermal energy-related products mainly target green energy manufacturers involved in the production and sales of power generators, and fuel cells are primarily exported to the United States. In 2023, the total revenue was NT$ 4,325,671 thousand, with export revenue accounting for NT$ 3,641,564 thousand. The domestic sales proportion was 15.82%, and the export proportion was 84.18%, with the export presence covers various locations worldwide.

Unit: NT$ thousand(Source: Consolidated Financial Reports)

Year / By Region		2022 Amount	2022 %	2023 Amount	2023 %
Domestic		616,625	21.69	684,107	15.82
Export	Asia	366,530	12.89	509,672	11.78
	Africa	370	0.01	337	-
	Oceania	6,953	0.24	14,186	0.33
	Europe	524,378	18.44	1,133,184	26.20
	America	1,328,684	46.73	1,984,185	45.87
Total		2,843,540	100.00	4,325,671	100.00

(2) Market Share:

According to Maximize Market Research estimates, the plate heat exchanger market size is about $914 million in 2022, and is estimated to reach nearly $1.469 billion in 2029, showing a compound annual rate of 7% growth. The Company is currently the largest and only publicly traded company in Taiwan specializing in the manufacturing and sales of Brazed Plate Heat Exchangers. It holds a market share of over 90% in the domestic market and has expanded its presence to more than 70 countries worldwide. The Company is the leading designer and producer of Plate Heat Exchangers domestically. The Company is the leading designer and producer of Plate Heat Exchangers domestically. Considering its technological, scale, and operational capabilities, the Company is a leading manufacturer in the industry. Heat Treatment and Processing are integral parts of various manufacturing processes, making the industry’s scope extensive. Based on current estimates and statistics, the Company's market share in plate heat exchangers worldwide is approximately 5%. Overall, plate heat exchanger shipments continue to grow with the vigorous implementation of the global government subsidy policy for heat pumps.

According to Maximize Market Research estimates, the solid oxide fuel cell market size will be about 131 million US dollars in 2022, and will show an annual compound rate of 28.9% growth from 2022 to 2029. In response to the green energy market, the company has strategically cooperated with major hydrogen Fuel Cell manufacturers listed in the United States to produce stationary Solid Oxide Fuel Cell (SOFC) reactor parts (Hot Box). The US customer accounts for about 75% of the global market for hydrogen fuel cells, and in view of the global net zero carbon emission trend, many countries have introduced a large amount of renewable energy as the most suitable solution at this stage, the US customer has benefited from entering the Korean market and the growth of hydrogen fuel pipeline construction in the United States, which has driven a significant growth in revenue and increased the compound growth rate of the next 10 years to 35%. Overall, the market size is still showing a rapid growth trend.

(3) Future Market Supply and Demand Situation and Growth Prospects:

The Company’s core market businesses include energy-saving products, heat dissipation products, and green energy products. The overall development and market conditions are outlined as follows:

1) Heat Exchanger Market Growth Trends:

The Company produces heat exchangers, which are essential components for various industries such as refrigeration and air conditioning, semiconductor and electronics, low-temperature frozen food, machinery equipment, transportation, medical devices, data centers, shipping, and steel industries. The Company’s heat exchangers, developed through technology transfer from the Industrial Technology Research Institute (ITRI), have been continuously researched and developed to cater to various product applications and new areas. In recent years, the Company has obtained multiple patents and has been adopted by renowned air conditioning manufacturers both domestically and internationally. The demand for the Company's plate heat exchangers is expected to increase indirectly with the stable growth of the global refrigeration and air conditioning equipment market.

Due to the Russia-Ukrainian War, the Fit for 55 decarbonization plan, and the EU's Repower EU subsidy, heat pumps have experienced rapid growth in the European market. In 2023, the installed base reached 2,850,000 units, including air-to-air, air-to-water, and geothermal heat pumps. While the refrigeration and air conditioning industry is mature and markets in developed countries such as Europe and the United States are gradually saturating, the increased demand for replacement units in recent years, driven by heatwaves and rising environmental awareness, has led to a higher demand for new, energy-efficient equipment. Additionally, the promotion of environmentally friendly refrigerants by governments has generated a new wave of demand, which will undoubtedly drive the development and specialized manufacturing of next-generation Heat Exchangers.

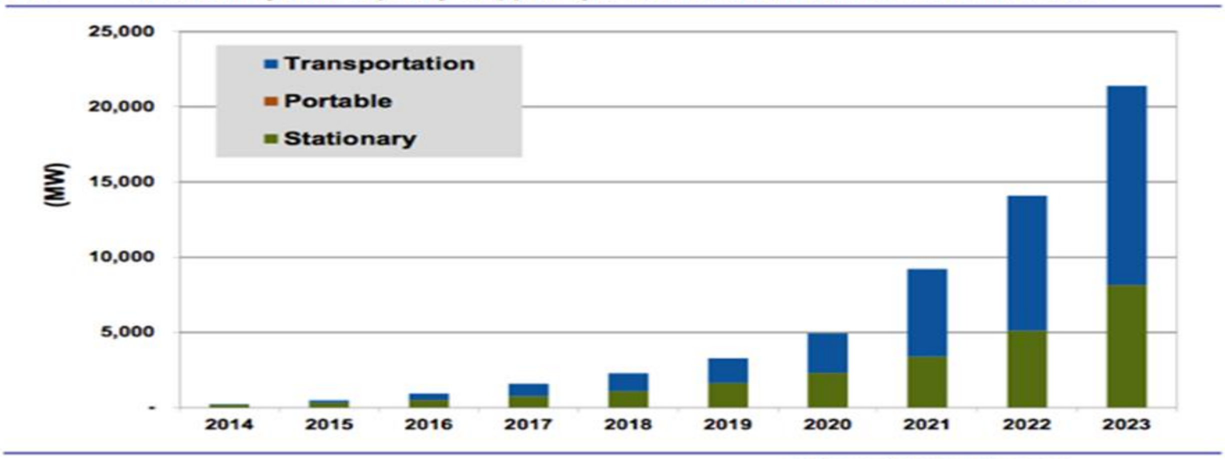
2) Green Energy Thermal Products Industry Growth Trends:

The Company’s green and thermal energy products include fuel cells, hydrogen energy applications and liquid cooling heat dissipation. Kaori’s green energy business may be mainly divided into two sectors: A. The Fuel Cell Business Department responsible for Solid Oxide Fuel Cell-related components, and B. Hydrogen Energy Business Department focusing on methanol-to-hydrogen and backup power systems. The contents and market applications are shown in the following figure. Kaori’s fuel cell and hydrogen energy projects:

Amongst the Company’s thermal products, the fuel cells exhibit high efficiency and low pollution as well as wide applications, making them a key industry for the development of alternative energy sources worldwide.

According to Navigant Research, the fuel cell market is expected to grow tenfold from 2014 to 2023 in terms of shipment capacity for power generation, and stationary fuel cells are projected to account for 30% of the overall fuel market for power generation. These estimations indicate that the demand for Fuel Cells will continue to experience significant growth in the future.

Chart 1.1 *Fuel Cell System Capacity Shipped by Market Sector, World Markets: 2014-2023*



(Source: Navigant Research)

In terms of the distribution of fuel cell market applications, the global Fuel Cell market size was approximately 136.3 billion Japanese yen in 2014. Among them, the

Industry-Use Fuel Cell market had the largest size, attributable to favorable policies introduced by major advanced countries in Europe and the US for companies installing Fuel Cells, as well as the increasing maturity of SOFC technology. Therefore, with the adoption of fuel cells by businesses, the global Industry-Use Fuel Cell market reached 81.5 billion Japanese yen in 2014. In Japan, the government implemented measures to encourage households to purchase fuel cells, leading to a market size of 41.9 billion Japanese yen for residential fuel cells in 2014, ranking second around the world. The main types of fuel cells used in households are PEMFC and SOFC. Although the market size for fuel cells in fuel cell vehicles was only 1.1 billion Japanese yen in 2014, with the gradual popularization of hydrogen refueling infrastructure and the tightening of environmental regulations, Fuji-Keizai estimates that the market size for fuel cells in this category will significantly increase to 4.752 trillion Japanese yen by 2030.

Overview of Scales for Global Fuel Cell Markets

Unit: 100 Million Yen

	2014	2030(f)
Industry-Use	815	6,813
Residential Use	419	7,910
Fuel Cell Vehicles	11	47,520
Other Vehicles (Forklift, Bus, Motorcycle, etc.)	61	830
Movable Power/Backup Power	56	1,595
Portable Electronics	1	255
Total	1,363	64,923

Source: Fuji-Keizai, compiled by Taiwan Industry Economics Services, April 2016.

(4) Competitive Niche

1). Company Position in the Industry

Currently, Alfa Laval is the largest manufacturer of plate heat exchangers globally, with an estimated market share of over 35%. Its main competitors in the heat exchanger industry are SWEP, Kelvion, Danfoss, Hisaka, and others. In Taiwan, the Company is the first domestic manufacturer of brazed plate heat exchangers. As of the end of 2022, the Company is the only TWSE/TPEx listed company specialized in heat exchanger manufacturing.

Based on the Taiwan Hydroden & Fuel Cell Partnership's vendor directory and the major product information of each vendor, the main domestic manufacturers of fuel cell stacks mainly focus on two types of technology: Proton Exchange Membrane Fuel Cells (PEMFC) and Direct Methanol Fuel Cells (DMFC). The Company, on the other hand, focuses on Solid Oxide Fuel Cells (SOFC) as its development foundation. Currently, there are no major competitors in Taiwan producing the same products as the Company.

2). Key Factors and Their Impact on Company Achievement or Failure

①. Stability of Quality and Accumulation of Experience

Heat treatment and processing services have a wide range of applications, including automotive, machinery, molds, hardware, appliances, and defense products. If the quality of heat-treated metal components is poor, it can result in defects ranging from minor issues affecting the smooth operation of the parts to major failures of the entire machine, leading to downtime and even posing risks to machine operators or users of transportation equipment. Therefore, the stability of processing quality is the primary key factor for success in the metal heat treatment industry.

The Company has extensive experience in heat treatment, and its technical team has the ability to determine various metal materials and is well-versed in their physical properties. They can effectively control the heat treatment quality of various components under different processing methods and conditions. Furthermore, the accumulated practical experience over the years helps The Company maintain stable heat treatment quality, expand the scope of services, and pursue various potential business opportunities, thereby expanding its operational scope.

②.Mastery of Core Product Technologies

Based on its expertise in heat treatment and brazing technology, the Company has ventured into the manufacturing of plate heat exchangers. Kaori is the only company with the capability to manufacture plate heat exchangers in Taiwan due to the solid brazing technology required; Kaori's Heat Technology Business has a core advantage in Fuel Cell Core Reactors. The Company has fully mastered the key technologies of each business unit, and its advantages in capital, specialized technology, and accumulated experience are not easily matched by competitors in a short period of time.

③. Possession of International Quality Assurance Certifications

As the quality requirements for heat treatment and processing become increasingly stringent, some manufacturers, particularly Japanese automotive and component manufacturers, consider the possession of quality certifications as one of the main factors when selecting heat treatment vendors. The Company has scrutinized quality control requirements and has obtained the Japanese Industrial Standard (JIS) certification in 1988. In 1994, the Company further obtained the special process certifications for "Steel Heat Treatment" and "Wet Brazing of Aluminum Alloy" from McDonnell Douglas Aerospace Corporation. Subsequently, the Heat Exchanger Business Unit obtained certifications from international quality organizations such as ISO, CE, and UL; the Company's Metal Products Business Unit also obtained ISO, US UL pressure vessel, and European Union Pressure Equipment Directive (PED) certifications; furthermore, the Company is an approved partner approved by the Corporate Synergy Development Center and holds the quality system certificate from AIDC and the certificate of qualified national defense industry manufacturer. These certifications and evaluations are proofs that the Company's strict quality control requirements and establish its important position in the domestic and international professional heat treatment industry.

(5) Favorable and Unfavorable Factors for Future Development and Countermeasures

1). Favorable Factors for Future Development:

① Climate Governance and Low-carbon Transition Policy

Due to the threat of extreme weather, the sustainable trend in recent years has shifted from ESG risk management to enterprise resilience and transformation adaptability, and "net zero carbon emissions" has become a hot topic of global concern. Since 2023, the EU Green Deal has regulated the introduction of carbon border taxes on high-carbon products imported into the EU to avoid carbon leakage. Other countries have developed "net zero carbon emission" policies and will gradually implement carbon management requirements in the future. In view of the EU's implementation of four measures for energy conservation, diversification of energy supply, accelerated promotion of renewable energy and expansion of investment, the demand for heat-pump related products has boosted. The plate heat exchanger produced by the Company is the key component of the heat pump related products, which can be highly customized according to customer requirements to meet the relevant energy-saving product specifications. With years of accumulated experience, the company can also provide complete and diverse services to meet the needs of customers with the fastest and professional attitude in the face of short-term growth in market demand. Large scale, experienced management team.

② Seize the Opportunity of Future Green Energy Market

With net zero carbon emissions becoming the ultimate goal for the future, countries are actively developing various alternative energy sources, of which hydrogen energy is regarded as the ultimate clean energy, and has become the goal actively pursued by countries. Hydrogen energy is mainly applied through fuel cells, which are one of the power generation devices with high energy conversion efficiency, short charging time, and low environmental pollution. For the green energy market, the Company produces components such as Solid Oxide Fuel Cell (SOFC) reactors. Although the market has not yet popularized the construction of fixed solid oxide fuel cells, under the continuous catalysis of energy shortage issues, South Korea has taken the lead in implementing the hydrogen energy law to subsidize hydrogen fuel cell related costs. In addition, advanced countries have also actively invested in the research and development of hydrogen energy based on energy security and environmental sustainability. With the continuous improvement of hydrogen fuel cell technology and the reduction of hydrogen fuel use cost, it is expected that hydrogen fuel cells will be widely used in the future. Kaori's stable mass production process for fuel cell reactor components has taken the lead in seizing the still developing hydrogen fuel cell market.

③Wide Scope of Product Applications

Currently, plate heat exchangers are used in various applications such as air conditioning, water dispensers, petrochemical industries, pharmaceuticals, and food industries. However, in practice, the need for heat exchange extends beyond these industries. Future applications may include small air conditioning systems in automobiles, seawater desalination equipment on deep-sea fishing vessels, and solar and geothermal heat collection systems.

Fuel cells have a wide range of product applications, including consumer electronics, transportation, household electricity, and industrial electricity. The main application areas for fuel cells currently cover automobiles, stationary generators, and portable electronic products. Moreover, since the nuclear disaster in Japan, the world has placed more emphasis on clean and pollution-free energy sources. According to news released by Bloom Energy, household fuel cells will be introduced in the next 5-10 years. With the active development of alternative energy sources worldwide, fuel cells are expected to expand their application areas sustainably.

2). Unfavorable Factors for Future Development:

①Fluctuations in Prices of Raw Materials

In recent years, the supply chain bottleneck caused by the epidemic has continued, resulting in a serious imbalance between supply and demand, and raising storage and transportation costs, driving up international raw material prices. Also affected by the war between Ukraine and Russia, the price of international metal raw materials soared. Under such circumstance, many enterprises are under pressure, with their profits continuously being affected.

[Countermeasures]

a. Pay close attention to global political and economic changes, international raw material prices and international exchange rate fluctuations, flexibly adjust procurement and other related strategies in order to improve profitability.

b. Timely adjust sales strategies and transfer costs to customers to maintain gross profit margins.

②Labor Shortage in the Domestic Market

In recent years, the domestic manufacturing industry has faced a labor shortage, leading to increased labor costs and impacting industry competitiveness.

[Countermeasures]

In addition to increasing the automation level of machinery and equipment to reduce the demand for labor, the Company has introduced legal foreign labor and enhanced employee welfare to address the labor shortage. Furthermore, the Company actively invests in R&D, striving to continuously improve its services in line with the upgrading of domestic industries. It also enhances employee education and training to improve their professional skills, thereby providing services with a higher level of technical expertise.

③ Currently Compact and Less Competitive Domestic Energy Market

Advanced countries such as the United States, Japan, and the European Union nations have entered the alternative energy market earlier and have a larger market scale, hence having advantages in upstream raw materials, critical components, and R&D talents. On the other hand, as Taiwan entered the market relatively late, and the overall market scale is smaller, the development of upstream, midstream, and downstream industries are relatively confined. As a result, the competitiveness of domestic fuel cell manufacturers in the international market requires improvement.

[Countermeasures]

The Company established its Fuel Cell Business Department in August 2008, leveraging its expertise in vacuum brazing and precision manufacturing technologies. Through collaboration with Bloom Energy, a US-based fuel cell company, the Company aims to seize the international fuel cell market. Currently, the Compny continues to invest in expanding production facilities, acquiring machinery and equipment, and manufacturing key components for Solid Oxide Fuel Cells (SOFC). Additionally, the Company actively engages in the development of fuel cell-related products including fuel reformers with the goal of enhancing its competitiveness in the international market.

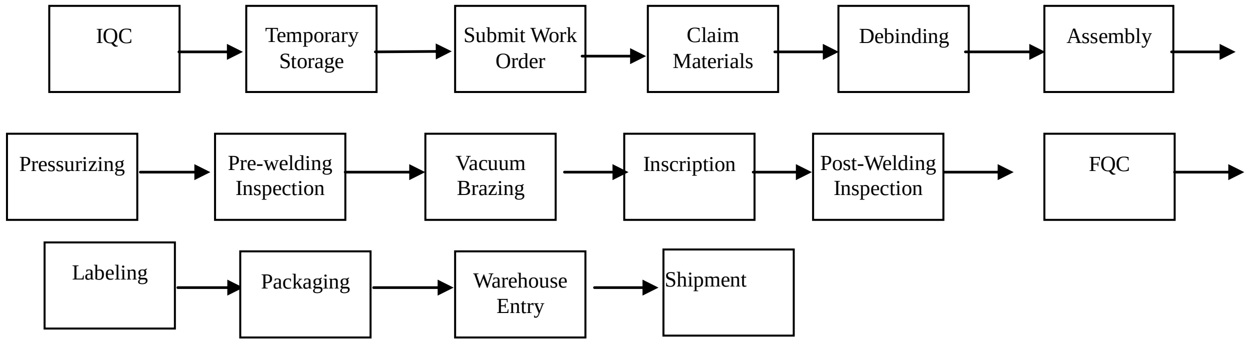
2. Significant Applications and Manufacturing Processes of the Main Products:

(1) Significant Applications of the Company's Main Products

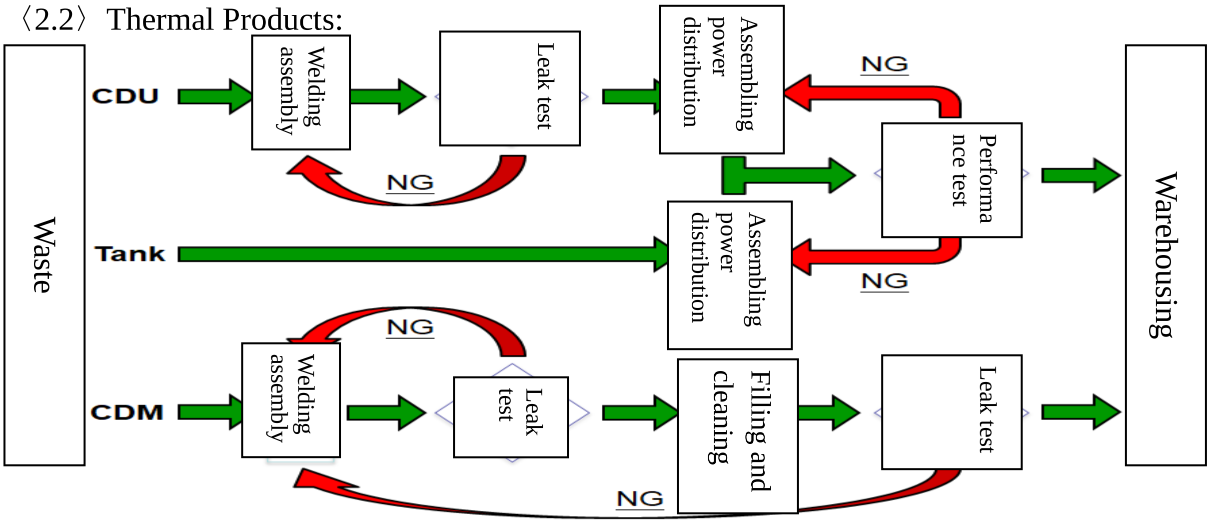
Main Products	Significant Usage of Product
Metal Products and Processing	Metal Product Processing: Brazing is mainly used for welding automotive and air conditioning appliance parts, as well as annealing and solution treatment of stainless steel pipes and electric heating tubes.
Plate Heat Exchanger	Heat exchangers are primarily used in the refrigeration and air conditioning industry, air compressors, hydraulic machinery, food industry, fuel cells, electric vehicles, server coiling and general industrial applications (for heat exchange of water and cooling water within machinery and equipment).
Thermal Products	Newable energy fuel cell reformer and fuel cell core reactor components are applied to commercial large engines, cogeneration plants, geothermal power plants, hot springs, and general industrial and commercial power generation; cryogenic air dryers: used in electronic industries, spray painting, pneumatic tools, food, chemical industries, laboratories, biotechnology industries, precision mechanical component processing, measurement instruments, and equipment. Fuel cell core reactor components are applied to stationary fuel cell systems, which are distributed energy systems directly serving users by producing and supplying energy on-site according to their needs. With multiple functions, they can meet the objectives of small and medium-sized energy conversion and utilization systems. Fuel cells have a wide range of applications, including various power products such as consumer electronics, transportation vehicles, household electricity, and industrial electricity. Currently, the main applications for fuel cells are automobiles, stationary generators, and portable electronic products. Furthermore, they can also be applied to server cooling systems modules in data centers or cloud computing centers.

(2))Manufacturing Process of Main Product

〈2.1〉 Plate Heat Exchanger:



〈2.2〉 Thermal Products:



3. Supply Status of Main Raw Materials:

Main Raw Materials	Main Source	Supply Status
Stainless Steel Coils, Steel Materials	UEX, Tang En Irons Co., Ltd., Outokumpu Europe, Bahru Stainless	Good
INCONEL Sheet Materials, TOMBSTONE, Ceramic Pieces, Heat Insulating Materials	UPM, VDM, CHUANG CHENG CO., LTD., Coors Tek,PROMAT, METAL ONE	Good
Copper Foil. Copper Coil	AML, KME	Good

4. Name of Customers Engaged in Supply (Sales) Accounting for over 10% of Total Supplies (Sales) in Any of the Last Two Years, Amount(s) of Supply (Sales), Proportion to Total Supplies (Sales), and the Reason for Such Increase, Decrease or Change.

(1) Customer: Unit: NT$ thousands (Source:Individual Financial Reports)

	2022				2023				2024 as of Q1			
Items	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to Net Sales of the Current Year as of the Preceding Quarter (%)	Relation with Issuer
1	BLOOM ENERGY	1,199,349	44.68	None	BLOOM ENERGY	1,859,647	44.88	None	BLOOM ENERGY	306,594	40.86	None
	Others	1,485,049	55.32		Others	2,283,638	55.12		Others	443,762	59.14	
	Net Sales	2,684,398	100.00		Net Sales	4,143,285	100.00		Net Sales	750,356	100.00	

Unit: NT$ thousand (Source: Consolidated Financial Reports)

	2022				2023				2024 as of Q1			
Items	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to Net Sales of the Current Year as of the Preceding Quarter (%)	Relation with Issuer
1	BLOOM ENERGY	1,199,349	42.18	None	BLOOM ENERGY	1,859,647	42.99	None	BLOOM ENERGY	306,594	38.42	None
	Others	1,644,191	57.82		Others	2,466,024	57.01		Others	491,328	61.58	
	Net Sales	2,843,540	100.00		Net Sales	4,325,671	100.00		Net Sales	797,922	100.00	

Reason for Increase / Decrease:

From 2023 to 2024, the customer BLOOM ENERGY accounted for a significant portion of the net sales, ranging from 38.42% to 42.99% and ranked 1st of all customers, indicating stable transactions. This is mainly due to fluctuations in the shipment of processed fuel cell components by the Company.

(2) Supplier

Unit: NT$ thousand (Source:Individual Financial Reports)

	2022				2023				2024 as of Q1			
Items	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to Net Purchase of the Current Year as of the Preceding Quarter (%)	Relation with Issuer
1	VDM.	190,405	10.52	None	CoorsTek	301,928	13.97	None	CoorsTek	75,705	35.80	None
2	CoorsTek	186,298	10.29	None	VDM	296,854	13.73	None	United P.	15,022	7.10	None
	Others	1,433,872	79.19		Others	1,563,144	72.30		Others	120,726	57.10	
	Net Purchase	1,810,575	100.00		Net Purchase	2,161,926	100.00		Net Purchase	211,453	100.00	

Unit: NT$ thousand (Source:Individual Financial Reports)

	2022				2023				2024 as of Q1			
Items	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to Net Purchase of the Current Year as of the Preceding Quarter (%)	Relation with Issuer
1	VDM.	190,405	10.08	None	CoorsTek	301,928	13.78	None	CoorsTek	75,705	33.67	None
2	CoorsTek	186,298	9.86	None	VDM	296,854	13.55	None	United P.	15,022	6.68	None
	Others	1,513,240	80.06		Others	1,591,577	72.67		Others	134,090	59.65	
	Net Purchase	1,889,943	100.00		Net Purchase	2,190,359	100.00		Net Purchase	224,817	100.00	

Reason for Increase / Decrease:

Concerning items with higher amounts of purchases, the Company's stainless steel coils required in manufacturing of plate heat exchangers are from suppliers UEX, Outokumpu Europe, Tang Eng, Bahru, as well as copper foil from AML and KME; In addition to the VDM required for high-nickel steel plates,UPM and CoorsTek required for ceramic parts, the purchase of other raw materials are still diversified. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction conditions. There have been no instances of shortages or interruptions in the supply chain in the past two years.

5. Production in the Last Two Years:

Units: metric tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; m^3; NT$ thousand
Source: Individual Financial Reports

Year / Output / Major Products (or by Department)	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Plate Heat Exchanger	439,928	405,764	1,197,044	611,491	472,109	1,269,227
Thermal Products	101,196	2,807	1,196,549	102,888	3,550	1,488,623
Total	-	-	2,393,593		-	2,757,850

Units: metric tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; m^3; NT$ thousand
Source: Consolidated Financial Reports

Year / Output / Major Products (or by Department)	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Plate Heat Exchanger	474,739	498,044	1,396,844	646,302	620,898	1,548,927
Thermal Products	101,196	2,807	1,196,549	102,888	3,550	1,488,623
Total	-	-	2,593,393		-	3,037,550

Note: 1. The units for capacity and quantity of heat exchanger are in square meters.
2. Due to different calculation units for each main product, the summation of capacity and quantity is not meaningful, hence not provided above.
3. Thermal products include new energy green power generation modules, waste heat generators, and fuel cell components. The summation of capacity and quantity is not meaningful.

6. Shipments and Sales in the Last Two Years:

Units: metric tons, 1K PCs, m2, tons, frozen tons, KW, Watt; m3; NT$ thousand
Source: Individual Financial Reports

Year / Shipment & Sales / Main Products (or by departments)	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Plate Heat Exchanger	61,764	279,411	308,944	1,122,328	43,328	225,133	513,413	1,902,422
Thermal Products	773	80,618	1,644	1,202,041	4,408	181,228	2,450	1,834,502
Total		360,029		2,324,369		406,361		3,736,924

Units: metric tons, 1K PCs, m2, tons, frozen tons, KW, Watt; m^3; NT$ thousand
Source: Consolidated Financial Reports

Year / Shipment & Sales / Main Products (or by departments)	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Plate Heat Exchanger	70,299	536,007	389,191	1,024,874	128,455	502,879	577,505	1,807,062
Thermal Products	773	80,618	1,644	1,202,041	4,408	181,228	2,450	1,834,502
Total		616,625		2,226,915		684,107		3,641,564

III. Distribution of Incumbent Employees by Number in Each Role, Average Years of Service, Average Age and Education in the Last 2 Calendar Years and as of the Publication Date of this Annual Report:

Source: Individual Financial Reports

Year		2022	2023	As of March 31, 2024
Number of Employees	Direct Labor	326	386	366
	Indrect Labor	238	255	250
	Total	564	641	616
Average Age		40.34	40.13	40.39
Average Years of Service		9.52	8.9	9.23
Education	Ph.D.	1.60%	1.40%	1.46%
	Masters	10.28%	10.30%	10.71%
	Bachelor's Degree	49.12%	49.30%	49.03%
	Senior High School	36.70%	36.66%	36.36%
	Below Senior High School	2.30%	2.34%	2.44%

Source: Consolidated Financial Reports

Year		2022	2023	Source: Consolidated Financial Reports
Number of Employees	Direct Labor	357	417	404
	Indrect Labor	271	288	288
	Total	628	705	692
Average Age		40.22	39.95	40.19
Average Years of Service		9.53	8.90	9.22
Education	Ph.D.	1.44%	1.29%	1.30%
	Masters	9.31%	9.43%	9.54%
	Bachelor's Degree	49.76%	49.85%	49.56%
	Senior High School	36.44%	36.43%	35.84%
	Below Senior High School	3.05%	3.00%	3.76%

IV. Environmental Protection Expenditure

1. Disclose the losses suffered by the Company resulting from violations against environmental pollution in the most recent year and as of the publication date of this Annual Report (including compensation and violations against environmental protection laws and regulations, per environmental protection audit result, and date of disposition, disposition document number, articles the Company has violated against, contents of violated laws and regulations, and content of disposition shall be disclosed), and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.
2. Implementation of Measures in Response to European Union's Restriction of Hazardous Substances Directive: The Company has complied with the regulations under the RoHS Directive and established appropriate management systems. Regular sampling inspections have

been conducted, and all results are in compliance with the regulations.

V. Labor Relations

1. Various Employee Welfare Measures, Continuing Education, Training, Pension System and the Implementations thereof, and the Circumstances of Employer-Employee Agreements and Various Employee Rights Maintenance Measures

(1) Employee Welfare Measures:

① The Company has established a Welfare Committee to implement various employee welfare measures. Each month, 0.15% of the operating revenue and 20% of the income from selling scrap materials are allocated for welfare funds. The following employee welfare initiatives are implemented:

A. Domestic and international group travel activities.

B. Subsidies for childbirth, marriage celebration or condolence for funeral service, hospitalization due to illness, and military service.

(A) Maternity allowance: For newborns whose parents are employees of our company on the day of birth.

(B) Child Care Allowance: children under the age of six whose household registration are in the employee account of the Company.

C. Emergency Allowances.

D. Education Scholarship for Children of Employees.

E. Gift Money at Chinese New Year.

F. Organizing of Birthday Celebrations.

② Other Welfares include:

A. Insuring of Group Life and Accident Insurances.

B. Subsidies for childbirth and childcare.

(2) Implementation of Continuing Education and Training for Employees:

To adapt to the rapid changes in industry technology and ensure employees' abilities and career development align with the Company's operational goals, the Company has prioritized employee learning and development as a key item in human resources management. Starting from the core competencies and linking them to the Company's operational strategy and professional functional training blueprint, various training activities and talent development programs are being promoted.

The Company provides multiple ways and opportunities for employees to pursue further education, including subsidies for on-the-job training, assignments for professional enhancement training, and language learning assistance. Rich training resources are provided to employees. The following are the achievements in the Company's education and training in 2023:

No.	Items	Classes	Total Training Hours	Attendance	Total Fees
1	Professional Competencies Training	372	6,041	2,508	851,780
2	Labor Safety and Health	105	6,304	1,956	356,975
3	Supervisor Talent Training	10	211	62	55,352

No.	Items	Classes	Total Training Hours	Attendance	Total Fees
4	General Knowledge Training	32	1,862	153	2,700
5	Self-Inspiration Training	3	886	3	40,973
6	Information Security Management	8	313	246	57,300
7	Human Right Protection and Promotion	8	1,001	964	0
Total		538	16,618	5,892	1,365,080

The Company has introduced a diversified learning platform to provide the best learning environment for colleagues. In addition to physical classroom learning, we also provide e-learning and knowledge management systems, and establish a teaching satisfaction survey mechanism to control learning benefits. The HR Department is responsible for planning and promoting learning activities and talent development projects. Moreover, supervisors of all units will be invited to form a "Task Force" to assist in assessing and implementing study activities. In collaboration with the organization, the following programs have been offered.

A. Professional Competencies Training:
   Formulate professional training blueprints according to job title, seniority, class, etc., and offer various professional training to help colleagues acquire professional skills required for work.

B. Labor Safety and Health:
   The relevant training hours and certification must be obtained according to the regulations.

C. Supervisor Talent Training:
   Provide necessary courses for managers at all levels to learn and share practical experience to enhance specific leadership skills.

D. General Knowledge Training:
   General training courses are provided for all colleagues to help improve work efficiency, and all colleagues can take elective courses. For example: communication skills, time management, etc.

E. Self-Inspiration Training:
   Scholarships are provided to support further study to acquire a higher level of knowledge or ability to encourage colleagues to grow on their own.

F. Information Security Management:
   In order to ensure that the concept of information security is deeply rooted in every employee, the Company improves colleagues' awareness and alertness of security by information security advocacy, education and training.

G. Human Right Protection and Promotion
   Kaori attaches great importance to human rights, providing human rights protection for employees from the perspective of commitment and implementing it in every corner of the company; we regularly conduct education and advocacy to raise employees' awareness of human rights protection and reduce the possibility of related risks, so as to build a healthy and positive workplace culture.

(3) Pension System and Its Implementation Status:

The Company has formulated policy on retirement for its regular employees in accordance with the provisions of the Labor Standards Act. A Labor Retirement Pension Supervisory Committee has been formed as required by the regulations, and a retirement reserve fund is allocated monthly. The funds are deposited in a dedicated account in the name of the committee at Bank of Taiwan, and the committee is responsible for overseeing and managing the funds. As of 2023, there are 2 retirees from the Company.

(4) Status of Employer-Employee Agreements and Various Employee Rights Maintenance Measures:

The Company complies with the law by appointing representatives from both labor and management to hold regular “labor-management meetings” to promote dialogue and exchange of opinions between the two parties. Resolutions made during these meetings are obligated to be addressed and implemented within a specified timeframe. In 2023, there was consistent consensus between labor and management, and no disputes occurred that resulted in losses for the Company.

Protection Measures for Working Environment and Employee Safety are as follows:

Items	Items	Contents
1	Access	1. The plant area and premises are equipped with a complete surveillance system. Personnel are assigned to manage and maintain such system. 2. A security company is contracted for round-the-clock personnel and vehicle control to ensure the safety of the premises. 3. Regular contact is made with the police and security authorities for periodic patrols around the plant perimeter.
2	Maintenance and Checking of Working Environment and Various Equipment	1. Occupational environmental monitoring is conducted in accordance with the “Implementation Regulations for Occupational Environmental Monitoring”. Qualified occupational environment measurement institutions are regularly engaged to perform these assessments, and the results are communicated to employees. 2. Public safety inspections are conducted every two years by professional companies in compliance with the “Regulations Governing Building Public Safety Inspection and Certification Declaration”. 3. Fire equipment inspections are performed annually in accordance with the “Fire Services Act” through outsourcing to professional inspectors. 4. Regular maintenance inspections are carried out by professionals for high and low voltage electrical equipment, elevators, specific equipment for high-pressure gases, official vehicles, water dispensers, and other devices in accordance with the “Regulations Governing Occupational Safety and Health Management” and other relevant regulations. 5. Hazardous chemicals are managed at the source in accordance with the “Regulations for the Labeling and Hazard Communication of Hazardous Chemicals”. A list of hazardous substances is established, and safety data sheets are provided for workplace reference. 6. Personal protective equipment is provided to employees in compliance with the “Regulations Governing Occupational Safety and Health Facilities”. Welding machines are equipped with automatic electric shock prevention devices, gas cylinders are securely positioned, and warning signs prohibiting the wearing of gloves during drilling operations are posted. 7. Eye-friendly panel lighting fixtures are used for plant lighting to protect employees' visual health and for environmental friendliness and energy-efficiency.

Items	Items	Contents
3	Disaster Prevention and Implementation	1. In addition to participating in joint civil defense organizations for the area, non-periodic fire prevention and disaster prevention training sessions are conducted with invited fire authorities. 2. To ensure employee safety and health, there are occupational safety and health supervisors and personnel who have completed the registration process with the competent authorities. 3. The Company's occupational safety and health work guidelines have been approved by the competent authorities. 4. Hazard identification and risk assessment are conducted by plant supervisors and employees to drive continuous improvement. 5. Occupational accident statistics are regularly compiled in accordance with the "Occupational Safety and Health Act". Investigations are conducted on occupational accidents and submitted to the competent authorities for approval. 6. Relevant laws and regulations are reviewed to assess their impact and determine subsequent actions. 7. Participating in safety and health promotion meetings organized by government authorities. 8. Participating in unannounced emergency notification tests and firefighting drills in the industrial area. 9. Establish an Occupational Safety and Health Management System and obtain ISO 45001:2018 third-party certification.
4	Health promotion and Environmental Hygiene	1. Physical Examinations: Qualified medical institutions conduct physical and health examinations in accordance with the "Labor Health Protection Rules" and the results are compiled into a handbook for employees. 2. Based on the health examination results, risk management is conducted by the company nurse, and health education advice is provided in collaboration with on-site service physicians. 3. Regularly hire family physicians and occupational medicine physicians to provide on-site services. 4. Automated external defibrillators (AED) are installed in the plant, and employees are trained regularly in its operation to facilitate emergency response. 5. Obtain the Secure Place certification and more than 90% of the employees in the place have completed CPR+AED education training. 6. Health promotion materials are provided to enhance employees' relevant knowledge. 7. First aid personnel and first aid kits are established and maintained in accordance with the "Labor Health Protection Rules". 8. The workplace is cleaned daily, and periodic disinfection of plant offices and environments is conducted. 9. Drinking water is provided at the workplace, and emergency shower facilities are available for employees, following the "Regulations Governing Occupational Safety and Health Facilities".
5	Implementing Operation Safety Control	1. Contractor management: Safety training for contractors is conducted in accordance with the "Occupational Safety and Health Act", and periodic inspections are carried out at construction sites for relevant management and supervision. 2. Controls for construction operations are implemented based on the requirements of occupational safety and health regulations and risk assessments. Fire-related work, elevated work, confined space work, live work, hazardous pipeline drilling work, and safety system interruption work are subject to construction controls and permits as required. 3. Contractors are informed of hazards and accompanied during on-site operations by supervisors. 4. Operation of hazardous machinery is limited to personnel who have obtained certification through qualified training and examination.

2. Disclose the losses suffered by the Company resulting from labor disputes in the most recent year and as of the publication date of this Annual Report, and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.

VI. Information Security Management

(I) Information Security Risk Management Framework:

The organizational structure, members, and responsibilities of the Company's Information Security Committee are as follows:

Organizational Structure and Members:

1. The Chairman/Vice Chairman/President are the absolute instructors for members.
2. Members: Deputy General Managers or higher-level supervisors, with attendance from the Audit Department.
3. Convenor: The Convenor of the Committee is appointed by the President, who can be the head of the Information Department or a specific senior supervisor.
4. Executive Secretary and Task Force: The Convenor may assign an Executive Secretary and Task Force under the Committee to coordinate and execute the Committee's tasks.
5. The Audit Department/Finance Department shall assist in providing reference information from external official regulatory bodies.

Responsibilities: Formulating Company information security policies.

Tasks: Reviewing the effectiveness of information security policy implementation, deliberate on proposed adjustments to information security policies, and temporary motions.

(II) Information Security Policies:

The objective of the Company's information security management strategy is [Ensuring with dedication what's necessary for Company development-a continuous operational information environment]:

1. For "Ensuring with dedication what's necessary for Company development-a continuous operational information environment", this information security policy is hereby promulgated.
2. Employees are provided with clear guiding principles in their work. All employees of the Company are obliged to comply with and participate in the promotion of information security policies to ensure the secure operation of Company sensitive data/information systems/ equipment and networks.
3. It is expected that all employees will understand, implement, and maintain to achieve the goal of uninterrupted operation of enterprise information systems.

   Framework-wise, the "Information Security Committee" is responsible for formulating and promoting information security policies, supervising information security risks, and management matters.

The tasks of the Information Security Committee include:

(1) Formulating information security policies and information security control mechanisms.
(2) Supervising and implementing various information security policies and work.
(3) Auditing internal information security within the Company.
(4) Reporting information security incidents, emergency response, and crisis management.
(5) Planning information security education and training.
(6) Coordinating and handling other information security matters.

(III) Specific Management Plans:

In terms of management, in accordance with the regulations of the Securities and Futures Bureau, the President appoints the Assistant Manager of the Information Department as the security manager, and two network management personnel as dedicated security personnel responsible for information security management operations to comply with regulatory requirements of regulatory agencies. Such appointment was approved by the Board of Directors on March 25, 2022.

In practice, the Information Security Committee reports important information security events and changes in information security measures to the Chairman/Vice Chairman of the Board/President/All Business Division Heads during the regular Chief Operations Officer meetings every Wednesday.

This achieves a higher frequency of management measures compared to the norm:

1. Annual information security policy meetings are held.
2. Special meetings are convened when special events require decision-making on information security changes.
3. Listening to reports from executing members (information security policy detection and execution team) on current performance, deliberate on proposed adjustments to information security policies, and temporary motions.

This has achieved the management cycle mechanism of Plan-Do-Check-Act (PDCA) to examine the applicability and protective measures of information security policies, and in the future, will increase the reporting of implementation effectiveness by a dedicated Information Protection Committee, achieving substantial improvement.

(IV) Resource allocation for information and communication security management:

1. The Company has promoted the ISO 27001:2022 Information security management system since September 2023, established, implemented and maintained the Information security management policy, strengthened the information security environment and information security resilience, and obtained the ISO 27001:2022 certificate in March 2024.
2. In accordance with the content of the risk assessment report, the Company has signed maintenance contracts with third parties for important equipment to ensure the timeliness of equipment recovery in case of hardware damage.
3. Substantial investment and purchase in the early stage (August 2021-August 2024): the capital and expense of the next generation firewall /XDR/ antivirus software and other security products is for reducing the information security risks of the Company to continue to fully implement security protection and daily inspection tasks.

(V) List the losses, possible impacts and response measures suffered in the most recent year and as of the publication date of this Annual Report due to major info-security incidents. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained:

As of the publication date of this Annual Report, there hasn’t been major information security incidents in the last two years, and the Company has assumed no loss or possible impacts in its operations or business goodwill.

VII. Important Covenants:

Covenant Nature	Counterparties	Starting and Ending Date of Contract	Main Contents	Restrictive Clause
Long-term Borrowing	O-Bank	2020.06~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06～2026.06. The interest rate on December 31, 2022 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 6,389 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.06~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06～2026.06. The interest rate on December 31, 2023 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 6,067 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.09~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09～2026.06. The interest rate on December 31, 2023 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 1,011 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.09~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09～2026.06. The interest rate on December 31, 2024 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 1,278 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2022.08~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08～2026.06. The interest rate on December 31, 2023 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.12, the repayment per installment is NT$ 4,538 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2022.08~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08～2026.06. The interest rate on December 31, 2023 was 1.7125%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.12, the repayment per installment is NT$ 3,875 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	Shanghai Commercial and Savings Bank	2015.07~2025.04	Long-term Guaranteed Loan with the borrowing period at 2015.07～2025.04. The interest rate on December 31, 2023 was 1.72%, with interests accrued monthly. With the installments at an interval of 3 months starting from 2016.7, the repayment per installment is NT$ 2,084 thousand.	Mortgaged with Lands and Plants of Chung-Li 3rd Plant.
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term Guaranteed Loan with borrowing period at 2015.04~2025.04. the interest rate on December 31, 2023 was 1.3%, with interests accrued monthly. The loan shall be repaid monthly from December 2025. with each repayment of NT$1,848 thousand. The last installment of repayment was NT$1,848 thousand.	Mortgaged with Lands and Plants of Kaohsiung Plant
Long-term Borrowing	The Export-Import Bank of ROC	2022.12~2024.12	Medium-term Unsecured Loan with the borrowing period at2022.12～2024.12. The interest rate on December 31, 2023 was 1.8539%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2024.6, the repayment per installment is NT$ 100,000 thousand.	

VI. Financial Information

I. Condensed Statement of Financial Position and Statement of Comprehensive Income in the Last 5 Calendar Years

(I) Condensed Statement of Financial Position and Statement of Comprehensive Income-Based on IFRS

1. Condensed Statement of Financial Position-Based on IFRS

Unit: NT$ thousand
Source: Individual Financial Reports

Items \ Year		Financial Summary for The Last Five Years 2019	2020	2021	2022	2023	Financial Information of the Current Year as of March 31, 2024 (Note 1)
Current Assets		1,274,127	1,442,989	1,413,570	2,039,124	2,464,985	Omitted
Property, Plant and Equipment (Note 2)		1,083,327	1,564,467	1,565,526	1,569,386	1,783,867	Omitted
Intangible Assets		0	0	0	0	2,592	Omitted
Other Assets (Note 2)		405,932	451,056	410,199	508,481	548,161	Omitted
Total Assets		2,763,386	3,458,512	3,389,295	4,116,991	4,799,605	Omitted
Current Liabilities	Before Distribution	799,557	980,648	1,094,175	1,437,279	966,508	Omitted
	After Distribution	978,325	1,132,601	1,228,251	1,571,355	1,324,044	Omitted
Non-current Liabilities		139,072	556,201	410,281	620,715	1,129,415	Omitted
Total Liabilities	Before Distribution	938,629	1,536,849	1,504,456	2,057,994	2,095,923	Omitted
	After Distribution	1,117,397	1,688,802	1,638,532	2,192,070	2,453,459	Omitted
Equity Attributable to Shareholders of the Parent		1,824,757	1,921,663	1,884,839	2,058,997	2,703,682	Omitted
Capital Stock		893,841	893,841	893,841	893,841	893,841	Omitted
Capital Surplus		593,414	593,414	593,414	593,414	816,351	Omitted
Retained Earnings	Before Distribution	362,321	388,488	385,159	557,794	998,892	Omitted
	After Distribution	221,988	236,535	251,083	423,718	641,356	Omitted
Other Equity Interest		(63,254)	45,920	12,425	13,948	(5,402)	Omitted
Treasury Stock		0	0	0	0	0	Omitted
Non-controlling Interest		0	0	0	0	0	Omitted
Total Equity	Before Distribution	1,824,757	1,921,663	1,884,839	2,058,997	2,703,682	Omitted
	After Distribution	1,645,989	1,769,710	1,750,763	1,924,921	2,346,146	Omitted

Note 1: The nation has officially adopted the IFRS apporved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs.
Note 2: No asset revaluation was performed for the above years.

Unit: NT$ thousand
Source: Consolidated Financial Reports

Items \ Year		Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current Assets		1,469,097	1,634,582	1,589,054	2,254,915	2,701,672	2,490,403
Property, Plant and Equipment (Note 2)		1,151,235	1,628,734	1,625,843	1,624,956	1,838,556	1,860,023
Intangible Assets		0	0	0	0	2,592	2,647
Other Assets (Note 2)		156,239	211,968	197,358	276,194	286,034	256,545
Total Assets		2,776,571	3,475,284	3,412,255	4,156,065	4,828,854	4,609,618
Current Liabilities	Before Distribution	812,742	997,420	1,117,135	1,476,353	995,757	1,009,580
	After Distribution	991,510	1,149,373	1,251,211	1,610,429	1,353,293	(Note 3)
Non-current Liabilities		139,072	556,201	410,281	620,715	1,129,415	1,039,322
Total Liabilities	Before Distribution	951,814	1,553,621	1,527,416	2,097,068	2,125,172	2,048,902
	After Distribution	1,130,582	1,705,574	1,661,492	2,234,144	2,482,708	(Note 3)
Equity Attributable to Shareholders of the Parent		1,824,757	1,921,663	1,884,839	2,058,997	2,703,682	2,560,716
Capital Stock		893,841	893,841	893,841	893,841	893,841	898,012
Capital Surplus		593,414	593,414	593,414	593,414	816,351	902,785
Retained Earnings	Before Distribution	362,321	388,488	385,159	557,794	998,892	769,939
	After Distribution	221,988	236,535	251,083	423,718	641,356	(Note 3)
Other Equity Interest		(63,254)	45,920	12,425	13,948	(5,402)	(10,020)
Treasury Stock		0	0	0	0	0	0
Non-controlling Interest		0	0	0	0	0	0

Items \ Year		Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Total Equity	Before Distribution	1,824,757	1,921,663	1,884,839	2,058,997	2,703,682	2,560,716
	After Distribution	1,645,989	1,769,710	1,750,763	1,924,921	2,346,146	(Note 3)

Note 1: The nation has officially adopted the IFRS approved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs. The financial information for Q1 2024 based on IFRS has been reviewed by the CPAs.
Note 2: No asset revaluation was performed for the above years.
Note 3: 2023 Earnings Distribution will be reported at 2024 Annual General Shareholders' Meeting.

2. Condensed Statement of Comprehensive Income-Based on IFRS

Unit: NT$ thousand
Source: Individual Financial Reports

Items \ Year	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating Revenue	1,990,535	1,994,993	2,087,001	2,684,398	4,143,285	Omitted
Operating Gross Profit	529,113	492,974	518,163	692,256	1,125,547	Omitted
Income from Operations	186,513	159,569	185,372	288,905	461,169	Omitted
Non-operating Income and Expenses	7,800	(9,144)	(2,012)	86,033	52,344	Omitted
Income before Tax	194,313	150,425	183,360	374,938	716,722	Omitted
Profit (loss) from Continuing Operations before Tax	158,138	112,524	149,156	301,020	576,526	Omitted
Loss from Discontinued Operations	0	0	0	0	0	Omitted
Net Profit (Loss)	158,138	112,524	149,156	301,020	576,526	Omitted
Other Comprehensive Income (Income after Tax)	(4,208)	163,150	(34,027)	7,214	(20,702)	Omitted
Total Comprehensive Income of the Current Period	153,930	275,674	115,129	308,234	555,824	Omitted
Net Income Attributable to Shareholders of the Parent	158,138	112,524	149,156	301,020	576,526	Omitted

Items \ Year	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Net Income Attributable to Non-controlling Interest	0	0	0	0	0	Omitted
Comprehensive Income Attributable to Shareholders of the Parent	153,930	275,674	115,129	308,234	555,824	Omitted
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0	Omitted
EPS	1.77	1.26	1.67	3.37	6.45	Omitted

Note 1: The nation has officially adopted the IFRS approved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs.

Unit: NT$ thousand

Source: Consolidated Financial Reports

Items \ Year	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating Revenue	2,083,280	2,076,359	2,231,273	2,843,540	4,325,671	797,922
Operating Gross Profit	575,456	528,382	593,603	785,630	1,223,949	213,192
Income from Operations	204,035	170,279	230,355	346,136	711,438	97,840
Non-operating Income and Expenses	(4,955)	(15,608)	(34,835)	43,717	18,208	53,274
Income before Tax	199,080	154,671	195,520	389,853	729,646	151,114
Profit (loss) from Continuing Operations before Tax	158,138	112,524	149,156	301,020	576,526	128,583
Loss from Discontinued Operations	0	0	0	0	0	0
Net Profit (Loss)	158,138	112,524	149,156	301,020	576,526	128,583
Other Comprehensive Income (Income after Tax)	(4,208)	163,150	(34,027)	7,214	(20,702)	(4,618)
Total Comprehensive Income of the Current Period	153,930	275,674	115,129	308,234	555,824	123,965

Items \ Year	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Net Income Attributable to Shareholders of the Parent	158,138	112,524	149,156	301,020	576,526	128,583
Net Income Attributable to Non-controlling Interest	0	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	153,930	275,674	115,129	308,234	555,824	123,965
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0	0
EPS	1.77	1.26	1.67	3.37	6.45	1.44

Note 1: The nation has officially adopted the IFRS approved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs. The financial information for Q1 2024 based on IFRS has been reviewed by the CPAs.

(II) Auditors' Names and Opinions in the Last 5 Calendar Years

Year	Name of Accounting Firm	Name(s) of CPA(s)	Audit Opinion
2019	Deloitte & Touche Firm	Su Yu Hsiu, Liu Shu Lin	Unqualified Opinion
2020	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion
2021	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion
2022	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion
2023	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion

II. Financial Analysis in the Last 5 Calendar Years

1. IFRS-Financial Analysis

IFRS-Financial Analysis on Individual Financial Reports

Source: Individual Financial Reports

Items (Note 3)	Year (Note 1)	2019	2020	2021	2022	2023	Current Year as of March 31, 2024
		Financial Analysis in the Last 5 Calendar Years					
Financial Structure(%)	Debt Ratio	33.97	44.44	44.39	49.99	43.67	Omitted
	Ratio of Long-term Funds to Real Property, Plants and Equipment	181.28	158.38	146.6	170.75	214.88	Omitted
Solvency%	Current Ratio	159.35	147.15	129.19	141.16	255.04	Omitted
	Quick Ratio	92.83	87.83	75.10	52.90	131.96	Omitted
	Interest Earned Ratio	40.75	18.28	18.75	29.10	22.46	Omitted
Operating Performance	Accounts Receivable Turnover (Times)	7.64	6.16	6.09	6.14	6.20	Omitted
	Average Collection Period	47.77	59.25	59.93	59.44	58.87	Omitted
	Inventory Turnover (Times)	2.59	2.60	2.67	2.32	2.58	Omitted
	Accounts Payable Turnover (Times)	11.37	10.16	9.07	9.31	13.75	Omitted
	Average Days in Sales	140.92	140.38	136.70	157.32	141.47	Omitted
	Property, Plant and Equipment Turnover (Times)	1.81	1.51	1.33	1.71	2.47	Omitted
	Total Assets Turnover (Times)	0.72	0.64	0.61	0.72	0.93	Omitted
Profitability	Return on Assets (%)	5.89	3.84	4.60	8.30	13.53	Omitted
	Return on Stockholders' Equity (%)	8.61	6.01	7.84	18.27	24.21	Omitted
	Ratio of Net Profit before-Tax to Paid-in Capital (%) (Note 7)	21.74	16.83	20.51	41.95	80.18	Omitted
	Profit Margin (%)	7.94	5.64	7.15	11.21	13.91	Omitted
	EPS (NT$)	1.77	1.26	1.67	3.37	6.45	Omitted
Cash Flow	Cash Flow Ratio (%)	33.30	4.34	25.12	(22.83)	68.62	Omitted
	Cash Flow Adequacy Ratio (%)	105.56	70.87	69.84	30.87	34.77	Omitted
	Cash Reinvestment Ratio (%)	3.91	(4.99)	4.73	(15.06)	15.54	Omitted
Leverage	Operating Leverage	1.62	1.67	1.56	1.37	1.18	Omitted
	Financial Leverage	1.03	1.06	1.06	1.05	1.05	Omitted

Analysis of financial ratio differences for the last two years:

1. Financial Structure: the Ratio of Long-term Funds to Real Property, Plants and Equipment increased due to the increase in long-term funding due to the issuance of convertible bonds and the increase in earnings
2. Solvency: the increase in cash in current assets and cash on hand and the decrease in short-term borrowing of current liabilities resulted in an increase in the current and quick ratio.
3. Operating Performance: the increase in revenue leads to an increase in the Property, Plant and Equipment Turnover (Times), while the increase in costs leads to a decrease in accounts payable, resulting in an increase in the Accounts Payable Turnover (Times).
4. Profitability: profit in 2023 indicated a significant growth compared with that of 2022, enhancing overall Probability.
5. Cash flow: The increase in profits for the year 2023 was due to net inflows from operating activities, resulting in an increase in net cash outflows from operating activities such as inventory and accounts receivable.

IFRS-Financial Analysis on Consolidated Financial Reports

Source: Consolidated Financial Reports

Year(Note 1) / Items (Note 3)		Financial Analysis in the Last 5 Calendar Years					Current Year as of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial Structure(%)	Debt Ratio	34.28	44.70	44.76	50.46	44.01	44.45
	Ratio of Long-term Funds to Real Property, Plants and Equipment	170.58	152.13	141.16	164.91	208.48	193.55
Solvency %	Current Ratio	180.76	163.88	142.24	152.04	271.32	246.68
	Quick Ratio	110.41	101.30	85.17	60.53	141.68	134.33
	Interest Earned Ratio	41.73	18.77	19.93	30.22	22.85	25.48
Operating Performance	Accounts Receivable Turnover (Times)	7.54	6.12	6.01	6.02	6.19	4.32
	Average Collection Period	48.40	59.64	60.73	60.63	58.96	84.49
	Inventory Turnover (Times)	2.46	2.47	2.55	2.21	2.45	1.92
	Accounts Payable Turnover (Times)	11.35	10.13	9.16	9.22	13.46	10.59
	Average Days in Sales	148.37	147.77	143.13	165.15	148.97	190.10
	Property, Plant and Equipment Turnover (Times)	1.80	1.49	1.37	1.75	2.50	1.73
	Total Assets Turnover (Times)	0.75	0.66	0.65	0.75	0.96	0.68
Profitability	Return on Assets (%)	5.86	3.82	4.57	8.24	13.43	11.00
	Return on Stockholders' Equity (%)	8.61	6.01	7.84	15.27	24.21	19.54
	Ratio of Net Profit before-Tax to Paid-in Capital (%) (Note 7)	22.27	17.30	21.87	43.62	81.63	57.27
	Profit Margin (%)	7.59	5.42	6.68	10.59	13.33	16.11
	EPS (NT$)	1.77	1.26	1.67	3.37	6.45	1.44
Cash Flow	Cash Flow Ratio (%)	34.92	5.86	26.43	(19.50)	68.19	30.74
	Cash Flow Adequacy Ratio (%)	106.75	74.35	73.51	34.43	37.97	37.97
	Cash Reinvestment Ratio (%)	4.49	(4.28)	5.29	(13.35)	12.64	4.29
Leverage	Operating Leverage	1.59	1.67	1.48	1.33	1.18	1.37
	Financial Leverage	1.02	1.05	1.05	1.04	1.05	1.02

Analysis of financial ratio differences for the last two years: 1. Financial Structure: the issuance of convertible bonds and the increase in profits resulted in an increase in long-term funds, so the Ratio of Long-term Funds to Real Property, Plants and Equipment increased. 2. Solvency: the increase in cash in current assets and cash on hand and the decrease in short-term borrowing of current liabilities resulted in an increase in the current and quick ratio. 3. Operating Performance: the Ratio of Long-term Funds to Real Property, Plants and Equipment increased due to the increase in revenue, and the Accounts Payable Turnover (Times) increased due to the increase in costs but the decrease in accounts payable. 4. Profitability: Profit in 2023 indicated a significant growth compared with that of 2022, enhancing overall Probability. 5. Cash Flow: resulted from net cash inflow from increased operating activities including Inventory and Accounts Receivable in 2022.

*Where the Company has prepared a Parent-only Financial Report, a Parent-Only Financial Analysis shall be prepared otherwise.

*Where the Company has not adopted IFRS for 5 full years, additional table (2) for financial information based on ROC GAAP shall be prepared.

Note 1: The year whose information has not been audited and attested by CPAs shall be specified.

Note 2: A TWSE-listed company or a company whose stocks are available for trading at securities exchanges shall merge the financial information of the current year as of the quarter preceding to the publication date of this Annual Report into analysis.

Note 3: Following equations shall be included at the end of the Table in the Annual Reports:

1. Financial Structure
   (1) Debt Ratio=Total Liabilities / Total Assets.
   (2) Ratio of Long-term Funds to Real Property, Plants and Equipment=(Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio=Current Assets / Current Liabilities.
   (2) Quick Ratio=(Current Assets－Inventory－Prepaid Expenses) / Current Liabilities.
   (3) Interest Earned Ratio=Income before Taxes and Interest Expense / Interest Expenditure in the Current Period.
3. Operating Performance
   (1) Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) Turnover= Net Sales / Balance of Average Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) from Each Period.
   (2) Average Collection Period=365 / Accounts Receivable Turnover.
   (3) Inventory Turnover=Cost of Goods Sold / Average Inventory Amount.
   (4) Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) Turnover=Cost of Goods Sold / Balance of Average Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) from Each Period.
   (5) Average Days in Sales=365 / Inventory Turnover.
   (6) Property, Plant and Equipment Turnover=Net Sales / Average Net Property, Plant and Equipment.
   (7) Total Assets Turnover=Net Sales / Average Total Assets.
4. Profitability
   (1) Return on Assets=(Income (Loss) after Tax + Interest Expense×(1-Tax Rate)) / Average Total Assets.
   (2) Return on Stockholders' Equity=Income (Loss) after Tax / Average Total Equity.
   (3) Profit Margin=Income (Loss) after Tax / Net Sales.
   (4)EPS=(Income Attributable Shareholders of the Parent－Dividend of Preferred Shares) / Weighted Average of Issued Shares. (Note 4)
5. Cash Flow
   (1) Cash Flow Ratio=Net Cash Flow from Operating Activities / Current Liabilities.
   (2) Net Cash Flow Adequacy Ratio=Net Cash Flow from Operating Activities in the Last 5 Calendar Years / (Capital Expenditure + Increase in Inventory + Cash Dividend) in the Last 5 Calendar Years.
   (3) Cash Reinvestment Ratio=(Net Cash Flow from Operating Activities－Cash Dividend) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital). (Note 5)
6. Leverage:
   (1) Operating Leverage=(Net Operating Income－Variable Operating Cost and Expense) / Operating Income. (Note 6).
   (2) Financial Leverage=Operating Income / (Operating Income－Interest Expense).

Note 4: Where the EPS equation above is used, please notice the following matters during the measurement:

1. The calculation should be based on the weighted average of ordinary shares outstanding, rather than the year-end issued shares.
2. For those with Cash Capital Increase or treasury stock transactions, the period of circulation should be considered when calculating the weighted average shares.

3. For those with Capital Increase out of Earnings or Capital Surplus for bonus shares, when calculating EPS for previous years and semi-annual periods, adjustments should be made retroactively according to the proportion of the capital increase, without considering the period of issuance.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) should be deducted from post-tax net profit or added to post-tax net loss. If the preferred shares are non-cumulative, in the case of post-tax net profit, preferred share dividends should be deducted from post-tax net profit; if there is a loss, no adjustment is necessary.

Note 5: When measuring Cash Flow analysis, the following should be noted:
1. Net Cash Flow from Operating Activities refers to the net cash inflow from operating activities in the Statement of Cash Flow.
2. Capital expenditures refer to the cash outflow for capital investments each year.
3. Inventory increase should only be included when the ending balance is greater than the beginning balance; if inventory decreases at year-end, it should be treated as zero.
4. Cash dividends include dividends for both common and preferred shares.
5. Gross Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before accumulated depreciation.

Note 6: The issuer should classify various operating costs and expenses as fixed or variable according to their nature. If there are estimates or subjective judgments involved, their reasonableness should be considered and consistency should be maintained.

Note 7: If the Company's shares have no par value or the par value per share is not NT$ 10, the calculation of the aforementioned ratio of capital actually paid in shall be based on the ratio of Equity Attributable to Shareholders of the Parent in the Statement of Financial Positions.

III. Audit Committee’s Review Report for the Most Recent Year

Kaori Heat Treatment Co., Ltd. Audit Committee’s Review Report

The Board of Directors is permitted hereby to submit the Company’s annual business reports, individual financial reports, consolidated financial reports and profit distribution proposal of 2023. The individual financial reports and consolidated financial reports have been jointly audited by two accountants, Chen Wen Xiang and Liu Shu Lin of Deloitte & Touche Firm, who were entrusted by the board of directors and who issued an audit report thereof. The above-mentioned statements and reports prepared and submitted by the board of directors have been verified by the Audit Committee and are deemed complete. Therefore, a report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For your review

To

Kaori Heat Treatment Co., Ltd.

2024 Annual General Shareholders’ Meeting

Audit Committee

Member: CHEN FAN SHIONG

Member: HONG HSIANG WEN

Member: WU CHUN YING

March 8, 2024

IV. Financial Statements in the Most Recent Year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No, 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

CHIH-HSYONG WU
Chairman

March 8, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kaori Heat Treatment Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

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

Validity of Specific Customer's Revenue Recognition

Kaori Heat Treatment Industry Co., Ltd. and its subsidiaries provide two or more types of delivery conditions to certain customers based on consideration of order requirements. As the timing of recognizing sales revenue is related to the delivery conditions of orders, we identified revenue recognition for these specific customers as a key audit matter. For the accounting policies related to revenue recognition, see Notes 4(l) and 20 of the consolidated financial statements.

The key audit procedures that we performed in respect of revenue recognition for these specific customers included the following:

1. We understood the internal control processes related to the recognition of revenue from specific customers and evaluated the design and implementation of relevant controls.

2. We sampled the sales from these specific customers, and verified related sales orders, shipment records and the received payments.

Other Matter

We have also audited the parent company only financial statements of Kaori Heat Treatment Co., Ltd. as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and 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 Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

Notice to Readers

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

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 26)	$ 590,937	12	$ 259,290	6
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	-	-	42,214	1
Financial assets at amortized cost - current (Notes 9 and 26)	21,635	1	22,040	1
Notes receivable (Notes 10 and 26)	14,479	-	20,849	1
Trade receivables (Notes 10 and 26)	782,838	16	558,798	13
Other receivables (Notes 10 and 26)	825	-	99	-
Inventories (Note 11)	1,234,668	26	1,179,812	28
Other current assets	56,290	1	171,813	4
Total current assets	2,701,672	56	2,254,915	54
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	68,634	1	86,225	2
Financial assets at amortized cost - non-current (Notes 9 and 26)	25,962	1	26,448	1
Property, plant and equipment (Notes 13 and 28)	1,838,556	38	1,624,956	39
Right-of-use assets (Note 14)	8,311	-	5,335	-
Investment properties (Notes 15 and 28)	22,225	1	23,325	1
Intangible asset	2,592	-	-	-
Deferred tax assets (Notes 4 and 23)	15,326	-	12,314	-
Other non-current assets	133,371	3	111,919	3
Net defined benefit assets - non-current (Notes 4 and 19)	12,205	-	10,628	-
Total non-current assets	2,127,182	44	1,901,150	46
TOTAL	$ 4,828,854	100	$ 4,156,065	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16, 26 and 28)	$ -	-	$ 750,000	18
Notes payable (Note 26)	1,132	-	1,301	-
Trade payables (Note 26)	204,579	4	253,879	6
Other payables (Notes 18 and 26)	358,939	8	237,932	6
Current tax liabilities (Notes 4 and 23)	119,112	3	64,730	1
Lease liabilities - current (Note 14)	2,864	-	2,262	-
Current portion of long-term borrowings (Notes 16, 26 and 28)	254,650	5	88,050	2
Other current liabilities	54,481	1	78,199	2
Total current liabilities	995,757	21	1,476,353	35
NON-CURRENT LIABILITIES				
Financial liabilities at amortized cost - non-current (Notes 7, 17 and 26)	7,100	-	-	-
Bonds payable (Notes 17 and 26)	907,030	19	-	-
Long-term borrowings (Notes 16, 26 and 28)	184,505	4	594,665	14
Deferred income tax liabilities (Notes 4 and 23)	26,936	-	24,701	1
Lease liabilities - non-current (Note 14)	3,631	-	1,136	-
Guarantee deposits received	213	-	213	-
Total non-current liabilities	1,129,415	23	620,715	15
Total liabilities	2,125,172	44	2,097,068	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital				
Ordinary shares	893,841	18	893,841	22
Capital surplus	816,351	17	593,414	14
Retained earnings				
Legal reserve	220,836	5	190,165	5
Unappropriated earnings	778,056	16	367,629	9
Total retained earnings	998,892	21	557,794	14
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	(5,545)	-	8,330	-
Exchange differences on translating the financial statements of foreign operations	143	-	5,618	-
Total other equity	(5,402)	-	13,948	-
Total equity	2,703,682	56	2,058,997	50
Total	$ 4,828,854	100	$ 4,156,065	100

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
REVENUE (Notes 4 and 21)	$ 4,325,671	100	$ 2,843,540	100
COST OF GOODS SOLD (Notes 11 and 22)	3,101,722	71	2,057,910	72
GROSS PROFIT	1,223,949	29	785,630	28
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	139,414	3	131,574	5
General and administrative expenses	287,463	7	223,387	8
Research and development expenses	83,813	2	80,506	3
Expected credit loss	1,821	-	4,027	-
Total operating expenses	512,511	12	439,494	16
PROFIT FROM OPERATIONS	711,438	17	346,136	12
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	8,274	-	1,734	-
Other income	18,275	-	7,340	-
Other gains and losses	25,053	1	47,987	2
Finance costs	(33,394)	(1)	(13,344)	-
Total non-operating income and expenses	18,208	-	43,717	2
PROFIT BEFORE INCOME TAX	729,646	17	389,853	14
INCOME TAX EXPENSE (Notes 4 and 23)	(153,120)	(4)	(88,833)	(3)
NET PROFIT FOR THE YEAR	576,526	13	301,020	11
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,690)	-	7,114	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(17,591)	-	(2,207)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	4,054	-	(782)	-

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (5,475)	-	$ 3,089	-
Other comprehensive income (loss) for the year, net of income tax	(20,702)	-	7,214	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 555,824	13	$ 308,234	11
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 576,526	13	$ 301,020	11
Non-controlling interests	-	-	-	-
	$ 576,526	13	$ 301,020	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 555,824	13	$ 308,234	11
Non-controlling interests	-	-	-	-
	$ 555,824	13	$ 308,234	11
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 6.45		$ 3.37	
Diluted	$ 6.44		$ 3.37	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

				Retained Earnings		Others		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2022	89,384	$ 893,841	$ 593,414	$ 175,303	$ 209,856	$ 9,896	$ 2,529	$ 1,884,839
Appropriation of 2021 earnings								
Legal reserve	-	-	-	14,862	(14,862)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(134,076)	-	-	(134,076)
Net profit for the year ended December 31, 2022	-	-	-	-	301,020	-	-	301,020
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	5,691	(1,566)	3,089	7,214
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	306,711	(1,566)	3,089	308,234
BALANCE AT DECEMBER 31, 2022	89,384	893,841	593,414	190,165	367,629	8,330	5,618	2,058,997
Appropriation of 2022 earnings								
Legal reserve	-	-	-	30,671	(30,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(134,076)	-	-	(134,076)
Equity component recognized on the issuance of convertible corporate bonds - stock options	-	-	222,937	-	-	-	-	222,937
Net profit for the year ended December 31, 2023	-	-	-	-	576,526	-	-	576,526
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(1,352)	(13,875)	(5,475)	(20,702)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	575,174	(13,875)	(5,475)	555,824
BALANCE AT DECEMBER 31, 2023	89,384	$ 893,841	$ 816,351	$ 220,836	$ 778,056	$ (5,545)	$ 143	$ 2,703,682

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 729,646	$ 389,853
Adjustments for:		
Depreciation expense	122,793	108,016
Amortization expense	6,371	5,826
Expected credit loss	1,821	4,027
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	1,844	6,233
Finance costs	33,394	13,344
Interest income	(8,274)	(1,734)
(Gain) loss on disposal of property, plant and equipment	(4,437)	63
(Reversal of) write-down of inventories	4,882	(1,274)
Gain on lease modification	(5)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	43,170	(6,771)
Notes receivable	6,402	(4,706)
Trade receivables	(225,855)	(227,874)
Other receivables	(726)	10,844
Inventories	(59,738)	(603,032)
Other current assets	115,523	(108,364)
Net defined benefit assets	(3,267)	(3,053)
Notes payable	(169)	342
Trade payables	(49,300)	63,571
Other payables	116,481	76,866
Provisions	-	(1,248)
Other current liabilities	(23,718)	31,844
Cash generated from operations	806,838	(247,227)
Interest paid	(32,382)	(12,893)
Income tax paid	(95,414)	(27,716)
Net cash generated from (used in) operating activities	679,042	(287,836)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(348,854)	(187,025)
Proceeds from disposal of property, plant and equipment	10,140	-
Increase in other non-current assets	(12,520)	(7,433)
Payments for intangible assets	(3,150)	-
Interest received	8,274	1,734
Net cash used in investing activities	(346,110)	(192,724)

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) from short-term borrowings	$ (750,000)	$ 130,000
Proceeds from issuance of convertible bonds	1,132,768	-
Proceeds from long-term borrowings	110,890	297,300
Repayments of long-term borrowings	(354,450)	(86,537)
Proceeds from guarantee deposits received	-	(31)
Repayment of the principal portion of lease liabilities	(2,865)	(2,715)
Dividends paid to owners of the Company	(134,076)	(134,076)
Net cash generated from financing activities	2,267	203,941
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,552)	1,519
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	331,647	(275,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	259,290	534,390
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 590,937	$ 259,290

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kaori Heat Treatment Co., Ltd. (the "Company" or "Kaori") was incorporated in the Republic of China (ROC) in October 1970. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The Group specializes in producing mechanical hardware, processing of fabricated metals and manufacturing and developing of heat exchange products or thermal products. Factories are established in Zhongli, Kaohsiung, etc.

Kaori's shares have been listed on the Taiwan Stock Exchange since December 2013.

The consolidated financial statements are presented in the Group's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 8, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. 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)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies.

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

When applying the amendments, the Group refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Group may consider the accounting policy information material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

2) Amendments to IAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments since January 1, 2023, which defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Lease 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)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the release date of financial statements, the Corporation is assessing that the application of other standards and interpretations will not have an material impact on the Corporation's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

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

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

Note 2: 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 equity.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. Presentation reclassification

The management of the Group considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the consolidated balance sheets and consolidated statements of cash flows in 2023. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of $1,887 thousand, $10,256 thousand and $35,816 thousand on December 31, 2023, December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Net cash used in investing activities	$ (25,560)
Net decrease in cash and cash equivalents	$ (25,560)

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 and Table 3 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the specific identification of cost on the balance sheet date.

g. Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Impairment of property, plant and equipment, investment properties and right-of-use asset

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii) Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. Revenue is recognized when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leasing

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitability and other material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	$ 463	$ 551
Checking accounts and demand deposits	584,131	250,849
Cash equivalents (investments with original maturities less than three months)	6,343	7,890
	$ 590,937	$ 259,290

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ -	$ 42,214
Financial liabilities at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Put option for convertible corporate bonds (Note 17)	$ 7,100	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 68,634	$ 86,225
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 4,713	$ 1,643
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd.	300	2,378
Foreign investments		
Listed shares		
Ordinary shares - Bloom Energy	63,621	82,204
	$ 68,634	$ 86,225

These investments are held for medium- to long-term strategic purposes and are anticipated to earn profits through long-term investments. The management elected to designate these investments in equity instruments as at FVTOCI, as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's long-term investment strategy mentioned above.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
Current		
Time deposits with original maturities of more than 3 months	$ 21,635	$ 22,040
Non-current		
Time deposits with original maturities of more than 1 year	$ 25,962	$ 26,448

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 3.25%-3.40% and 3.25%-3.45% per annum as of December 31, 2023 and 2022, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	2022
Notes receivable		
Notes receivable - operating	$ 14,552	$ 20,954
Less: Allowance for impairment loss	(73)	(105)
	$ 14,479	$ 20,849
Trade receivables		
At amortized cost		
Gross carrying amount	$ 793,582	$ 567,727
Less: Allowance for impairment loss	(10,744)	(8,929)
	$ 782,838	$ 558,798
Other receivables		
Other receivable	$ 832	$ 106
Less: Allowance for impairment loss	(7)	(7)
	$ 825	$ 99

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2023

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 388,446	$ 126,703	$ -	$ 106	$ -	$ 515,255
Loss allowance (Lifetime ECL)	(4,027)	(3,348)	-	(21)	-	(7,396)
Amortized cost	$ 384,419	$ 123,355	$ -	$ 85	$ -	$ 507,859

The expected credit loss rate for each above range of the Group is not more than 1% within the overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 266,372	$ 22,903	$ 1,280	$ 116	$ 1,327	$ 881	$ 292,879
Loss allowance (Lifetime ECL)	(338)	(984)	(256)	(23)	(939)	(881)	(3,421)
Amortized cost	$ 266,034	$ 21,919	$ 1,024	$ 93	$ 388	$ -	$ 289,458

The expected credit loss rate for each above range of the Group is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Group recognizes the full amount as expected credit loss.

December 31, 2022

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 220,434	$ 112,870	$ 239	$ -	$ -	$ 333,543
Loss allowance (Lifetime ECL)	(2,204)	(2,998)	(48)	-	-	(5,250)
Amortized cost	$ 218,230	$ 109,872	$ 191	$ -	$ -	$ 328,293

The expected credit loss rate for each above range of the Group is not more than 1% within the overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 219,911	$ 32,279	$ 621	$ 46	$ 1,350	$ 931	$ 255,138
Loss allowance (Lifetime ECL)	(306)	(1,034)	(124)	(39)	(1,350)	(931)	(3,784)
Amortized cost	$ 219,605	$ 31,245	$ 497	$ 7	$ -	$ -	$ 251,354

The expected credit loss rate for each above range of the Group is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Group recognizes the full amount as expected credit loss.

The movements of the loss allowance of notes receivable, trade receivables and other receivables were as follows:

	2023	2022
Balance at January 1	$ 9,041	$ 4,986
Add: Net remeasurement of loss allowance	1,821	4,027
Foreign exchange gains and losses	(38)	28
Balance at December 31	$ 10,824	$ 9,041

11. INVENTORIES

	December 31	
	2023	2022
Finished goods	$ 132,029	$ 155,387
Work in process	390,060	450,537
Raw materials	641,181	366,441
Supplies	15,242	8,528
Merchandise	683	1,531
Spare parts	14,552	16,908
Inventory in transit	40,921	180,480
	$ 1,234,668	$ 1,179,812

The cost of inventories recognized as cost of goods sold for 2023 and 2022 amounted to $3,101,722 thousand and $2,057,910 thousand, respectively. The cost of goods sold for 2023 and 2022 (reversal of) inventory write-downs of $4,882 thousand and $(1,274) thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2023	Proportion of Ownership (%) December 31 2022	Note
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Investment Management	100.00	100.00	a
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Investment Management	100.00	100.00	b
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	100.00	100.00	c

a. Kaori International Co., Ltd.(hereinafter as “Kaori International”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori. Kaori International is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

b. Kaori Development Co., Ltd. (hereinafter as “Kaori Development”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori International. Kaori Development is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

c. Kaori Technology (Ningbo) Corporation (hereinafter as “Kaori Technology (Ningbo)”) was incorporated in July 2012, and is 100% owned by Kaori Development. Kaori Technology (Ningbo) obtained the enterprise legal person permit to do business, the validity period beginning on July 2, 2012 to July 1, 2052. Main businesses include research, development, design and manufacture of heat exchange products as well as brazing and welding technology related products.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2023	$ 704,179	$ 812,422	$ 402,551	$ 164,850	$ 5,402	$ 144,026	$ 36,228	$ 2,269,658
Additions	-	5,102	223,486	15,029	1,298	89,862	4,286	339,063
Disposals	-	-	(88,079)	(9,052)	(852)	(46,137)	-	(144,120)
Reclassifications	-	8,830	-	27,398	-	-	(36,228)	-
Effect of foreign currency exchange differences	-	(736)	(2,446)	-	(63)	(57)	(2)	(3,304)
Balance at December 31, 2023	$ 704,179	$ 825,618	$ 535,512	$ 198,225	$ 5,785	$ 187,694	$ 4,284	$ 2,461,297
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 219,592	$ 249,280	$ 97,437	$ 3,786	$ 74,607	$ -	$ 644,702
Depreciation expense	-	30,765	42,789	15,040	426	29,717	-	118,737
Disposals	-	-	(83,711)	(7,847)	(793)	(46,066)	-	(138,417)
Effect of foreign currency exchange differences	-	(433)	(1,765)	-	(49)	(34)	-	(2,281)
Balance at December 31, 2023	$ -	$ 249,924	$ 206,593	$ 104,630	$ 3,370	$ 58,224	$ -	$ 622,741
Carrying amount at December 31, 2023	$ 704,179	$ 575,694	$ 328,919	$ 93,595	$ 2,415	$ 129,470	$ 4,284	$ 1,838,556

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2022	$ 704,179	$ 744,451	$ 391,888	$ 153,311	$ 4,623	$ 137,776	$ 73,285	$ 2,209,513
Additions	-	17,243	25,244	1,161	729	33,911	24,091	102,379
Disposals	-	-	(16,464)	(622)	-	(27,697)	-	(44,783)
Reclassifications	-	50,148	-	11,000	-	-	(61,148)	-
Effect of foreign currency exchange differences	-	580	1,883	-	50	36	-	2,549
Balance at December 31, 2022	$ 704,179	$ 812,422	$ 402,551	$ 164,850	$ 5,402	$ 144,026	$ 36,228	$ 2,269,658
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 189,845	$ 229,937	$ 84,707	$ 3,531	$ 75,650	$ -	$ 583,670
Depreciation expense	-	29,439	34,511	13,352	211	26,594	-	104,107
Disposals	-	-	(16,433)	(622)	-	(27,665)	-	(44,720)
Effect of foreign currency exchange differences	-	308	1,265	-	44	28	-	1,645
Balance at December 31, 2022	$ -	$ 219,592	$ 249,280	$ 97,437	$ 3,786	$ 74,607	$ -	$ 644,702
Carrying amount at December 31, 2022	$ 704,179	$ 592,830	$ 153,271	$ 67,413	$ 1,616	$ 69,419	$ 36,228	$ 1,624,956

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2023 and 2022, the Group assessed the property, plant and equipment listed above and found no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31 2023	December 31 2022
Carrying amount		
Land	$ 2,120	$ 2,363
Transportation equipment	6,191	2,972
	$ 8,311	$ 5,335

	For the Year Ended December 31	
	2023	2022
Addition for right-of-use assets	$ 6,268	$ -
Depreciation charge for right-of-use assets		
Land	$ 208	$ 208
Transportation equipment	2,748	2,602
	$ 2,956	$ 2,810

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	$ 2,864	$ 2,262
Non-current	$ 3,631	$ 1,136

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.25%	1.25%
Transportation equipment	1.25%-1.80%	1.25%

c. Material leasing activities and terms

The Group leases certain transportation equipment and land with lease terms of 3 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases land for the manufacturing of products with lease term of 43 years in China. The lease specifies that payments will be paid in total amount at once, and does not contain purchase option at the end of the contract.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	$ 930	$ 750
Total cash outflow for leases	$ (3,858)	$ (3,523)

The Group has leases that qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2023	2022
Completed investment properties	$ 22,225	$ 23,325

	Completed Investment Properties
Cost	
Balance at January 1, 2023	$ 30,895
Balance at December 31, 2023	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2023	$ 7,570
Depreciation expense	1,100
Balance at December 31, 2023	$ 8,670
Carrying amount at December 31, 2023	$ 22,225
Cost	
Balance at January 1, 2022	$ 30,895
Balance at December 31, 2022	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 6,471
Depreciation expense	1,099
Balance at December 31, 2022	$ 7,570
Carrying amount at December 31, 2022	$ 23,325

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 28.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2023 and 2022 was as follows:

	December 31	
	2023	**2022**
Year 1	$ 720	$ 720
Year 2	60	720
Year 3	-	-
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 780	$ 1,440

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Group's investment properties as of December 31, 2022 was $127,708 thousand. The fair value valuation had been performed by the management of the Group using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The Group management were evaluation, the fair value did not have material impact during December 31, 2023.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	**2022**
Unsecured borrowings		
Letters of credit	$ -	$ 750,000

The interest rates on the letters of credit were % and 1.49%-1.69% per annum as of December 31, 2023 and 2022.

b. Long-term borrowings

	December 31	
	2023	**2022**
Secured and unsecured borrowings		
Bank loans	$ 439,155	$ 682,715
Less: Current portion	(254,650)	(88,050)
Long-term borrowings	$ 184,505	$ 594,665

The borrowings of the Group were as follows:

	Detail of Borrowing	December 31 2023	December 31 2022
Secured bank borrowing denominated in NT$	Maturity date: 2030.11.15 Principle is paid monthly since December 2025	$ 110,890	$ -
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	31,944	44,722
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	30,333	42,467
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	5,056	7,078
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	6,389	8,944
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	22,688	31,763
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	19,375	27,125
Secured bank borrowing denominated in NT$	Maturity date: 2025.04.15 Principle is paid quarterly since July 2016, the principal was early repaid in the current period.	12,480	20,816
Secured bank borrowing denominated in NT$	Maturity date: 2025.09.17 Principle is paid quarterly since September 2022, the principal was early repaid in the current period.	-	269,800
Unsecured bank borrowing denominated in NT$	Maturity date: 2024.12.28 Principle is paid semi-annually since December 2024	200,000	200,000
Unsecured bank borrowing denominated in NT$	Maturity date: 2025.08.29 Principle is paid monthly since October 2023, the principal was early repaid in the current period	-	30,000
		439,155	682,715
Less: Current portion		(254,650)	(88,050)
		$ 184,505	$ 594,665

The interest rates on letters of credit 1.3%-1.8539% and 1.5803%-1.9664% per annum as of December 31, 2023 and 2022.

The loans were secured by property, plant and equipment; see Note 28.

17. BONDS PAYABLE

	December 31 2023	December 31 2022
Unsecured domestic convertible bonds	$ 907,030	$ -
Less: Current portion	-	-
	$ 907,030	$ -

On December 6, 2023, the Company offered the fourth unsecured domestic convertible bond worth NT$1,137,963 thousand with a coupon rate of 0%. The period of issuance is 3 years, and the period of bond circulation is from December 6, 2023 to December 6, 2028. The convertible bonds will be repaid in cash in one lump sum, according to the face value of the bonds upon maturity. Holders of the bonds may request conversions to ordinary shares between March 7, 2024 and December 6, 2028; the conversion price at the issuance was $240 per share.

The convertible bonds included components of liability and equity; the components of equity were expressed as capital surplus option under the equity item. The effective interest rate originally recognized for the components of liabilities was 1.986%.

Proceeds from issuance (less transaction costs of $5,195 thousand)	$ 1,132,768
Equity component (less transaction costs allocated to the equity component of $1,026 thousand))	(222,937)
Value of put option	(4,300)
Liability component at the date of issue (less transaction costs allocated to the liability component of $4,169 thousand)	905,531
Interest charged at an effective interest rate	1,499
Components of liabilities at December 31, 2023	$ 907,030

18. OTHER LIABILITIES

	December 31 2023	December 31 2022
Other payables		
Payables for salaries and bonus	$ 246,425	$ 151,068
Payables for bonus to employees and directors	42,517	22,242
Payables for goods	20,600	25,466
Payables for processing fees	973	4,439
Payables for prepaid equipment	18,157	13,144
Others	30,267	21,573
	$ 358,939	$ 237,932

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ (71,725)	$ (72,108)
Fair value of plan assets	83,930	82,736
Net defined benefit assets	$ 12,205	$ 10,628

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2022	$ (78,944)	$ 79,405	$ 461
Service cost			
Current service cost	(820)	-	(820)
Net interest (expense) income	(481)	494	13
Recognized in profit or loss	(1,301)	494	(807)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,887	2,887
Actuarial gain - change in financial adjustments	6,748	-	6,748
Actuarial loss - experience adjustments	(2,521)	-	(2,521)
Recognized in other comprehensive income	4,227	2,887	7,114
Contributions from the employer	-	3,860	3,860
Benefits paid	3,910	(3,910)	-
Balance at December 31, 2022	(72,108)	82,736	10,628

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Service cost			
Current service cost	$ (708)	$ -	$ (708)
Net interest (expense) income	(1,082)	1,271	189
Recognized in profit or loss	(1,790)	1,271	(519)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34)	(34)
Actuarial loss - change in financial adjustments	(1,714)	-	(1,714)
Actuarial gain - experience adjustments	58	-	58
Recognized in other comprehensive income	(1,656)	(34)	(1,690)
Contributions from the employer	-	3,786	3,786
Benefits paid	3,829	(3,829)	-
Balance at December 31, 2023	$ (71,725)	$ 83,930	$ 12,205

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

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

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

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2023	**2022**
Discount rate(s)		
0.25% increase	$ (1,714)	$ (1,774)
0.25% decrease	$ 1,776	$ 1,840
Expected rate(s) of salary increase		
0.25% increase	$ 1,732	$ 1,799
0.25% decrease	$ (1,681)	$ (1,743)

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

	December 31	
	2023	**2022**
The expected contributions to the plan for the next year	$ 3,698	$ 3,946
The average duration of the defined benefit obligation	9.7 years	10.1 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	**2022**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	89,384	89,384
Shares issued	$ 893,841	$ 893,841

b. Capital surplus

	December 31	
	2023	**2022**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance (bonds) of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	317,071	317,071
Overdue options	7,817	7,817
May not be used for any purpose		
Convertible bonds share options	222,937	-
	$ 816,351	$ 593,414

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trends and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividends to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

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

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2022	**For Fiscal Year 2021**	**For Fiscal Year 2022**	**For Fiscal Year 2021**
Legal reserve	$ 30,671	$ 14,862	$ -	$ -
Cash dividends	134,076	134,076	1.5	1.5

The cash dividends for 2022 and 2021 were approved in the board meetings on March 22, 2023 and March 25, 2022, respectively. The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings on June 13, 2023 and June 16, 2022, respectively.

The appropriations and dividends per share for 2023 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 57,517	$ -
Special reserve	5,401	-
Cash dividends	357,536	4

The cash dividends mentioned above were approved in the board meeting on March 8, 2024 the appropriation of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in June 2024.

21. REVENUE

	For the Year Ended December 31	
	2023	**2022**
Revenue from sale of goods	$ 4,285,228	$ 2,793,773
Revenue from the rendering of services	40,443	49,767
	$ 4,325,671	$ 2,843,540

Contract Liabilities

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivable (Note 10)	$ 782,838	$ 558,798	$ 334,955
Contract liabilities			
Sale of goods	$ 38,728	$ 58,671	$ 34,124

The contract liabilities were unearned sales revenue and accounted for as other current liabilities.

22. NET PROFIT

Net profit included the following:

a. Interest income

	For the Year Ended December 31	
	2023	**2022**
Bank deposits of financial assets at amortized cost	$ 7,961	$ 1,681
Others	313	53
	$ 8,274	$ 1,734

b. Other income

	For the Year Ended December 31	
	2023	**2022**
Rental income	$ 687	$ 687
Electric power revenue	3,861	-
Others	13,727	6,653
	$ 18,275	$ 7,340

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ 956	$ (6,233)
Financial liabilities mandatorily at FVTPL	(2,800)	-
Gain on lease modification	5	-
Net foreign exchange gain (loss)	26,582	56,843
Property, plant and equipment impairment gain (loss)	4,437	(63)
Others	(4,127)	(2,560)
	$ 25,053	$ 47,987

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 31,832	$ 13,286
Interest on Convertible Bonds	1,499	-
Interest on lease liabilities	63	58
	$ 33,394	$ 13,344

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	$ 118,737	$ 104,107
Right-of-use assets	2,956	2,810
Investment properties	1,100	1,099
Intangible assets	558	-
Non-current assets	5,813	5,826
	$ 129,164	$ 113,842
An analysis of depreciation by function		
Operating costs	$ 83,473	$ 70,025
Operating expenses	36,930	36,892
Other gains and losses	2,390	1,099
	$ 122,793	$ 108,016
An analysis of amortization by function		
Operating costs	$ 5,075	$ 2,901
Operating expenses	1,296	2,925
	$ 6,371	$ 5,826

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	$ 26,897	$ 21,038
Defined benefit plans (see Note 19)	519	807
	27,416	21,845
Other employee benefits	807,901	605,874
	$ 835,317	$ 627,719
An analysis of employee benefits expense by function		
Operating costs	$ 494,503	$ 364,674
Operating expenses	340,814	263,045
	$ 835,317	$ 627,719

g. Compensation of employees and remuneration of directors for 2023 and 2022

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which were been approved by the Company's board of directors on March 8, 2024 and March 22, 2023, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2023		2022	
	Cash	Share	Cash	Share
Compensation of employees	$ 15,944	$ -	$ 8,341	$ -
Remuneration of directors	26,573	-	13,901	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended in December 31, 2022.

Information on the compensation of employees and remuneration of directors for 2023 and 2024 resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current period	$ 151,408	$ 76,570
Adjustments for prior year	(1,565)	(2,241)
	149,843	74,329
Deferred tax expense		
In respect of the current period	3,277	14,504
Income tax expense recognized in profit or loss	$ 153,120	$ 88,833

A reconciliation of accounting profit and current income tax expenses is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax	$ 729,646	$ 389,853
Income tax expense calculated at the statutory rate	$ 145,929	$ 77,971
Tax effect of adjusting items:		
Tax-exempt income	(191)	-
Nondeductible expenses in determining taxable income	-	1,267
Tax-recognized investment losses	(1,322)	
Others	(70)	(96)
Effect of different tax rates of entities operating in other jurisdictions	10,339	11,932
Adjustments for prior years' tax	(1,565)	(2,241)
Income tax expense recognized in profit or loss	$ 153,120	$ 88,833

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax income (expense)		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ 3,716	$ 641
Remeasurement of defined benefit plans	338	(1,423)
	$ 4,054	$ (782)

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	$ 119,112	$ 64,730

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,729	$ 977	$ -	$ 9,706
Associates	1,119	352	-	1,471
Allowance for impairment loss	602	(81)	-	521
Unrealized loss on foreign exchange	-	119	-	119
Provisions	1,864	-	-	1,864
Financial liabilities at FVTPL	-	560	-	560
Financial assets at FVTOCI	-	-	785	785
Other	-	300	-	300
	$ 12,314	$ 2,227	$ 785	$ 15,326
Deferred tax liabilities				
Associates	$ 16,966	$ 7,641	$ -	$ 24,607
Defined benefit obligation	2,013	654	(338)	2,329
Unrealized gain on foreign exchange	2,791	(2,791)	-	-
Financial assets at FVTOCI	2,931	-	(2,931)	-
	$ 24,701	$ 5,504	$ (3,269)	$ 26,936

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,984	$ (255)	$ -	$ 8,729
Associates	638	481	-	1,119
Defined benefit obligation	21	(21)	-	-
Allowance for impairment loss	328	274	-	602
Unrealized loss on foreign exchange	2,378	(2,378)	-	-
Provisions	2,114	(250)	-	1,864
	$ 14,463	$ (2,149)	$ -	$ 12,314
Deferred tax liabilities				
Associates	$ 7,992	$ 8,974	$ -	$ 16,966
Defined benefit obligation	-	590	1,423	2,013
Unrealized gain on foreign exchange	-	2,791	-	2,791
Financial assets at FVTOCI	3,572	-	(641)	2,931
	$ 11,564	$ 12,355	$ 782	$ 24,701

e. Income tax assessments

The tax returns through 2021 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	$ 6.45	$ 3.37
Diluted earnings per share	$ 6.44	$ 3.37

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	$ 576,526	$ 301,020

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,384	89,384
Effect of potentially dilutive ordinary shares		
Compensation of employees	79	58
Weighted average number of ordinary shares used in the computation of diluted earnings per share	89,463	89,442

If the Group were allowed to choose the payment of employee compensation in the form of either stocks or cash, when calculating diluted earnings per share, it is assumed that the employee compensation will be paid in the form of stocks and the weighted average number of outstanding shares will be included when the potential common shares have a dilutive effect. Diluted earnings per share will be calculated accordingly. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, the dilutive effect of such potential common shares will continue to be considered.

The Group stock outstanding convertible bonds, if converted, as the effect is anti-dilutive, are not included in the calculation of diluted earnings per share.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments listed shares and emerging market shares	$ -	$ -	$ 4,713	$ 4,713
Domestic investments unlisted shares	-	-	300	300
Foreign unlisted shares	63,621	-	-	63,621
	$ 63,621	$ -	$ 5,013	$ 68,634
Financial liabilities at FVTPL				
Put option for convertible corporate bonds	$ -	$ 7,100	$ -	$ 7,100

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 42,214	$ -	$ -	$ 42,214
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments listed shares and emerging market shares	$ -	$ -	$ 1,643	$ 1,643
Domestic investments unlisted shares	-	-	2,378	2,378
Foreign unlisted shares	82,204	-	-	82,204
	$ 82,204	$ -	$ 4,021	$ 86,225

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2023

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2023	$ 4,021
Recognized in other comprehensive income	992
Balance at December 31, 2023	$ 5,013

For the year ended December 31, 2022

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2022	$ 3,023
Recognized in other comprehensive income	998
Balance at December 31, 2022	$ 4,021

3) Valuation technique and input to Level 2 fair value measurement

Financial Instrument	Valuation Technique and Input
Put option for convertible corporate bonds	Binomial tree valuation model. Evaluated by the observable closing price of the stocks, risk-free interest rate, stock price volatility, risk discount rate, and liquidity risk at the balance sheet date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity's operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target's own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target's value.

b. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ -	$ 42,214
Financial assets at amortized cost (1)	1,436,676	887,524
Financial assets at FVTOCI		
Equity instruments	68,634	86,225
Financial liabilities		
FVTPL		
Mandatorily at FVTPL	7,100	-
Amortized cost (2)	1,911,048	1,926,040

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, bonds payables, and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investment, notes receivable, trade receivables, other receivables, notes payable, trade payables, other payables, bonds payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are disclosed in Note 30.

Sensitivity analysis

The Group was mainly exposed to the USD and EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2023	**2022**	**2023**	**2022**
Profit or loss*	$ 7,052	$ 4,084	$ 791	$ 669

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2023	**2022**
Fair value interest rate risk		
Financial assets	$ 53,940	$ 56,378
Financial liabilities	$ 1,346,185	$ 682,715
Cash flow interest rate risk		
Financial assets	$ 583,925	$ 250,437
Financial liabilities	$ -	$ 750,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased and decreased by $1,460 thousand and $1,249 thousand, which was mainly attributable to the Group's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group could be equal to the total of the carrying amount of the recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk of 65% and 56% of total trade receivables as of December 31, 2023 and 2022, respectively, was attributable to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2023 and 2022, the Group had available unutilized overdraft and short-term bank loan facilities; see (b) below.

a) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2023

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5 Years +**
Non-derivative liabilities					
Lease liabilities	$ 298	$ 595	$ 2,055	$ 3,682	$ -
Variable interest rate liabilities	-	-	-	-	-
Fixed interest rate liabilities	2,687	1,218	256,879	1,147,634	43,060
	$ 2,985	$ 1,813	$ 258,934	$1,151,316	$ 43,060

December 31, 2022

Non-derivative liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5 Years +
Lease liabilities	$ 231	$ 436	$ 1,621	$ 1,142	$ -
Variable interest rate liabilities	250,000	150,000	350,000	-	-
Fixed interest rate liabilities	3,198	9,322	88,508	607,640	-
	$ 253,429	$ 159,758	$ 440,129	$ 608,782	$ -

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 210,600	$ 995,875
Amount unused	2,509,400	954,125
	$ 2,720,000	$ 1,950,000
Secured bank overdraft facilities:		
Financial assets	$ 285,890	$ 559,000
Financial liabilities	370,410	-
	$ 656,300	$ 559,000

27. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 96,000	$ 63,039
Post-employment benefits	2,196	2,197
	$ 98,196	$ 65,236

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2023	**2022**
Land	$ 197,229	$ 207,726
Building equipment, net	493,341	557,116
	690,570	764,842
Investment property	22,225	23,325
	$ 712,795	$ 788,167

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2023 and 2022 were as follows:

a. Outstanding letter of credit

As of December 31, 2022, the balance of outstanding letter of credit for the Group is $168 thousand USD.

b. Customs guarantee and construction guarantee

As of December 31, 2023 and 2022, the import taxes on goods for the Group were guaranteed by the Cathay United Bank, Ltd. Hsin-Chu Branch, for a total of $10,000 thousand, respectively. As of December 31, 2023 and 2022, the guarantee deposits for the CPC Corporation pipeline projects were $600 thousand and $722 thousand, respectively, secured by the Taoyuan-Hsin Branch of Mega International Commercial Bank.

c. Minchali Copper Industry (hereinafter referred to as “Minchali”) accused the Company of having delivered heating furnace beams and parts that did not meet specifications, resulting in bending and deformation after heating, and filed a lawsuit against the Company for damages. The case was ruled by the Taiwan High Court in May 2018 to pay Minchali $4,619 thousand and related interests, in which the Company filed an appeal to the Supreme Court in June 2018. The Supreme Court ruled in November 2020 to remand the case to the Taiwan High Court for retrial. The case is still pending in the Taiwan High Court.

After the ruling of the Taoyuan District Court in February 2016, the Company paid a guarantee deposit of $9,321 thousand to the court and recognized a compensation loss of $9,321 thousand in 2016.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of entities in Group denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars)

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 23,213	30.705 (USD:NTD)	$ 712,755
USD	1,268	7.0827 (USD:RMB)	38,934
EUR	2,329	33.98 (EUR:NTD)	79,139
Financial liabilities			
Monetary items			
USD	1,458	30.705 (USD:NTD)	44,768
USD	55	7.0827 (USD:RMB)	1,689

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,197	30.71 (USD:NTD)	$ 435,990
USD	266	6.965 (USD:RMB)	8,169
EUR	2,046	32.72 (EUR:NTD)	66,945
Financial liabilities			
Monetary items			
USD	724	30.71 (USD:NTD)	22,234
USD	441	6.965 (USD:RMB)	13,543

For the years ended December 31, 2023 and 2022, net foreign exchange gain (loss) was $26,582 thousand and $56,843 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b) information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (None)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 2)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 6)

11) Information on investees. (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses. (Table 5)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

32. SEGMENT INFORMATION

The Group's revenue and operation results in segments for 2023 and 2022 are as follows:

a. Segment revenues and results

Segment Revenue and Operation Results	Heat Exchange Products 2023	Heat Exchange Products 2022	Thermal Products 2023	Thermal Products 2022	Total 2023	Total 2022
Revenue	$ 2,309,941	$ 1,560,881	$ 2,015,730	$ 1,282,659	$ 4,325,671	$ 2,843,540
Cost	1,654,701	1,186,889	1,667,660	1,082,888	3,322,361	2,269,777
Segment income	$ 655,240	$ 373,992	$ 348,070	$ 199,771	1,003,310	573,763
Interest revenue					8,274	1,734
Finance costs					(33,394)	(13,344)
Other gains and losses					43,328	55,327
HQ management cost and remuneration of key management personnel					(291,872)	(227,627)
Profit before tax					$ 729,646	$ 389,853
Identifiable assets:						
Notes and trade receivables	$ 246,354	$ 240,681	$ 550,963	$ 338,966	$ 797,317	$ 579,647
Inventory	633,871	690,019	600,797	489,793	1,234,668	1,179,812
Property, plant and equipment	1,208,250	988,001	630,306	636,955	1,838,556	1,624,956
	$ 2,088,475	$ 1,918,701	$ 1,782,066	$ 1,465,714	3,870,541	3,384,415
Assets in general					958,313	771,650
Total assets					$ 4,828,854	$ 4,156,065
Identifiable liability:						
Notes and trade payables	$ 79,890	$ 108,265	$ 125,821	$ 146,915	$ 205,711	$ 255,180
Liabilities in general					1,919,461	1,841,888
Total liabilities					$ 2,125,172	$ 2,097,068

Segment revenue reported above represents revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, gain or loss on foreign exchange, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Geographical information

The Group operates in three principal geographical areas - Asia, Europe and America.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Asia	$ 1,193,779	$ 983,155	$ 2,005,055	$ 1,765,535
America	1,984,185	1,328,684	-	-
Europe	1,133,184	524,378	-	-
Others	14,523	7,323	-	-
	$ 4,325,671	$ 2,843,540	$ 2,005,055	$ 1,765,535

Non-current assets excluded deferred tax assets and financial instruments.

c. Major customer information

Single customer contributing 10% or more to the Group's revenue is as follows:

	For the Year Ended December 31	
	2023	2022
A group	$ 1,859,647	$ 1,199,349

TABLE 1

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 63,621	-	$ 63,621	
	ACTi Corporation	〃	〃	117,980	4,713	-	4,713	
	Semisils Applied Materials Corp., Ltd.	〃	〃	300,000	300	-	300	
					$ 68,634		$ 68,634	

Note: The marketable securities mentioned in this schedule refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items within the scope of IFRS 9 “Financial Instruments”.

TABLE 2

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Parent company to subsidiary	Sales	$ 112,169	3	Same as third parties	$ -	-	$ 8,431	1	

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 293,460	$ 38,198	$ 38,198	1 and 2
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	298,550	38,234	38,234	1 and 2
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No.8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	298,007	38,275	38,275	1 and 2

Note 1: Subsidiary included in the consolidated entities.

Note 2: For the equity-method subsidiaries included in the consolidated financial statements, investment income or loss recognized under the equity method, and the net equity of the investee are fully eliminated.

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (In Thousand)	Percentage of Ownership	Current Profit and Loss of the Invested Company	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,207 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$ -	$ -	$ 171,641 (US$ 5,100) (Note 2)	38,725	100%	$ 38,275 (Note 1)	$ 298,007	$ 86,483 (US$ 1,534 and RMB 10,000)

Note 1: The investment profit is recognized according to the audited financial reports for the year ended December 31, 2023.

Note 2: The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd. then indirectly invested (US$5,100 thousand to Kaori Technology (Ningbo).

2. The amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$171,641 (US$5,100)	$171,641 (US$5,100)	$1,622,209 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

TABLE 5

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 112,169	3	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties's transactions	$ 8,431	1	$ (5,878)
		Purchase	91,139	4	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties's transactions	4,369	2	-

TABLE 6

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2023

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	1	Sales (Note)	$ 112,169	Kaori Heat sold inventories to Karori Technology (Ningbo), collection period is 30 days upon arrival.	3
				Trade receivable - related party	8,431		-
				Purchase	91,139	Kaori Technology (Ningbo) sold inventories to Kaori Heat, collection period is 60 days upon shipment.	2
				Trade payable - related party	4,369		-

Note 1: Information regarding intercompany transactions should be numbered according to the following:

a. Parent company should be numbered 0.
b. Subsidiaries should be numbered beginning with 1.

Note 2: Intercompany transactions can be divided into three categories as following:

a. Parent company to subsidiaries
b. Subsidiaries to parent company
c. Subsidiaries to subsidiaries

Note 3: For the percentage of intercompany transaction in total sales or asset, year-end balance is used for balance sheet accounts while income statement accounts use the accumulated amount to calculate.

Note 4: The Company may decide whether to list the material transactions in this table according to the principle of materiality.

V. A parent company only financial statement for the most recent fiscal year, certified by a CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

We have audited the accompanying financial statements of Kaori Heat Treatment Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

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

Validity of Specific Customer's Revenue Recognition

Kaori Heat Treatment Industry Co., Ltd. provide two or more types of delivery conditions to certain customers based on consideration of order requirements. As the timing of recognizing sales revenue is related to the delivery conditions of orders, we identified revenue recognition for these specific customers was identified it as a key audit matter. For the accounting policies related to revenue recognition, see Notes 4(l) and 20 of the financial statements.

The key audit procedures that we performed in respect of revenue recognition for these specific customers included the following:

1. We understood the internal control processes related to the recognition of revenue from specific customers and evaluated the design and implementation of relevant controls.

2. We sampled the sales from these specific customers, and verified related sales orders, shipment records and the received payments.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors’ report are Wen-Hsiang Chen and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

<u>*Notice to Readers*</u>

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

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

KAORI HEAT TREATMENT CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 25)	$ 506,370	11	$ 175,473	4
Financial assets at fair value through profit or loss - current (Notes 7 and 25)	-	-	42,214	1
Notes receivable (Notes 9 and 25)	14,479	-	20,849	1
Trade receivables (Notes 9 and 25)	745,233	15	517,729	13
Trade receivables from related parties (Notes 25 and 26)	8,431	-	13,534	-
Other receivables (Notes 9 and 25)	825	-	99	-
Inventories (Note 10)	1,150,564	24	1,098,545	27
Other current assets	39,083	1	170,681	4
Total current assets	2,464,985	51	2,039,124	50
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 25)	68,634	2	86,225	2
Investments accounted for using equity method (Note 11)	293,460	6	262,142	6
Property, plant and equipment (Notes 12 and 27)	1,783,867	37	1,569,386	38
Right-of-use assets (Note 13)	6,462	-	3,363	-
Investment properties (Notes 14 and 27)	22,225	1	23,325	1
Insurance swaps	2,592	-	-	-
Deferred tax assets (Note 22)	15,326	-	12,314	-
Other non-current assets	129,849	3	110,484	3
Net defined benefit assets - non-current (Notes 4 and 18)	12,205	-	10,628	-
Total non-current assets	2,334,620	49	2,077,867	50
TOTAL	$ 4,799,605	100	$ 4,116,991	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 25)	$ -	-	$ 750,000	18
Notes payable (Note 25)	1,132	-	1,301	-
Trade payables (Note 25)	194,475	4	241,696	6
Trade payables from related parties (Notes 25 and 26)	4,369	-	1,149	-
Other payables (Notes 17 and 25)	344,912	7	230,114	6
Current tax liabilities (Notes 4 and 22)	117,998	3	54,357	1
Lease liabilities - current (Note 13)	2,864	-	2,262	-
Current portion of long-term borrowings (Notes 15 and 25)	254,650	5	88,050	2
Other current liabilities	46,108	1	68,350	2
Total current liabilities	966,508	20	1,437,279	35
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 7, 16 and 25)	7,100	-	-	-
Bonds payable (Note 16 and 25)	907,030	19	-	-
Long-term borrowings (Notes 15, 25 and 27)	184,505	4	594,665	14
Deferred income tax liabilities (Note 22)	26,936	1	24,701	1
Lease liabilities - non-current (Note 13)	3,631	-	1,136	-
Guarantee deposits received	213	-	213	-
Total non-current liabilities	1,129,415	24	620,715	15
Total liabilities	2,095,923	44	2,057,994	50
EQUITY (Note 20)				
Share capital				
Ordinary shares	893,841	18	893,841	22
Capital surplus	816,351	17	593,414	14
Retained earnings				
Legal reserve	220,836	5	190,165	5
Unappropriated earnings	778,056	16	367,629	9
Total retained earnings	998,892	21	557,794	14
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	(5,545)	-	8,330	-
Exchange differences on translating the financial statements of foreign operations	143	-	5,618	-
Total other equity	(5,402)	-	13,948	-
Total equity	2,703,682	56	2,058,997	50
TOTAL	$ 4,799,605	100	$ 4,116,991	100

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

KAORI HEAT TREATMENT CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
REVENUE (Notes 4, 20 and 26)	$ 4,143,285	100	$ 2,684,398	100
COST OF GOODS SOLD (Notes 10, 21 and 26)	3,016,333	73	1,990,218	74
GROSS PROFIT	1,126,952	27	694,180	26
UNREALIZED GAIN ON ASSOCIATES/AND JOINT VENTURES	(5,878)	-	(4,473)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES/AND JOINT VENTURES	4,473	-	2,549	-
REALIZED GROSS PROFIT	1,125,547	27	692,256	26
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	122,225	3	118,082	4
General and administrative expenses	253,363	6	200,795	8
Research and development expenses	83,813	2	80,561	3
Expected credit loss	1,768	-	3,913	-
Total operating expenses	461,169	11	403,351	15
PROFIT FROM OPERATIONS	664,378	16	288,905	11
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Interest income	7,678	-	893	-
Other income	14,722	-	4,684	-
Other gains and losses	25,140	1	48,931	2
Finance costs	(33,394)	(1)	(13,344)	(1)
Share of profit of subsidiaries	38,198	1	44,869	2
Total non-operating income and expenses	52,344	1	86,033	3
PROFIT BEFORE INCOME TAX	716,722	17	374,938	14
INCOME TAX EXPENSE (Notes 4 and 22)	140,196	3	73,918	3
NET PROFIT FOR THE YEAR	576,526	14	301,020	11

(Continued)

KAORI HEAT TREATMENT CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (1,690)	-	$ 7,114	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(17,591)	(1)	(2,207)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	4,054	-	(782)	-
	(15,227)	(1)	4,125	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(5,475)	-	3,089	-
Other comprehensive income (loss) for the year, net of income tax	(20,702)	(1)	7,214	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 555,824	13	$ 308,234	11
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	$ 6.45		$ 3.37	
Diluted	$ 6.45		$ 3.37	

The accompanying notes are an integral part of the financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

				Retained Earnings		Others		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2022	89,384	$ 893,841	$ 593,414	$ 175,303	$ 209,856	$ 9,896	$ 2,529	$ 1,884,839
Appropriation of 2021 earnings								
Legal reserve	-	-	-	14,862	(14,862)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(134,076)	-	-	(134,076)
Net profit for the year ended December 31, 2022	-	-	-	-	301,020	-	-	301,020
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	5,691	(1,566)	3,089	7,214
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	306,711	(1,566)	3,089	308,234
BALANCE AT DECEMBER 31, 2022	89,384	893,841	593,414	190,165	367,629	8,330	5,618	2,058,997
Appropriation of 2022 earnings								
Legal reserve	-	-	-	30,671	(30,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(134,076)	-	-	(134,076)
Equity component recognized on the issuance of convertible corporate bonds - stock options	-	-	222,937	-	-	-	-	222,937
Net profit for the year ended December 31, 2023	-	-	-	-	576,526	-	-	576,526
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(1,352)	(13,875)	(5,475)	(20,702)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	575,174	(13,875)	(5,475)	555,824
BALANCE AT DECEMBER 31, 2023	89,384	$ 893,841	$ 816,351	$ 220,836	$ 778,056	$ (5,545)	$ 143	$ 2,703,682

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

KAORI HEAT TREATMENT CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 716,722	$ 374,938
Adjustments for:		
Depreciation expense	115,508	101,325
Amortization expense	3,638	4,833
Expected credit loss	1,768	3,913
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	1,844	6,233
Finance costs	33,394	13,344
Interest income	(7,678)	(893)
Share of gain of subsidiaries	(38,198)	(44,869)
Gain on disposal of property, plant and equipment	(4,323)	-
(Reversed of) write-down of inventories	4,882	(1,274)
Unrealized gain on the transactions with subsidiaries	5,878	4,473
Realized gain on the transactions with subsidiaries	(4,473)	(2,549)
Gain on lease modification	(5)	-
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	43,170	(6,771)
Notes receivable	6,402	(4,706)
Trade receivables	(229,304)	(239,537)
Trade receivables from related parties	5,103	742
Other receivables	(726)	10,844
Inventories	(56,901)	(567,126)
Other current assets	131,598	(107,604)
Net defined benefit assets	(3,267)	(3,053)
Notes payable	(169)	342
Trade payables	(47,221)	58,118
Trade payables to related parties	3,220	1,149
Other payables	110,272	74,302
Provisions	-	(1,248)
Other current liabilities	(22,242)	28,056
Cash (used in) generated from operations	768,892	(297,018)
Interest paid	(32,382)	(12,893)
Income tax paid	(73,278)	(18,200)
Net cash generated from (used in) operating activities	663,232	(328,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(341,189)	(186,010)
Proceeds from disposal of property, plant and equipment	9,700	-
Payments for intangible assets	(3,150)	-
Increase in other non-current assets	(7,641)	(6,261)
Interest received	7,678	893
Net cash used in investing activities	(334,602)	(191,378)

(Continued)

KAORI HEAT TREATMENT CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) from short-term borrowings	$ (750,000)	$ 130,000
Issuance of convertible bonds payable	1,132,768	-
Proceeds from long-term borrowings	110,890	297,300
Repayments of long-term borrowings	(354,450)	(86,537)
Proceeds from guarantee deposits received	-	(31)
Repayment of the principal portion of lease liabilities	(2,865)	(2,715)
Dividends paid to owners of the Company	(134,076)	(134,076)
Net cash generated from financing activities	2,267	203,941
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	330,897	(315,548)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	175,473	491,021
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 506,370	$ 175,473

The accompanying notes are an integral part of the financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kaori Heat Treatment Co., Ltd. (the “Company” or “Kaori”) was incorporated in the Republic of China (ROC) in October 1970.

The Company specializes in producing mechanical hardware, processing of fabricated metals and the manufacturing and developing of heat exchange products or thermal products. Factories are established in Zhongli, Kaohsiung, etc.

Kaori’s shares have been listed on the Taiwan Stock Exchange since December 2013.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 8, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. 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)

   Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

   1) Amendments to IAS 1 “Disclosure of Accounting Policies”

      When applying the amendments, the Company refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

      - Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

      - The Company may consider the accounting policy information material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

      - Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which The Company is required to make significant judgments or assumptions in applying an accounting policy, and The Company discloses those judgments or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

2) Amendments to IAS 8 "Definition of Accounting Estimates"

The Company has applied the amendments since January 1, 2023, which defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, The Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, The Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the release date of financial statements, the Corporation is assessing that the application of other standards and interpretations will not have an material impact on the Corporation's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

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

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

Note 2: 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 equity.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, The Company is continuously assessing the possible impact that the application of other standards and interpretations will have on The Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the consolidated balance sheets and consolidated statements of cash flows in 2023. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of $1,887 thousand, $10,256 thousand and $35,816 thousand on December 31, 2023, December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Net cash used in investing activities	$ (25,560)
Net decrease in cash and cash equivalents	$ (25,560)

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign **currencies**

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at specific identification of cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

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

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Impairment of property, plant and equipment, investment properties, and right-of-use asset

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

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

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

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. When the goods are delivered to the customer’s specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leases

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

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investments in a subsidiary.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	$ 438	$ 534
Checking accounts and demand deposits	505,932	174,939
	$ 506,370	$ 175,473

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ -	$ 42,214
Financial liabilities at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Put option for convertible corporate bonds (Note 16)	$ 7,100	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 68,634	$ 86,225
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 4,713	$ 1,643
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd	300	2,378
Foreign investments		
Listed shares		
Ordinary shares - Bloom Energy	63,621	82,204
	$ 68,634	$ 86,225

These investments are held for medium- to long-term strategic purposes and are anticipated to earn profits through long-term investing. The management elected to designate these investments as FVTOCI, for they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with The Company's long-term investment strategy mentioned above.

9. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31 2023	December 31 2022
Notes receivable		
Notes receivable - operating	$ 14,552	$ 20,954
Less: Allowance for impairment loss	(73)	(105)
	$ 14,479	$ 20,849
Trade receivables		
At amortized cost		
Gross carrying amount	$ 753,888	$ 524,584
Less: Allowance for impairment loss	(8,655)	(6,855)
	$ 745,233	$ 517,729
Other receivables		
Other receivable	$ 825	$ 99
Less: Allowance for impairment loss	-	-
	$ 825	$ 99

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Company uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Company's provision matrix.

December 31, 2023

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 388,446	$ 126,703	$ -	$ 106	$ -	$ 515,255
Loss allowance (Lifetime ECL)	(4,027)	(3,348)	-	(21)	-	(7,396)
Amortized cost	$ 384,419	$ 123,355	$ -	$ 85	$ -	$ 507,859

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 246,148	$ 6,140	$ -	$ 16	$ -	$ 881	$ 253,185
Loss allowance (Lifetime ECL)	(318)	(130)	-	(3)	-	(881)	(1,332)
Amortized cost	$ 245,830	$ 6,010	$ -	$ 13	$ -	$ -	$ 251,853

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

December 31, 2022

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 220,434	$ 112,870	$ 239	$ -	$ -	$ 333,543
Loss allowance (Lifetime ECL)	(2,204)	(2,998)	(48)	-	-	(5,250)
Amortized cost	$ 218,230	$ 109,872	$ 191	$ -	$ -	$ 328,293

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 200,138	$ 10,926	$ -	$ -	$ -	$ 931	$ 211,995
Loss allowance (Lifetime ECL)	(287)	(492)	-	-	-	(931)	(1,710)
Amortized cost	$ 199,851	$ 10,434	$ -	$ -	$ -	$ -	$ 210,285

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

The movements of the loss allowance of notes receivables and trade receivables were as follows:

	2023	2022
Balance at January 1	$ 6,960	$ 3,047
Add: Net remeasurement of loss allowance	1,768	3,913
Less: Impairment losses reversed	-	-
Balance at December 31	$ 8,728	$ 6,960

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	$ 114,304	$ 139,345
Work in process	395,475	448,481
Raw materials	578,915	311,043
Supplies	14,145	7,298
Merchandise	683	1,531
Spare parts	14,552	16,908
Inventory in transit	32,490	173,939
	$ 1,150,564	$ 1,098,545

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was $3,016,333 thousand and $1,990,218 thousand, respectively. The cost of goods sold for 2023 and 2022 included (reversal of) inventory write-downs of $4,882 thousand and $(1,274) thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	$ 293,460	$ 262,142

Investments in subsidiaries

	December 31	
	2023	2022
Kaori International	$ 293,460	$ 262,142

The proportion of the Company’s ownership was as follows:

	December 31	
	2023	2022
Kaori International	100%	100%

The detail information of the subsidiary is disclosed in Table 3.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income; this investment was calculated based on financial statements which have been audited in 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2023	$ 704,179	$ 772,356	$ 272,796	$ 164,849	$ 1,974	$ 141,283	$ 36,228	$ 2,093,665
Additions	-	5,102	217,202	15,029	734	89,191	4,140	331,398
Disposals	-	-	(85,696)	(9,052)	(256)	(45,866)	-	(140,870)
Reclassifications	-	8,830	-	27,398	-	-	(36,228)	-
Balance at December 31, 2023	$ 704,179	$ 786,288	$ 404,302	$ 198,224	$ 2,452	$ 184,608	$ 4,140	$ 2,284,193
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 197,029	$ 156,305	$ 97,437	$ 703	$ 72,805	$ -	$ 524,279
Depreciation expense	-	29,597	37,045	15,040	358	29,500	-	111,540
Disposals	-	-	(81,566)	(7,847)	(256)	(45,824)	-	(135,493)
Balance at December 31, 2023	$ -	$ 226,626	$ 111,784	$ 104,630	$ 805	$ 56,481	$ -	$ 500,326
Carrying amount at December 31, 2023	$ 704,179	$ 559,662	$ 292,518	$ 93,594	$ 1,647	$ 128,127	$ 4,140	$ 1,783,867
Cost								
Balance at January 1, 2022	$ 704,179	$ 704,965	$ 264,145	$ 153,310	$ 1,245	$ 135,328	$ 73,285	$ 2,036,457
Additions	-	17,243	24,801	1,161	729	33,339	24,091	101,364
Disposals	-	-	(16,150)	(622)	-	(27,384)	-	(44,156)
Reclassifications	-	50,148	-	11,000	-	-	(61,148)	-
Balance at December 31, 2022	$ 704,179	$ 772,356	$ 272,796	$ 164,849	$ 1,974	$ 141,283	$ 36,228	$ 2,093,665
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 168,764	$ 143,266	$ 84,707	$ 492	$ 73,702	$ -	$ 470,931
Depreciation expense	-	28,265	29,189	13,352	211	26,487	-	97,504
Disposals	-	-	(16,150)	(622)	-	(27,384)	-	(44,156)
Balance at December 31, 2022	$ -	$ 197,029	$ 156,305	$ 97,437	$ 703	$ 72,805	$ -	$ 524,279
Carrying amount at December 31, 2022	$ 704,179	$ 575,327	$ 116,491	$ 67,412	$ 1,271	$ 68,478	$ 36,228	$ 1,569,386

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2023 and 2022, the Company assessed the property, plant and equipment listed above and found no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 27.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	$ 271	$ 391
Transportation equipment	6,191	2,972
	$ 6,462	$ 3,363

	For the Year Ended December 31	
	2023	2022
Addition for right-of-use assets	$ 6,268	$ -
Depreciation charge for right-of-use assets		
Land	$ 120	$ 120
Transportation equipment	2,748	2,602
	$ 2,868	$ 2,722

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	$ 2,864	$ 2,262
Non-current	$ 3,631	$ 1,136

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.25%	1.25%
Transportation equipment	1.25%-1.8%	1.25%

c. Material leasing-in activities and terms

The Company leases certain transportation equipment and land with lease terms of 3-5 years. Those arrangements do not contain renewal or purchase options.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	$ 930	$ 750
Total cash outflow for leases	$ (3,858)	$ (3,523)

The Company's lease of a building qualifies as short-term lease. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	December 31	
	2023	**2022**
Completed investment properties	$ 22,225	$ 23,325

	Completed Investment Properties
Cost	
Balance at January 1, 2023	$ 30,895
Balance at December 31, 2023	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2023	$ 7,570
Depreciation expense	1,100
Balance at December 31, 2023	$ 8,670
Carrying amount at December 31, 2023	$ 22,225
Cost	
Balance at January 1, 2022	$ 30,895
Balance at December 31, 2022	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 6,471
Depreciation expense	1,099
Balance at December 31, 2022	$ 7,570
Carrying amount at December 31, 2022	$ 23,325

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 27.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2023 and 2022 was as follows:

	December 31	
	2023	2022
Year 1	$ 720	$ 720
Year 2	60	720
Year 3	-	-
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 780	$ 1,440

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Company's investment properties as of December 31, 2022 was $127,708 thousand. The fair value valuation had been performed by the management of the Company using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The Company management were evaluation, the fair value did not have material impact during December 31, 2023.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured borrowings		
Letters of credit	$ -	$ 750,000

The interest rates on letters of credit 1.49%-1.69% per annum as of December 31, 2023 and 2022.

b. Long-term borrowings

	December 31	
	2023	2022
Secured and Unsecured borrowings		
Bank loans	$ 439,155	$ 682,715
Less: Current portion	(254,650)	(88,050)
Long-term borrowings	$ 184,505	$ 594,665

The borrowings of the Company were as follows:

	Detail of Borrowing	December 31 2023	December 31 2022
Secured bank borrowing denominated in NT$	Maturity date: 2030.11.15 Principle is paid monthly since December 2025	$ 110,890	$ -
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 20222	31,944	44,722
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 20222	30,333	42,467
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	5,056	7,078
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 20222	6,389	8,944
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	22,688	31,763
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	19,375	27,125
Secured bank borrowing denominated in NT$	Maturity date: 2025.04.15 Principle is paid quarterly since July 2016,the principal was early repaid in the current period.	12,480	20,816
Secured bank borrowing denominated in NT$	Maturity date: 2025.09.17 Principle is paid quarterly since September 2022,the principal was early repaid in the current period.	-	269,800
Unsecured bank borrowing denominated in NT$	Maturity date: 2024.12.28 Principle is paid semi-annually since December 2024	200,000	200,000
Unsecured bank borrowing denominated in NT$	Maturity date: 2025.08.29 Principle is paid monthly since October 2023,the principal was early repaid in the current period.	-	30,000
		439,155	682,715
Less: Current portion		(254,650)	(88,050)
		$ 184,505	$ 594,665

The interest rates on letters of credit 1.3%-1.8539% and 1.5803%-1.9664% per annum as of December 31, 2023 and 2022.

The company provides property, plant and equipment of financial institutions as collaterals for long-term loans, please refer to Note 27 for details of the collaterals.

16. BONDS PAYABLE

	December 31	
	2023	2022
Unsecured domestic convertible bonds	$ 907,030	$ -
Less: Current portion	-	-
	$ 907,030	$ -

On December 6, 2023, the Company offered the fourth unsecured domestic convertible bonds worth NT$1,137,963 thousand with a coupon rate of 0%. The period of issuance is 5 years, and the period of bond circulation is from December 6,2023 to December 6,2028. The convertible bonds will be repaid in cash in one lump sum according to the face value of the bonds upon maturity. Holders of the bonds may request conversions to ordinary shares between March 7, 2024 and December 6, 2028; the conversion price at the issuance was $240 per share. In December 6, 2023 as the base date for the early sale of the convertible bonds by the holders of the bonds.

The convertible bonds included components of liability and equity; the components of equity were expressed as capital surplus option under the equity item. The effective interest rate originally recognized for the components of liabilities was 1.986%.

Proceeds from issuance (less transaction costs of $5,195 thousand)	$ 1,132,768
Equity component (less transaction costs allocated to the equity component of $1,026 thousand))	(222,937)
Value of put option	(4,300)
Liability component at the date of issue (less transaction costs allocated to the liability component of $4,169 thousand)	905,531
Interest charged at an effective interest rate	1,499
Components of liabilities at December 31, 2023	$ 907,030

17. OTHER LIABILITIES

	December 31	
	2023	2022
Other payables		
Payables for salaries and bonus	$ 236,344	$ 143,998
Payables for bonus to employees and directors	42,517	22,242
Payables for goods	20,600	25,466
Payables for processing fees	973	4,439
Payables for prepaid equipment	18,157	13,144
Others	26,321	20,825
	$ 344,912	$ 230,114

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ (71,725)	$ (72,108)
Fair value of plan assets	83,930	82,736
Net defined benefit assets	$ 12,205	$ 10,628

Movements in net defined benefit assets (liabilities) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2022	$ (78,944)	$ 79,405	$ 461
Service cost			
Current service cost	(820)	-	(820)
Net interest (expense) income	(481)	494	13
Recognized in profit or loss	(1,301)	494	(807)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,887	2,887
Actuarial gain - change in financial adjustments	6,748	-	6,748
Actuarial loss - experience adjustments	(2,521)	-	(2,521)
Recognized in other comprehensive income	4,227	2,887	7,114
Contributions from the employer	-	3,860	3,860
Benefits paid	3,910	(3,910)	-
Balance at December 31, 2022	(72,108)	82,736	10,628

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Service cost			
Current service cost	$ (708)	$ -	$ (708)
Net interest (expense) income	(1,082)	1,271	189
Recognized in profit or loss	(1,790)	1,271	(519)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34)	(34)
Actuarial loss - change in financial adjustments	(1,714)	-	(1,714)
Actuarial gain - experience adjustments	58	-	58
Recognized in other comprehensive income	(1,656)	(34)	(1,690)
Contributions from the employer	-	3,786	3,786
Benefits paid	3,829	(3,829)	-
Balance at December 31, 2023	$ (71,725)	$ 83,930	$ 12,205

(Concluded)

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

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

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

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

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

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2023	**2022**
Discount rate(s)		
0.25% increase	$ (1,714)	$ (1,774)
0.25% decrease	$ 1,776	$ 1,840
Expected rate(s) of salary increase		
0.25% increase	$ 1,732	$ 1,799
0.25% decrease	$ (1,681)	$ (1,743)

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

	December 31	
	2023	**2022**
The expected contributions to the plan for the next year	$ 3,698	$ 3,946
The average duration of the defined benefit obligation	9.7 years	10.1 years

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	**2022**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	89,384	89,384
Shares issued	$ 893,841	$ 893,841

b. Capital surplus

	December 31	
	2023	**2022**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance (bonds) of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	317,071	317,071
Overdue options	7,817	7,817
May not be used for any purpose		
Convertible bonds share options	222,937	-
	$ 816,351	$ 593,414

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

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

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings and dividends per share for 2022 and 2021 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2022	**For Fiscal Year 2021**	**For Fiscal Year 2022**	**For Fiscal Year 2021**
Legal reserve	$ 30,671	$ 14,862	$ -	$ -
Cash dividends	134,076	134,076	1.5	1.5

The cash dividends for 2022 and 2021 were approved in the board meetings on March 22, 2023 and March 25, 2022, respectively. The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings on June 13, 2023 and June 16, 2022, respectively.

The appropriations and dividends per share for 2023 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 57,517	$ -
Special reserve	5,401	-
Cash dividends	357,536	4

The cash dividends mentioned above were approved in the board meeting on March 8, 2023; the appropriation of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in June 2024.

20. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from sale of goods	$ 4,105,766	$ 2,634,631
Revenue from the rendering of services	37,519	49,767
	$ 4,143,285	$ 2,684,398

Contract liabilities

	December 31 2023	December 31 2022	January 1 2022
Trade receivable (Note 9)	$ 753,664	$ 531,263	$ 296,357
Contract liabilities			
Sale of goods	$ 31,421	$ 53,138	$ 32,057

The contract liabilities were unearned sales revenue and accounted for as other current liabilities.

21. NET PROFIT

Net profit included the following:

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits of financial assets at amortized cost	$ 7,365	$ 840
Others	313	53
	$ 7,678	$ 893

b. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	$ 687	$ 687
Electric power revenue	3,861	-
Others	10,174	3,997
	$ 14,722	$ 4,684

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ 956	$ (6,233)
Financial liabilities mandatorily at FVTPL	(2,800)	-
Gain on lease modification	5	-
Net foreign exchange gain	26,665	57,620
Gain on disposal of property, plant and equipment	4,323	-
Others	(4,009)	(2,456)
	$ 25,140	$ 48,931

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 31,832	$ 13,286
Interest on Convertible Bonds	1,499	-
Interest on lease liabilities	63	58
	$ 33,394	$ 13,344

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	$ 111,540	$ 97,504
Right-of-use assets	2,868	2,722
Investment properties	1,100	1,099
Intangible assets	558	-
Non-current assets	3,080	4,833
	$ 119,146	$ 106,158
An analysis of depreciation by function		
Operating costs	$ 77,082	$ 64,060
Operating expenses	36,036	36,166
Other gains and losses	2,390	1,099
	$ 115,508	$ 101,325
An analysis of amortization by function		
Operating costs	$ 2,342	$ 1,908
Operating expenses	1,296	2,925
	$ 3,638	$ 4,833

f. Employee benefits expense

	For the Year Ended December 31	
	2023	**2022**
Post-employment benefits		
Defined contribution plans	$ 20,920	$ 18,053
Defined benefit plans (Note 18)	519	807
	21,439	18,860
Other employee benefits	745,717	564,146
Total employee benefits expense	$ 767,156	$ 583,006
An analysis of employee benefits expense by function		
Operating costs	$ 457,191	$ 340,372
Operating expenses	309,965	242,634
	$ 767,156	$ 583,006

g. Compensation of employees and remuneration of directors for 2023 and 2022

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which were approved by the Company's board of directors on March 8, 2024 and March 22, 2023, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	**2022**
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2023		**2022**	
	Cash	**Shares**	**Cash**	**Shares**
Compensation of employees	$ 15,944	-	$ 8,341	-
Remuneration of directors	26,573	-	13,901	-

If there is a change in the amounts after the actual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2022.

Information on the compensation of employees and remuneration of directors for 2023 and 2024 resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

a. Major components of tax expense (income) recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 138,484	$ 61,655
Adjustments for prior year	(1,565)	(2,241)
	136,919	59,414
Deferred tax expense		
In respect of the current period	3,277	14,504
Income tax expense recognized in profit or loss	$ 140,196	$ 73,918

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	$ 716,722	$ 374,938
Income tax expense calculated at the statutory rate	$ 143,344	$ 74,988
Tax effect of adjusting items:		
Tax-exempt income	(191)	-
Nondeductible expenses in determining taxable income	-	1,267
Tax-recognized investment losses	(1,322)	
Others	(70)	(96)
Effects of different tax rates of entities operating in other jurisdictions	(1,565)	(2,241)
Income tax expense recognized in profit or loss	$ 140,196	$ 73,918

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax income (expense)		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ 3,716	$ 641
Remeasurement of defined benefit plans	338	(1,423)
	$ 4,054	$ (782)

c. Current income tax assets and liabilities

	December 31 2023	December 31 2022
Current tax liabilities		
Income tax payable	$ 117,998	$ 54,357

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,729	$ 977	$ -	$ 9,706
Associates	1,119	352	-	1,471
Allowance for impairment loss	602	(81)	-	521
Unrealized loss on foreign differences	-	119	-	119
Provisions	1,864	-	-	1,864
Financial liabilities at FVTPL	-	560	-	560
Financial assets at FVTOCI	-	-	785	785
Other	-	300	-	300
	$ 12,314	$ 2,227	$ 785	$ 15,326
Deferred tax liabilities				
Associates	$ 16,966	$ 7,641	$ -	$ 24,607
Defined benefit obligation	2,013	654	(338)	2,329
Unrealized gain on foreign exchange	2,791	(2,791)	-	-
Financial assets at FVTOCI	2,931	-	(2,931)	-
	$ 24,701	$ 5,504	$ (3,269)	$ 26,936

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,984	$ (255)	$ -	$ 8,729
Associates	638	481	-	1,119
Defined benefit obligation	21	(21)	-	-
Allowance for impairment loss	328	274	-	602
Unrealized loss on foreign differences	2,378	(2,378)	-	-
Provisions	2,114	(250)	-	1,864
	$ 14,463	$ (2,149)	$ -	$ 12,314
Deferred tax liabilities				
Associates	$ 7,992	$ 8,974	$ -	$ 16,966
Defined benefit obligation	-	590	1,423	2,013
Unrealized gain on foreign exchange	-	2791	-	2,791
Financial assets at FVTOCI	3,572	-	(641)	2,931
	$ 11,564	$ 12,355	$ 782	$ 24,701

e. Income tax assessments

The tax returns through 2021 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31 2023	2022
Basic earnings per share	$ 6.45	$ 3.37
Diluted earnings per share	$ 6.44	$ 3.37

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	For the Year Ended December 31 2023	2022
Profit for the year attributable to owners of the Company	$ 576,526	$ 301,020

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,384	89,384
Effect of potentially dilutive ordinary shares		
Compensation of employees	79	58
Weighted average number of ordinary shares used in the computation of diluted earnings per share	89,463	89,442

If the Company were allowed to choose the payment of employee compensation in the form of either stocks or cash, when calculating diluted earnings per share, it is assumed that the employee compensation will be paid in the form of stocks and the weighted average number of outstanding shares will be included when the potential common shares have a dilutive effect. Diluted earnings per share will be calculated accordingly. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, the dilutive effect of such potential common shares will continue to be considered.

The company stock outstanding convertible bonds, if converted, as the effect is anti-dilutive, are not included in the calculation of diluted earnings per share.

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 4,713	$ 4,713
Domestic investments				
Unlisted shares	-	-	300	300
Foreign unlisted shares	63,621	-	-	63,621
	$ 63,621	$ -	$ 5,013	$ 68,634
Financial liabilities at FVTPL				
Put option for convertible corporate bonds	$ -	$ 7,100	$ -	$ 7,100

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 42,214	$ -	$ -	$ 42,214
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 1,643	$ 1,643
Domestic investments				
Unlisted shares	-	-	2,378	2,378
Foreign unlisted shares	82,204	-	-	82,204
	$ 82,204	$ -	$ 4,021	$ 86,225

There were no transfers between Levels 1 and 2 in the current periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2023	$ 4,021
Recognized in other comprehensive income	992
Balance at December 31, 2023	$ 5,013

For the year ended December 31, 2022

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2022	$ 3,023
Recognized in other comprehensive income	998
Balance at December 31, 2022	$ 4,021

3) Valuation technique and input to Level 2 fair value measurement

Financial Instrument	Valuation Technique and Input
Put option for convertible corporate bonds	Binomial tree valuation model. Evaluated by the observable closing price of the stocks, risk-free interest rate, stock price volatility, risk discount rate, and liquidity risk at the balance sheet date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is be based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity's operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares securities is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target's own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target's value.

b. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ -	$ 42,214
Financial assets at amortized cost (1)	1,275,338	727,684
Financial assets at FVTOCI		
Equity instruments	68,634	86,225
Financial liabilities		
FVTPL		
Mandatorily at FVTPL	7,100	-
Amortized cost (2)	1,891,286	1,907,188

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties and other receivables.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term, notes payable, trade payables, trade payables from related parties, other payables and guarantee deposits received, long term loans and refundable deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, trade receivables, other receivables, notes payables, trade payables, other payables, long term loans, borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are disclosed in Note 29.

Sensitivity analysis

The Company was mainly exposed to the USD and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Profit or loss*	$ 6,680	$ 4,138	$ 791	$ 669

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company's bank deposits and borrowings are at floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	$ -	$ -
Financial liabilities	$ 1,346,185	$ 682,715
Cash flow interest rate risk		
Financial assets	$ 505,725	$ 174,528
Financial liabilities	$ -	$ 750,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by $1,264 thousand and $1,439 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company could be equal to the carrying amount of the recognized financial assets as stated in the balance sheets.

The Company's concentration of credit risk of 68% and 60% of total trade receivables as of December 31, 2023 and 2022, respectively, was attributable to the Company's largest customer.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2023 and 2022, the Company had available unutilized overdraft and short-term bank loan facilities; see (b) below:

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 298	$ 595	$ 2,055	$ 3,682	$ -
Variable interest rate liabilities	-	-	-	-	-
Fixed interest rate liabilities	2,687	1,218	256,879	1,147,634	43,060
	$ 2,985	$ 1,813	$ 258,934	$ 1,151,316	$ 43,060

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 231	$ 436	$ 1,621	$ 1,142	$ -
Variable interest rate liabilities	250,000	150,000	350,000	-	-
Fixed interest rate liabilities	3,198	9,322	88,508	607,640	-
	$ 253,429	$ 159,758	$ 440,129	$ 608,782	$ -

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 210,600	$ 995,875
Amount unused	2,509,400	954,125
	$ 2,720,000	$ 1,950,000
Secured bank overdraft facilities:		
Financial assets	$ 285,890	$ 559,000
Financial liabilities	370,410	-
	$ 656,300	$ 559,000

26. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Kaori Technology (Ningbo) Corporation	Subsidiary

b. Sales of goods

	For the Year Ended December 31	
	2023	2022
Subsidiary	$ 112,169	$ 112,221

In 2023 and 2022, the selling prices were not significantly different from those with third parties.

c. Purchase of goods

	For the Year Ended December 31	
	2023	2022
Subsidiary	$ 91,139	$ 15,364

The purchasing price is calculated at the cost to reflect the Company's pricing strategy and related party relationships.

d. Receivables from related parties (excluding loans to related parties)

	December 31	
	2023	2022
Subsidiary	$ 8,431	$ 13,534

The outstanding accounts receivable from related parties are unsecured. The trade receivables from related parties in 2023 and 2022 did not have allowance for impairment loss.

e. Payables from related parties (excluding loans to related parties)

	December 31	
	2023	2022
Subsidiary	$ 4,369	$ 1,149

The outstanding accounts payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 93,726	$ 61,341
Post-employment benefits	2,061	2,151
	$ 95,787	$ 63,492

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	December 31	
	2023	2022
Land	$ 197,229	$ 207,726
Building equipment, net	493,341	557,116
	690,570	764,842
Investment properties, net	22,225	23,325
	$ 712,795	$ 788,167

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2023 and 2022 were as follows:

a. Outstanding letter of credit

As of December 31, 2022, the balance of outstanding letter of credit for the Company is US$168 thousand.

b. Customs guarantee and construction guarantee

As of December 31, 2023 and 2022, the import taxes on goods for the Company were guaranteed by the Cathay United Bank, Ltd. Hsin-Chu Branch, for a total of $10,000 thousand, respectively. As of December 31, 2023 and 2022, the guarantee deposits for the CPC Corporation pipeline projects were $600 thousand and $722 thousand, respectively, secured by the Taoyuan-Hsin Branch of Mega International Commercial Bank.

c. Minchali Copper Industry (hereinafter referred to as “Minchali”) accused the Company of having delivered heating furnace beams and parts that did not meet specifications, resulting in bending and deformation after heating, and filed a lawsuit against the Company for damages. The case was ruled by the Taiwan High Court in May 2018 to pay Minchali $4,619 thousand and related interests, in which the Company filed an appeal to the Supreme Court in June 2018. The Supreme Court ruled in November 2020 to remand the case to the Taiwan High Court for retrial. The case is still pending in the Taiwan High Court.

After the ruling of the Taoyuan District Court in February 2016, the Company paid a guarantee deposit of $9,321 thousand to the court and recognized a compensation loss of $9,321 thousand in 2016.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 23,213	30.705 (USD:NTD)	$ 712,755
EUR	2,329	33.98 (EUR:NTD)	79,139
Financial liabilities			
Monetary items			
USD	1,458	30.705 (USD:NTD)	44,768

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,197	30.71 (USD:NTD)	$ 435,990
EUR	2,046	32.72 (EUR:NTD)	66,945
Financial liabilities			
Monetary items			
USD	724	30.71 (USD:NTD)	22,234

For the years ended December 31, 2022, net foreign exchange gain (loss) was $26,665 thousand and $57,620 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint venture). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (None)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 2)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None).

KAORI HEAT TREATMENT CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 63,621	-	$ 63,621	
	ACTi Corporation	〃	〃	117,980	4,713	-	4,713	
	Semisils Applied Materials Corp., Ltd	〃	〃	300,000	300	-	300	
					$ 68,634		$ 68,634	

Note 1: The marketable securities mentioned in this schedule refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items within the scope of IFRS 9 “Financial Instruments”.

Note 2: For information on investments in Subsidiaries, please refer to Note 11 and Table 3.

TABLE 2

KAORI HEAT TREATMENT CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Parent company to subsidiary	Sales	$ 112,169	3	Same as unrelated third parties	$ -	-	$ 8,431	1	

KAORI HEAT TREATMENT CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 293,460	$ 38,198	$ 38,198	1 and 2
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	298,550	38,234	38,234	1 and 2
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No. 8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	298,007	38,275	38,275	1 and 2

Note 1: Subsidiary included in the consolidated entities.

Note 2: For the equity-method subsidiaries included in the consolidated financial statements, investment income or loss recognized under the equity method, and the net equity of the investee are fully eliminated.

TABLE 4

KAORI HEAT TREATMENT CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (In Thousand)	Percentage of Ownership	Current Profit and Loss of the Invested Company	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$ -	$ -	$ 171,641 (US$ 5,100) (Note 2)	38,275	100%	$ 38,275 (Note 1)	$ 298,007	$ 86,483 (US$ 1,534 and RMB 10,000)

Note: 1. The investment profit is recognized according to the audited financial reports for the year ended December 31, 2023.

2. The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd then indirectly invested (US$5,100 thousand to Kaori Technology (Ningbo).

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 171,641 (US$ 5,100)	$ 171,641 (US$ 5,100)	$ 1,622,209 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

TABLE 5

KAORI HEAT TREATMENT CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 112,169	3	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties's transactions	$ 8,431	1	$ (5,878)
		Purchase	91,139	4	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties's transactions	4,369	2	-

VI. Where the Company and its affiliated enterprises has encountered difficulties in financial turnover in the Most Recent Year and as of the Publication Date of this Annual Report, its impact on financial situation of the Company shall be specified: None.

VII. Review of Financial Conditions and Financial Performance, and Risk Management Thereof

I. Financial Conditions:

(I) Review and Analysis of Financial Conditions

Unit: NT$ thousand
Source: Individual Financial Reports

Year / Items	2022	2023	Difference	
			Amount	Change Percentage (%)
Current Assets	2,039,124	2,464,985	425,861	20.88%
Non-current Assets	2,077,867	2,334,620	256,753	12.36%
Total Assets	4,116,991	4,799,605	682,614	16.58%
Current Liabilities	1,437,279	966,508	(470,771)	(32.75%)
Non-current Liabilities	620,715	1,129,415	508,700	81.95%
Total Liabilities	2,057,994	2,095,923	37,929	1.84%
Capital Stock	893,841	893,841	0	0.00%
Capital Surplus	593,414	816,351	222,937	37.57%
Retained Earnings	557,794	998,892	441,098	79.08%
Other Equity Interest	13,948	(5,402)	(19,350)	(138.73%)
Total Shareholders' Equity	2,058,997	2,703,682	644,685	31.31%

Unit: NT$ thousand
Source: Consolidated Financial Reports

Year / Items	2022	2023	Difference	
			Amount	Change Percentage (%)
Current Assets	2,254,915	2,701,672	446,757	19.81%
Non-current Assets	1,901,150	2,127,182	226,032	11.89%
Total Assets	4,156,065	4,828,854	672,789	16.19%
Current Liabilities	1,476,353	995,757	(480,596)	(32.55%)
Non-current Liabilities	620,715	1,129,415	508,700	81.95%
Total Liabilities	2,097,068	2,125,172	28,104	1.34%

Items / Year	2022	2023	Difference	
			Amount	Change Percentage (%)
Capital Stock	893,841	893,841	0	0.00%
Capital Surplus	593,414	816,351	222,937	37.57%
Retained Earnings	557,794	998,892	441,098	79.08%
Other Equity Interest	13,948	(5,402)	(19,350)	(138.73%)
Total Shareholders' Equity	2,058,997	2,703,682	644,685	31.31%

(II) Analysis of Changes:

1. Main Reasons for Changes in the Individual Financial Reports:
   (1) Current Assets: Increased by 20.88% mainly due to a slight increase in cash and equivalent cash receivables and inventory.
   (2) Total Assets: Increased by 21.47%, mainly due to the increase in current assets.
   (3) Current Liabilities: Decreased by 32.75%, mainly due to the decrease in short-term borrowing.
   (4) Non-current Liabilities: Increased by 81.95%, mainly due to the Company's issuing of corporate bonds.
   (5) Capital Stock: Increased by 37.57%, mainly due to the recognition of issuing of convertible corporate bonds as equity-stock right of 2023.
   (6) Retained Earnings: Increased by 79.08%, mainly due to the increase of net profit of current period of 2023.
   (7) Other Equities: Decreased by 138.73%, mainly due to the Other Comprehensive Profit (Loss) Measured at Fair Value - Loss of Unrealized Financial Assets.
   (8) Shareholders' Equity: Increased by 31.31%, mainly due to the increase in Capital Stock and Retained Earnings.

2. Main Reasons for Changes in the Consolidated Financial Reports:
   (1) Current Liabilities: Decreased by 32.75%, mainly due to the decrease in short-term borrowing.
   (2) Non-current Liabilities: Increased by 81.95%, mainly due to the Company's issuing of corporate bonds.
   (3) Non-current Liabilities: Increased by 81.95%, mainly due to the Company's issuing of corporate bonds.
   (4) Retained Earnings: Increased by 79.08%, mainly due to the increase of net profit of current period of 2023.
   (5) Other Equities: Decreased by 138.73%, mainly due to the Other Comprehensive Profit (Loss) Measured at Fair Value - Loss of Unrealized Financial Assets.
   (6) Shareholders' Equity: Increased by 31.31%, mainly due to the increase in Capital Stock and Retained Earnings.

(III) Future Response Plans: Omitted.

II. Financial Performance:

(I) Comparison and Analysis on Operating Results:

Unit: NT$ thousand
Source:Individual Financial Reports

Items \ Year	2022	2023	Increase/Decrease in Amount	Change Percentage (%)
Net Sales	2,684,398	4,143,285	1,458,887	54.35%
Operating Cost	1,990,218	3,016,333	1,026,115	51.56%
Operating Gross Profit	692,256	1,125,547	433,291	62.59%
Operating Expenses	403,351	461,169	57,818	14.33%
Operating Profit	288,905	664,378	375,473	129.96%
Non-operating Income and Expenses	86,033	52,344	(33,689)	(39.16%)
Income before Tax	374,938	716,722	341,784	91.16%
Income Tax Expenses	73,918	140,196	66,278	89.66%
Net Profit of the Current Period	301,020	576,526	275,506	91.52%
Total Comprehensive Income of the Current Period	308,234	555,824	247,590	80.33%

Unit: NT$ thousand
Source: Consolidated Financial Reports

Items \ Year	2022	2023	Increase/Decrease in Amount	Change Percentage (%)
Net Sales	2,843,540	4,325,671	1,482,131	52.15%
Operating Cost	2,057,910	3,101,722	1,043,812	50.72%
Operating Gross Profit	785,630	1,223,949	438,319	55.79%
Operating Expenses	439,494	512,511	73,017	16.61%
Operating Profit	346,136	711,438	365,302	105.54%
Non-operating Income and Expenses	43,717	18,208	(25,509)	(58.35%)
Income before Tax	389,853	729,646	339,793	87.16%
Income Tax Expenses	88,833	153,120	64,287	72.37%
Net Profit of the Current Period	301,020	576,526	275,506	91.52%
Total Comprehensive Income of the Current Period	308,234	555,824	247,590	80.33%

(II) Main Reasons for Changes:

1. Main Reasons for Changes in the Individual Financial Reports:

(1) Net Sales: Mainly due to significant increase of revenues from all products of the Company.
(2) Operating Cost: Mainly due to the increase of Sales raise of 54.35%. The cost is relatively improved compared to that of last year, yet the cost ratio maintained without significant changes.
(3) Operating Gross Profit: Mainly due to the increase in the operating cost and gross profit, making the gross profit rate remained stable.
(4) Operating Profit: Mainly due to the increase in Gross Profit, slight increase in Operating Expense as a result of proper control, thus the significant increase in Net Profit.
(5) Non-operating Income and Expense: Due to the decrease in income from foreign currency exchange and increase in interest expense.
(6) Net Profit before Tax: The Operating Profit is significantly improved compared with the same period of last year.
(7) Income Tax Expenses: The increase profits raise the income tax, making the income tax rate maintaining 19%-20%.
(8) Net Profit for Current Period: The Operating Profit and Non-operating Income are improved compared with the same period of last year.
(9) Total Comprehensive Income of the Current Period: Mainly due to the increase in the Net Profit of Current Period.

2. Main Reasons for Changes in the Consolidated Financial Reports:

(1) Net Sales: Mainly due to significant increase of revenues from all products of the Company.
(2) Operating Cost: Mainly due to the increase of Sales raise of 54.12%. The cost is relatively improved compared to that of last year, yet the cost ratio maintained without significant changes.
(3) Operating Gross Profit: Mainly due to the increase in the operating cost and gross profit, making the gross profit rate remained stable.
(4) Operating Profit: Mainly due to the increase in Gross Profit, slight increase in Operating Expense as a result of proper control, thus the significant increase in Net Profit.
(5) Operating Profit: Mainly due to the increase in Gross Profit, slight increase in Operating Expense as a result of proper control, thus the significant increase in Net Profit.
(6) Net Profit before Tax: The Operating Profit is significantly improved compared with the same period of last year.
(7) Income Tax Expenses: The increase profits raise the income tax, making the income tax rate maintaining 19%-20%.
(8) Net Profit for Current Period: The Operating Profit and Non-operating Income are improved compared with the same period of last year.
(9) Total Comprehensive Income of the Current Period: Mainly due to the increase in the Net Profit of Current Period.

(III) Estimated Sales Volume in the Upcoming Year and its Foundation, its Potential Influences and Response Plans Omitted.

III. Cash Flow:

(I) Analysis on Changes in Cash Flow in 2023

Unit: NT$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Estimated Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
175,473	663,232	(1,593,371)	(754,666)	17,378	1,243,658

Analysis on Changes in Cash Flows on Individual Financial Reports for the year 2023:

1. Net cash outflow from operating activities at approx. 663,232 thousand mainly due to increase(s) in Net Profit before Tax and Accounts Receivable, Inventory and other operating activities.
2. Net cash outflow from investing activities at approx. 334,602 thousand mainly due to increase(s) in purchase of equipment.
3. Net cash outflow from financing activities at approx. 2,267 thousand mainly due to the issuing of convertible bonds to repay long-, short-term borrowings.

(II) Analysis on Changes in Cash Flows on Consolidated Financial Reports for Year 2023:

Unit: NT$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Estimated Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
259,290	679,042	(1,605,915)	(667,583)	18,414	1,243,658

Analysis on Changes in Cash Flows on Consolidated Financial Reports for Year 2023:

1. The cash inflow from operating activities of NT$679,042 thousand is mainly due to increase in net profit before tax, decrease in accounts receivable and inventory.
2. The cash outflow from operating activities of NT$346,110 was mainly due to the increase in purchase of equipment.
3. The net cash inflow from fundraising activities was mainly due to the issuing of convertible bonds to repay long-, short-term borrowings.

(III) Remedial Measures for Insufficient Liquidity: In 2023, convertible bonds were issued to pay long-, short-term borrowings and operating expenses, and there was no liquidity risk in the operation of working capital due to the inability to raise funds.

(IV) Analysis on Cash Fluidity in the Upcoming Year: Omitted.

IV. Influence on Company Finance by Significant Capital Expenditure in the Most Recent Year:

(I) Utilization Status and Source of Capital for the Significant Capital Expenditure: None.

(II) Influence on Financial Business by Significant Capital Expenditure: None.

V. Re-investment Policies in the Most Recent Year, Main Reason(s) for the Profit or Loss of Such Re-investment, Improvement Plans, and Investment Plans in the Upcoming Year:

December 31, 2023; Unit: NT$ thousand

Items \ Descriptions	Amount Invested	Policy	Main Reason for Profit / Loss	Improvement Plans	Other Investment Plans in the Future
KAORI INTERTIONAL CO.,LTD	171,641	Re-investment in Mainland China as resolved by the Board of Directors	Re-investment recognized as Gains from Investments at NT$ 38,198 thousand.	None	None
BLOOM ENERGY Corp.	63,621	Performed in accordance with resolutions by the Board of Directors	Financial Assets Measured at Fair Value through Other Comprehensive Gain or Loss-Non-current	None	None

VI. Analysis of and Evaluation on Risk Items in the Most Recent Year and as of the Publication Date of this Annual Report are as follows:

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Unit: NT$ thousands; %

Items	2023 (Individual Financial Reports)	2023 (Consolidated Financial Reports)
Interest Expenditure	33,394	33,394
Ratio of Interest Expenditure to Net Operating Revenue	0.81%	0.77%
Ratio of Interest Expenditure to Income before Tax	4.66%	4.58%
Gains from Exchange	26,665	26,582
Ratio of Gains from Exchange to Net Operating Revenue	0.64%	0.61%
Ratio of Gains from Exchange to Income before Tax	3.72%	3.64%

Interest rate: The interest expense in the consolidated financial report of the Company in 2023 was only 0.77% of revenue and 4.58% of net profit before tax, an increase compared with the previous year, mainly due to the increase in working capital due to revenue growth and the increase in interest rates caused by the central bank’s policy. The Company primarily relies on short-term operating working capital for financial management, except for significant capital expenditures and long-term investments funded by medium to long-term funds. Therefore, interest rate fluctuations are not expected to have a significant impact on the Company. In the future, the Company will continue to adhere to conservative and prudent principles. Idle funds will be deposited in financially sound institutions, considering both safety and reasonable returns.

Exchange rate: In recent years, the Company’s proportion of exports has gradually increased, and sales and raw material procurement are primarily denominated in US dollars. Due to the significant depreciation of the New Taiwan Dollar against the US dollar in first three quarters of 2023, exchange rate fluctuations have had a certain contribution to the Company’s profitability. The Net Gains from Exchange in the Company’s 2023 Consolidated Financial Reports amounted to NT$ 26,582 thousand, accounting for only 0.61% of revenue and 3.64% of Income before Tax. The Company's response to exchange rate fluctuation risk primarily involves natural hedging through US dollar-denominated transactions in both purchases and sales, as well as adjustments in the Company’s foreign currency assets and liabilities in response to exchange rate volatility. The specific measures taken by the Company to reduce the impact of exchange rate fluctuations on its earnings are as follows:

① For the foreign exchange positions held, the Company monitors closely the exchange rate trends and considers professional advice provided by financial institutions to determine the timing of converting to New Taiwan Dollars or retaining foreign exchange positions to reduce exchange rate risk.

② During the quotation and negotiation process, the Company's sales representatives also consider adjusting prices in response to exchange rate fluctuations.

③ Keeping abreast of international financial information and exchange rate changes, maintaining close contact with banks to timely grasp exchange rate fluctuation information, and being flexible in adjusting loan currencies to stay informed about exchange rate movements.

Inflation: The Company pays attention to the inflation situation and adjusts product prices and raw material inventory levels accordingly. As of now, inflation has not had an impact on the Company's operations. However, the potential impact of rising raw material costs is being monitored.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Monetary Loans or Endorsement Guarantees, and Derivatives Transactions:

(1) For the year 2023 and as of the Publication Date of this Annual Report, the Company has not engaged in high-risk or highly leveraged investments, money lending, or acts of guaranteeing for others. The Company has

established “Handling Procedures for Acquisition or Disposal of Assets” and “Handling Procedures for Loan of Funds to Others and Endorsement/Guarantee”, which have been adopted through resolution by the Shareholders’ Meeting.

(2) As of the Publication Date of this Annual Report, the Company has not provided guarantees or endorsements for others.

(III) Future Research & Development Projects and Corresponding Budget

Department	Name of R&D Plan	Current Progress	Expected R&D Expense Contribution	Expected Timeframe for Mass Production	Factors Contributing to Success in Future Researches
Heat Energy Business Department	Development of Green Data Center Low-Consumption Server Liquid-Cooling System -48U100KW	Design and Development Stage	2 Million	2025/Q2	1. Certain Market Demand 2. Brazing Technology 3. Heat Flow Analysis Technology
Heat Energy Business Department	Development of Green Data Center Low-Consumption Server Liquid-Cooling System -4U80KW	Design and Development Stage	2 Million	2025/Q3	1. Certain Market Demand 2. Brazing Technology 3. Heat Flow Analysis Technology
Heat Energy Business Department	Development of Green Data Center Low-Consumption Server Liquid-Cooling System --4U20KW	Design and Development Stage	2 Million	2025/Q3	1. Certain Market Demand 2. Brazing Technology 3. Heat Flow Analysis Technology
Hydrogen Energy Business Department	Development of Natural Gas Thermal Cracking Hydrogen Production Carbon Fixation Equipment	Catalyst formula and configuration improvement in progress	6 Million	2025/Q1	Method and technology for reducing carbon accumulation and low energy consumption
Hydrogen Energy Business Department	Development of Metal Heat Treatment Hydrogen Recovery System	Verifying technology and cost effectiveness with customers in various fields	6 Million	2025/Q1	Low energy hydrogen compressor
Fuel Cell Business Department	Heat Exchange Reactor for SOEC	Changing and improving design	10 Million	2025/Q3	1. Brazing technique 2. Argon welding technique
Plate Heat Exchanger Department	Development of Large-sized Different Channel Heat Exchanger-B236	Pattern Designing	44 Million	2024/Q4	1. The new utility may reduce refrigerant refill and further reduce GWP, thereby achieving better environmental protection effects. 2. In line with the capacity range of European heat pumps

Department	Name of R&D Plan	Current Progress	Expected R&D Expense Contribution	Expected Timeframe for Mass Production	Factors Contributing to Success in Future Researches
Plate Heat Exchanger Department	Development of Large-sized Different Channel Heat Exchanger-B415	Pattern Designing	5 Million	2024/Q4	Demand for chillers used in manufacturing process remain growing
Plate Heat Exchanger Department	Expansion and Update of Selective Software	Coding	1.6 Million	2024/Q4	Update the refrigerant database for more accurate selection and reduce customer procurement time and cost

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

(1) Changes in Industry Policies

The Company has not been affected by significant domestic or international policy and legal changes that would impact its financial and business operations. The Company's management actively monitors important policy and legal changes and takes timely proactive measures in response.

(2) Changes in Laws and Regulations

① Important relevant laws and regulations in the industry

A. Concerning the competent central authority for the industry concerned and the important laws affecting the Company, they can be broadly categorized into civil and commercial regulations, economic regulations, labor regulations, and environmental regulations. Recently, apart from amendments to the Securities and Exchange Act and the Company Act, there have been no major changes in the relevant laws. The competent central authority for the industry concerned relating to the Company's primary industries are the Ministry of Economic Affairs, the Financial Supervisory Commission, the Industrial Development Bureau, MoEA, the Council of Labor Affairs, and the Environmental Protection Administration. The Company has not violated any important laws or regulations that affect its industry.

B. The Company evaluates the information that should be disclosed in accordance with the laws and regulations related to TWSE/TPEx company information disclosure, and evaluates whether it is handled according to the law.

② Patent

The Company's patents are registered with the Intellectual Property Office of the Ministry of Economic Affairs, with patent certificates obtained. The Company has not been involved in any infringement.

③ Significant Labor Disputes or Environmental Pollution Incidents

As of the Publication Date of this Annual Report, there have been no significant labor disputes or major environmental pollution incidents.

④ Conclusion

The significant laws affecting the Company can be broadly categorized into civil and commercial laws, economic regulations, labor regulations, and environmental regulations. There have been no major changes, and they have not affected the Company's financial and business operations. Furthermore, the Company hires Lawyer Tian-Jen Hsieh, the former Chairman of the Consumers' Foundation, as the legal consultant to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

(1) Metal Products and Processing:

In recent years, some industries such as Heat Treatment and Processing and Brazing Processing have gradually moved overseas. To reduce the impact of industry relocation on the Company's business, the Company, in addition to continuing to develop various welding technologies for different materials, reflected in the former development of dust-free steel raised floors and heat dissipation modules, using Brazing Processing technology and current development of self-owned products, such as heat dissipation module. This allows the Company to minimize the impact of industry relocation and expand its business.

(2) Plate Heat Exchanger:

Due to its small size, high pressure resistance, and wide applicability, plate heat exchangers will remain the substitutions for traditional larger-sized, less thermally conductive shell and tube heat exchangers and finned tube heat exchangers. The Company will continue to develop new types of Plate Heat Exchangers that can be applied to different fluids or flow rates and have higher thermal conductivity, which will contribute to the Company's financial growth.

(3) Thermal Products:

In response to the global energy shortage, low-carbon, zero carbon or negative carbon emissions have become a common global goal. Energy transformation, renewable energy, and waste recycling are expected to become the main tools to offset carbon emissions at this stage. As a technology research and development hub, Taiwan should not be left unattended. The government and enterprises should consider how to minimize greenhouse gas emissions through legislation and technology. The current International consensus is to achieve net zero carbon emissions by 2050, and the International Energy Agency (IEA) recommends that the world must generate more than 60% of its electricity from renewable sources by 2030. The field of new energy includes solar photovoltaic, wind, geothermal, Marine energy, hydrogen energy, of which hydrogen energy has attracted much attention at home and abroad. IEA data show that vehicle electrification and renewable energy generation are the two major net zero trends in the next decade, especially hydrogen energy is playing an important role.

Governments of various nations have taken more proactive actions to promote energy efficiency, carbon reduction, and prevent deterioration of the greenhouse effect. Since the signing of the “Kyoto Protocol” under the “United Nations Framework Convention on Climate Change” in 1997, which came into effect in 2005, signatory countries are required to reduce greenhouse gas emissions. Fuel cells have higher power generation efficiency compared to traditional methods that involve combustion of fossil fuels to heat water vapor and drive turbines. For example, in stationary power generation, fuel cell types such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC) emit fewer greenhouse gases and pollutants for the same amount of electricity produced compared to thermal power generation. Additionally, there are no concerns about radiation pollution associated with nuclear power generation, making fuel cells a popular option for decentralized power generation. However, due to the current cost disadvantage of fuel cells compared to traditional power generation methods, including in our country, various governments have implemented research funding subsidies, tax reductions, and incentives for fuel cell-related products to encourage the development of this industry.

In terms of the international market, after the release of solid oxide fuel cell (SOFC) products by Bloom Energy (US), in October 2011, ENEOS also launched residential SOFC products. Due to the higher power generation efficiency of SOFC-type fuel cells, the future sales volume is expected to be promising. The Company signed a contract with Bloom Energy in 2009 to manufacture and process critical components for the Hot Box in fuel cells. Since 2012, the Company has achieved significant stability in financial performance and profitability. The alliance between the two parties is based on mutual trust and reliance, with the Company striving to meet Bloom Energy's requirements in terms of quality, delivery, and any other needs. The United States reinstated the Investment Tax Credit (ITC) for fuel cells in February 2018, retroactively effective from 2017 and valid until 2021 with reduction rate gradually decreased from 30% to 22%. Taxpayers who invest in qualifying fuel cell equipment can benefit from tax reductions based on the equipment cost multiplied by the reduction rate, with an upper limit of $3,000 per kW of power. In the initial stage of fuel cell deployment policy in our country, industrial hydrogen was the main source of hydrogen, and incentive measures for demonstration and verification operations were formulated to attract hydrogen producers and large electricity consumers to establish fuel cell installations. The goal for 2025 is to establish two demonstration sites with a capacity of 30 MW each. After the passage of the bill, customer demand is expected to gradually stabilize, and the U.S. energy industry also benefits from the Investment Tax Credit (ITC). It has been reported that the Biden administration has proposed a 10-year extension to Congress, encouraging taxpayers to build renewable energy generation equipment such as solar power, fuel cells, and wind power generation, which helps support the energy industry market.

(4) Risks in Information Security:

Any network attack by hackers from any third party that disrupt or compromise the computer systems essential to the control, manufacturing, operations, and accounting functions of the Company are possible. These network attacks illegally infiltrate the company's internal network systems and engage in activities that disrupt operations, steal trade secrets, research results, and damage the Company's reputation.

To avoid or mitigate information security risks, a change in management mindset is necessary, along with the allocation of necessary resources to establish foundational protective systems and information security devices. It is also important to cultivate a cybersecurity crisis awareness among all company employees, and most importantly, to implement a system of rewards and punishments—the system allowing all employees to recognize that compliance or non-compliance with information security regulations can severely impact the overall operations/ impair shareholders' interests.

Risks and management measures for information technology security: Measures encompass three aspects: protective systems, regulatory frameworks, and implemented management. The company has established comprehensive cybersecurity protection measures, including traditional antivirus software, next-generation firewalls, and the adoption of Extended Detection and Response (XDR) products responsible for cloud security event detection and response and passed the ISO/IEC 27001:2022 on December 2023. However, relying solely on these systems cannot guarantee complete protection against attacks. Therefore, in addition to the formulation of regulations and the strengthening of personnel's awareness of information security, the company progressively complies with the implementation of regulations by government regulatory agencies and aligns with the revised organizational responsibilities of the information security department and supervisors in the internal control system's computerized cycle provisions. Additionally, information security seminars are scheduled every quarter during company-wide monthly meetings to disseminate information about key external cybersecurity incidents and enhance employees' awareness of information security. In terms of management, the Information Department is responsible for regular audits, and any violations of information security regulations must be immediately reported upwards and assessed for disciplinary action according to the Company's system of rewards and punishments.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since its establishment, the Company has been focusing on its core business operations, and its operational results and reputation have been favorable. There have been no adverse reports in the market regarding the Company's corporate image, and there are no issues concerning changes in the corporate image.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plan

Not applicable as the Company does not have any plans for merger and acquisition.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

In recent years, due to the rise in labor awareness and the increase in price levels in Taiwan, industries have been facing high labor costs, labor shortages, and rising costs of land and raw materials. In order to effectively reduce costs and enhance product competitiveness, many industries have relocated their operations to mainland China, where wages and related costs are lower, gradually making China their primary manufacturing base.

Considering the rapid economic and industrial development in mainland China, as well as the proximity to customers and the expansion of the Asia-Pacific region, The Company has established production lines in Ningbo, mainland China, through investment and set up manufacturing facilities. Meanwhile, the Company continues to focus on research and development, design centers, and process improvement.

The stable capacity and profitability in mainland China should bring a stable contribution to the company. In addition to expanding its own capacity to cope with industry growth, The Company also maintains long-term partnerships with outsourcing manufacturers. This enables effective adjustment of capacity utilization to respond to future economic cycles and changes in product demand.

Due to the strong brazing and argon welding capabilities, Kaori attracted the attention of an international green technology tycoon and became its strategic partner. For long-term development, the Company established its the Fuel Cell Business Department in 2009, erecting the key milestone declaring the Company's determination to become a significant player in the energy industry. In July 2010, the Company's first new plant for fuel cell in the Chung-Li Industrial Area was inaugurated. This plant produced critical components for Solid Oxide Fuel Cells (SOFC), and by 2013, the thermal products Fuel Cell had indeed generated historic highs in revenue and profitability for the Company. Considering the continuous growth of the global fuel cell Industry, with fuel cell shipments increasing exponentially each year, the Company aims to enhance its competitiveness by reducing costs, increasing product capacity, and meeting order demands. In 2011, the Company began the construction of a new Fuel Cell plant in Kaohsiung’s Benzhou Industrial Area. This new plant was officially completed in December 2022 and primarily serves as an expansion of the fuel cell business Department's production and the development center for components. Furthermore, the Metal Products Processing Plant at the Chung-Li 3rd Plant was completed in 2014, with the metal processing operations transferred to the Kaohsiung Plant, yielding a significantly increased place for fuel cell production in the Chung-Li plant to satisfy the continuous strong growth in customer shipment demands. Therefore, the expansion of the plant poses limited risks to the company. In February 2017, the office building as global operational headquarters at the Company's main plant in Chung-Li Industrial Area was inaugurated.

The Company has accumulated years of experience in the design, manufacturing of Heat Exchangers, and welding of metal components, primarily in the fields of air conditioning, thermal management, and energy industries. With the recent rise of facial recognition, autonomous driving, and remote medical diagnosis, driving the rapid development of 5G communication and cloud industries, The Company has introduced a series of energy-efficient liquid cooling system products for power-consuming cloud data centers. The existing factory space in the Chung-Li Industrial Area, which was used for Heat Exchangers and the Fuel Cell Business Department, has become saturated. Therefore, in March 2020, The Company purchased land and a factory on Ziqiang 4th Road in the Chung-Li Industrial Area. The renovation of the factory started in Q4 2021. In 2023, the production of liquid cooling modules in the new plant of Ziqiang No. 4 Road will be officially launched.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Risks Relating to and Response to Excessive Concentration of Purchasing Sources:

The Company's main products are plate heat exchangers, metal processing, and critical components for fuel cells (SOFC) of thermal products. The Company has specific requirements for the quality of each part, and some raw materials need to pass quality certifications from major customers. To control quality and ensure an adequate supply of materials, the Company conducts regular evaluations of suppliers based on their product quality, delivery accuracy, financial condition, and organizational structure. Furthermore, the top 10 suppliers in terms of purchase quantity for 2023 accounted for less than 13.97% of the net purchases for each respective year, indicating no significant concentration risk in procurement. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction terms. To mitigate the risk of procurement concentration, efforts are made to maintain relationships with at least two or more suppliers for each type of material. Overall, the sourcing of raw materials remains stable, and there should be no shortage or disruption of supply.

In recent years, fluctuations in international metal raw material prices have caused suppliers to experience longer supply lead times due to insufficient supply of raw materials. As a result, key outsourced manufacturers for heat exchangers and fuel cells were obliged to strengthen inventory management and safety stock levels to mitigate the impact, meanwhile passing on costs to downstream manufacturers in a timely manner to maintain gross profit margins.

(2) Risks Relating to and Response to Excessive Customer Concentration:

The Company's revenue mainly comes from processing and product sales, with its major customers being well-known domestic and international enterprises. The combined sales quantity of the top 10 customers accounted for 68.29% of the net sales in 2023. Analyzing the sales proportions by customer, it can be observed that apart from a single customer, BLOOM ENERGY, there is no significant concentration of sales. However, it should be noted that BLOOM ENERGY accounted for 42.99% and 38.42% of the net sales in each respective period from 2023 to Q1 2024 mainly due to the Company's collaboration with BLOOM ENERGY in the production of processed parts and components for fuel cells since 2009. The global demand for fuel cells has experienced exponential growth in recent years due to increasing environmental concerns worldwide, leading to continuous revenue growth for BLOOM ENERGY and subsequently contributing to the stable growth in the Company's sales of fuel cell heat reactors. Currently, the Company is a major global supplier of Fuel Cell components for BLOOM ENERGY, and their cooperative development of products suggests that there is no immediate risk of contract termination.

Leveraging its accumulated expertise in heat treatment and processing, brazing processing, and plate heat exchangers, the Company continues to provide services to customers with excellent technology, stable quality, and accurate delivery. Moreover, through research and development, The Company actively explores new opportunities by developing new heat treatment, brazing services, and thermal energy technologies to expand its customer base and create new products and business opportunities.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company does not engage in large share transfers, hence there is no significant effect on the Company's operations resulting from large share transfers of changes in shareholding.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company is not affected in the operations due to changes in management rights. In addition, the Company has promulgated complete Internal Control System anr relevant management regulations, which would mitigate the effects and risks relating to such events on the Company's operations.

(XII) If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company and a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending up to the date of publication of this Annual Report:

(1) Case of National Land Occupation:

MINCHALI INDUSTRY CO., LTD. filed a lawsuit for damages against Kaori

Heat Treatment Co., Ltd. in the civil court of the Taoyuan District Court. MINCHALI claimed that between the years 2008 and 2013, the four batches of heating furnace beams and parts delivered by Kaori contain quality issues such as inability to withstand high temperatures, deformation, severe bending, and warping. MINCHALI hence sought compensation in the amount of NT$ 17,106,572, along with interest accrued at 5% per annum from the day following the delivery of the complaint. The Taoyuan District Court issued a judgment on February 26, 2016, ruling that Kaori shall pay NT$ 9,320,953.

On March 25, 2016, an appeal was filed with the civil court of the Taiwan High Court. The Taiwan High Court issued a verdict on May 15, 2018, ruling that Kaori Heat Treatment Co., Ltd. shall pay MINCHALI INDUSTRY CO., LTD. NT$ 4,618,916.

On June 13, 2018, Kaori filed an appeal to the Supreme Court against the portion of the Taiwan High Court's judgment requiring payment of NT$ 4,618,916. In addition, MINCHALI also filed an appeal against the defeat.

On November 30, 2020, the Supreme Court issued a judgment, invalidating the original judgment except for the part concerning provisional execution and remanding the case back to the High Court.

Status Quo: The case is currently being reviewed by the High Court, pending verdicts. On May 3, 2024, the High Court will summon an expert witness to testify.

(XIII) Other Important Risks and Countermeasures: None

VII. Other Important Matters: None

VIII. Special Disclosure

I. Summary of Affiliated Enterprises

(I) Consolidated Business Report of Affiliate Enterprises:

1. Organization Chart of Affiliated Enterprises

Kaori Heat Treatment Co., Ltd.

↓ 100%

KAORI INTERNATIONAL CO., LTD

↓ 100%

KAORI DEVELOPMENT CO., LTD

↓ 100%

Kaori Technology (Ningbo) Co., Ltd.

2. Name, Date of Incorporation, Paid-in Capital and Main Business Items of Affiliated Enterprises

Unit: thousand

Name of Enterprise	Date of Incorporation	Address	Paid-in Capital	Main Business or Production Items
KAORI INTERNATIONAL CO., LTD	2002.03.04	Trust Net Chambers, Lotemau Centre, P.O.Box 1225,Apia,Samoa	NTD 171,641	Engaged in investment business of the Company
KAORI DEVELOPMENT CO., LTD	2002.03.04	Trust Net Chambers, Lotemau Centre, P.O.Box 1225,Apia,Samoa	NTD 169,984	Engaged in investment business of the Company
Kaori Technology (Ningbo) Co., Ltd.	2002.07.02	No. 8, Chuang Ye 4th Rd., Bonded Area W. Wing, Beilun Dist., Ningbo City, Zhejiang Province	RMB 41,380	Plate heat exchangers, oil coolers, air dryers, production, distribution, and international trade of railway industrial equipment parts and components, and consulting services.

3. Reason for Assuming an Affiliate Enterprise as a Controlling or Subordinate Company and Relevant Information of Personnel: None.
4. Industries Covered by Operations of Overall Affiliate Enterprises: Please refer to the above item.
5. Names of Director, Supervisor and General Manager of Affiliated Enterprises and Their Shareholding of or Capital Contribution to the said Enterprises:

December 31, 2023

Name of Enterprise	Title	Name or Representative	Shares Held	
			Shares	Shareholding Percentage
KAORI INTERNATIONAL CO., LTD	Director	Kaori Heat Treatment Co., Ltd. Representative: HAN HSIEN SON	5,100,000	100%
KAORI DEVELOPMENT CO., LTD	Director	Kaori International Co., Ltd. Representative: HAN HSIEN SON	5,050,000	100%
Kaori Technology (Ningbo) Co., Ltd.	Director	Kaori Development Co., Ltd. Representatives: HAN HSIEN SON, HAN HSIEN FU, and WANG HSIN WU	—	100%

6. Financial Status and Operation Results of Each Affiliated Enterprise:

December 31, 2023; Unit: thousand

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Income for the Period (after-tax)	EPS (after-tax)
KAORI INTERNATIONAL CO.,LTD	NTD 171,641	NTD 299,338	NTD 0	NTD 299,338	NTD 38,234	NTD 38,187	NTD 38,198	—
KAORI DEVELOPMENT CO.,LTD	NTD 169,985	NTD 298,550	NTD 0	NTD 298,550	NTD 38,275	NTD 38,229	NTD 38,234	—
Kaori Technology (Ningbo) Co., Ltd	RMB 41,380	RMB 78,543	RMB 9,671	RMB 68,872	RMB 87,717	RMB 10,726	RMB 8,707	—

(II) Consolidated Financial Statements of Affiliated Enterprises: Please refer to Pages 147–209 of this Annual Report.

(III) Relationship Report of Affiliated Enterprises:

1. Relationships Overview for Subordinate and Controlling Companies:

December 31, 2023; Unit: Shares ; %

Name of Controlling Company	Reason for Controlling	Shareholding and Pledging of Controlling Company			Appointment of Personnel as Director, Supervisor or Manager by the Controlling Company	
		Shares Held	Shareholding Percentage	Shares Pledged	Title	Name
KAORI INTERNATIONAL CO.,LTD	A subsidiary of the Company with shareholding over 50%	5,100,000	100%	0	Juristic Person Representative	HAN HSIEN SON
KAORI DEVELOPMENT CO.,LTD	A subsidiary of the Company with shareholding over 50%	5,050,000	100%	0	Juristic Person Representative	HAN HSIEN SON
Kaori Technology (Ningbo) Co., Ltd	A subsidiary of the Company with shareholding over 50%	—	100%	0	Juristic Person Representative	HAN HSIEN SON HAN HSIEN FU HSIN WU WANG

2. Trading Status:

(1). Supply and Sales Trading:

Unit: NT thousands

Trading Companies	Counterparty	Relationship	Trading Type	Quantity	Trading Terms			Notes and Accounts Receivable (Payable)		Unrealized Gain (Loss)
					Price	Payment Term	Comparison with Generic Trading	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Co., Ltd.	Sunsidiary	Purchase	91,139	Cost plus avg. 10% premium	60 Days from Shipment	Price for goods sold identical to trading terms for non-related parties	4,369	2	-

Unit: NT$ thousands

Trading Companies	Counterparty	Relationship	Trading Type	Quantity	Trading Terms			Notes and Accounts Receivable (Payable)		Unrealized Gain (Loss)
					Price	Payment Term	Comparison with Generic Trading	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Co., Ltd.	Sunsidiary	Sales	112,169	Cost plus avg. 10% premium	30 Days from Shipment	Purchase price identical to trading terms for non-related parties	8,431	1	5,878

(2). Status of Property Transactions: None.

(3). Status of Financing: None.

(4). Status of Asset Leasing: None.

(5). Status of Others Important Transactions (e.g. production and sales processing contracts, acquiring corporate bonds issued by controlled companies, subscribing to newly issued shares by controlled companies when the original shareholders waive their subscription right): None.

3. Status of Endorsement/Guarantee: None.
4. Other Matters with Material Impacts on Finance and Business of the Company: None.

II. Handling Status for Privately Placed Securities in the Most Recent Year and as of the Publication Date of this Annual Report: None.

III. Holding or Disposal of the Shares of the Company by Subsidiaries in the Most Recent Year and as of the Date of Publication of this Annual Report: None.

IV. Other Matters Requiring Supplementary Descriptions: None.

V. Matters in the Most Recent Year and as of the Publication Date of this Annual Report having Material Impacts on Shareholders' Equities or Securities Price provided by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

Attachment 1

Kaori Heat Treatment Co., Ltd.
Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market

I. Name of Bonds

Regulations Governing the Fourth Issuance and Change of Unsecured Convertible Corporate Bonds in the Domestic Market (hereinafter referred to the "Convertible Corporate Bonds") of Kaori Heat Treatment Co., Ltd.

II. Date of Issuance

December 6, 2023 (hereinafter referred to as "Issuing Date").

III. Denomination, Number and Issuing Price

The Convertible Corporate Bond has a face value of NT $100,000 per bond, with a total issuance of 10,000 bonds and a total issuance face value of NT $1 billion, with a minimum issuance amount of NT $100,000. The convertible bonds are publicly underwritten by competitive auction, and the actual issue price is 113.8% of the face value, and the actual amount raised is NT$1,137,963 thousand.

IV. Period of Issuance

The issuance period is five years, commencing on December 6, 2023 and expiring on December 6, 2028 (hereinafter referred to as the "Maturity Date").

V. Nominal Interest Rate

The nominal interest rate of the Convertible Corporate Bond is 0%.

VI. Date and Method of Repayment of Principal and Interest

Except that the holders of the Convertible Corporate Bonds are converted into ordinary shares of the Company in accordance with Article 10 of the Regulations, or exercise the right to sell back in accordance with Article 19 of the Regulations, or the Company redeems them in advance in accordance with Article 18 of the Regulations, or the Company is bought back for cancellation by the securities firm's business premises, within ten business days after the Maturity Date of the Convertible Corporate Bonds, the Company shall repay them held by the holders in cash in a lump sum at the denomination of the Convertible Corporate Bonds. If the aforementioned date falls on the day when the Taipei Stock Exchange is closed, it will be postponed to the next business day.

VII. Guarantee

The Convertible Corporate Bonds are unsecured in nature, provided that if, after the issuance of the Convertible Corporate Bonds, the Company issues or places other secured warrants or convertible bonds, the Convertible Corporate Bonds will also create claims of the same class or security rights of the same order as the secured warrants or convertible bonds.

VIII. Subject Matter of Conversion

The Company's ordinary shares will be converted through the issuance of new shares to fulfill our conversion obligations. The new shares to be converted shall be delivered through book-entry transfer, and shall not be printed as paper shares.

IX. Conversion Period

Except for (1) the period during which the transfer of ordinary shares is suspended in accordance with the law, (2) the period from fifteen business days prior to the cessation of transfer of the Company's free allotment of shares, the cessation of transfer of cash dividends, or the cessation of transfer of cash capital increase subscription shares, until the date of distribution of rights, (3) the period from the base date for capital reduction to the day before the start of trading for capital reduction and stock exchange and (4) the period from the date of cessation of conversion for handling changes in the face value of stocks to the day before the start of trading for the issuance of new shares, from March 7, 2024, the day following the expiry date of three months after the issue date of the Convertible Bonds, to December 6, 2028, the bondholder may at any time refer to the Taiwan Depository and Clearing Corporation (hereinafter referred to as "TDCC") through the trading broker, request the stock agency of the Company to convert the Convertible Corporate Bonds into ordinary shares of the Company in accordance with the Regulations, and handle it in accordance with the provisions of Articles 10, 11, 13 and 15 of the Regulations.

The starting date for the cessation of conversion of the face value change referred to in the preceding paragraph shall be one business day before the application for change registration is submitted to the Ministry of Economic Affairs. The Company will announce the cessation of conversion (subscription) period four business days prior to that starting date.

X. Process for Conversion Request

(I) The bondholder shall fill in the "Application Form for Conversion/Redemption/Sale Back of Book-entry Transfer of Corporate Bonds" (indicating conversion) to the original trading broker, and the trading broker shall submit an application to TDCC. Upon acceptance of the application, TDCC shall notify the stock agent of the Company by electronic means, which shall be effective upon delivery and shall not be revoked. The conversion shall be completed within five business days after delivery and the ordinary shares of the Company shall be transferred directly into the TDCC account of the original bondholders.

(II) When overseas Chinese and foreigners apply for the conversion of the Convertible Corporate Bonds held by the Company into ordinary shares, TDCC will handle the allocation through book-entry transfer.

XI. Conversion Price and Adjustment

(I) Conversion Price Fixing

Regarding the determination of the conversion price for this Convertible Corporate Bond, November 16, 2023 is set as the base date for setting the conversion price. The simple arithmetic mean of the closing prices of the Company’s ordinary share for the first, third, and fifth business days prior to the base date (excluding) is taken as the benchmark price, and then the conversion price is calculated by multiplying the benchmark price by the conversion premium rate of 103.9%, which is the conversion price of this Convertible Corporate Bond (calculated to NT$ 10 Cent, and the number below Fen shall be rounded). If there is an ex-right or ex-dividend before the base date of the pricing, the closing price sampled for calculating the conversion price shall first be counted as the ex-right or ex-dividend price; the conversion price shall be adjusted in accordance with the conversion price adjustment formula in paragraph (2) of this article if there is an ex right or ex dividend from the decision to the actual issuance date. In accordance with the above, the conversion price is set at NT $240 per share.

(II) Adjustment of Conversion Price

1. After the issuance of this Convertible Corporate Bond, except for the issuance of ordinary shares due to the issuance (or private placement) of various securities with ordinary share conversion rights or subscription rights by the Company, or the issuance of new shares for employee compensation, in the event of an increase (including but not limited to cash increase through public offering or private placement, surplus increase, capital reserve increase, company merger or transfer of shares of other companies to issue new shares, stock split and cash increase to participate in the issuance of overseas depositary receipts, etc.) in the number of ordinary shares already issued (or privately placed) by the Company, the Company shall adjust the conversion price (calculated to NT$10 Cents, and the number below Fen shall be rounded. Adjustment should be made for price going up instead of going down) of this Convertible Corporate Bond according to the following formula and write to

the Taipei Exchange (hereinafter referred to as "TPEx") to announce the adjustment (where any actual payment is made, it will be adjusted on the full payment date) on the ex-rights basis date of the new stock issuance (Note 1). If there is an increase in the number of ordinary shares issued as a result of a change in the denomination of the shares, it will be adjusted on the basis date of the new shares. If the issue price of the new shares is changed after the ex-rights base date of the new shares issued by the cash increase, the updated issue price of the new shares and the current price of each share (the base date for fixing the updated new share issue price as determined by the Company shall be the base date for fixing the updated current price per share) shall be adjusted according to the following formula. If the conversion price after the calculated adjustment is lower than the conversion price that has been announced before the date of the original ex-right basis, TPEx is requested to re-announce the adjustment.

Adjusted conversion price = conversion price before adjustment x [number of issued shares (Note 2) + (payment per share (Note 3) × number of new or private shares issued)/current price per share (Note 4)] / (number of issued shares + number of new or private shares issued)

When the denomination of the shares changes:

Adjusted conversion price = pre-adjustment conversion price × (number of ordinary shares issued before change in denomination/number of ordinary shares issued after change in denomination)

Note 1: In case of stock split, it shall be split base date; if it is a cash capital increase or a cash capital increase participating in the issuance of overseas depositary receipts processed through inquiry and subscription, considering the absence of an ex-right base date, it shall be adjusted on the date of full payment of the shares;

Note 2: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and privately placed shares) less the number of treasury shares repurchased by the Company but not yet cancelled or transferred.

Note 3: In the case of a stock grant or stock split, the contribution per share shall be zero. In the case of a consolidated capital increase by issuing new shares, the amount paid per share shall be the net value per share calculated on the basis of the most recent certified or audited financial statements of the liquidating company at the date of the consolidation multiplied by the conversion ratio. If new shares are issued for the purpose of acquiring shares from another company, the amount paid per share shall be the net value per share calculated from the most recent financial statements certified or reviewed by an accountant of the acquired company multiplied by the conversion ratio.

Note 4: The setting of the current price per share shall be based on the simple arithmetic mean of the closing price of ordinary shares calculated one, three, or five business days prior to the ex dividend base date, pricing base date, stock split base date, or privately placed securities delivery date.

2. After the issuance of the convertible bonds, if the Company issues cash dividends on ordinary shares, the conversion price shall be reduced on the ex-dividend base date according to the following formula, and the Company shall write to request TPEx to announce the conversion price (calculated to NT$ 10 Cents, the number below Fen shall be rounded) after the reduction. This provision does not apply to those who have requested a conversion before the ex-dividend base date (excluding). The adjustment formula is as follows:

Conversion price after reduction = conversion price before reduction × (1 - ratio of cash dividend issued on ordinary share to current price per share (Note 5))

Note 5: The current price of each share shall be determined by the simple arithmetic average of the closing price of ordinary shares calculated one, three or five business days prior to the date of the announcement of the cessation of the transfer of the cash dividend.

3. After the issue of the Convertible Corporate Bonds, in the event of the Company's various reissued (or privately placed) securities with conversion or subscription rights to ordinary shares at a conversion or subscription price lower than the current price per share (Note 6), the Company shall adjust the conversion price (calculated to NT$10 Cents, and the number below Fen shall be rounded). Adjustment should be made for price going up instead of going down) of the Convertible Corporate Bonds in accordance with the following formula and shall request TPEx to announce the adjustment on the date of issue of the said securities or options or the date of delivery of the privately placed securities.

Adjusted conversion price = pre-adjustment conversion price × [number of issued shares (Note 7)+ (conversion or subscription price of newly issued or privately placed securities or stock options × number of newly issued or privately placed securities or options convertible or subscribed for)/current price per share (Note 6)/(number of issued shares (Note 7)+ number of newly issued or privately placed securities or options convertible or subscribed for)

Note 6: The current price per share is the simple arithmetic mean of the closing price of a Company's ordinary share for one, three, or five business days prior to the base date for the issuance (or private placement) of various securities with ordinary share conversion rights or warrants, or the delivery date of privately placed securities. If there is an ex-right or ex-dividend before the base date of the pricing, the closing price sampled for calculating the conversion price shall first be counted as the ex-right or ex-dividend price.

Note 7: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and privately placed shares) less the number of treasury shares repurchased by the Company but not yet cancelled or transferred. If reissued (or privately placed) securities with conversion rights or options for ordinary share are funded by treasury shares, the number of issued shares subject to the adjustment formula should be subtracted from the number of newly issued (or privately placed) securities that can be converted or subscribed for.

4. After the issuance of the convertible bonds, in the event that the Company's ordinary shares are reduced due to capital reduction other than the cancellation of Treasury shares, the Company shall calculate the adjusted conversion price (calculated to NT$10 Cents, and the number below Fen shall be rounded) in accordance with the following formula and request TPEx to announce the adjustment on the base date of capital reduction. If the ordinary shares are reduced due to the change in the denomination of the shares, the adjustment shall be made on the basis date of the new shares replacement.

(1) Capital reduction to make up for losses:

Adjusted conversion price = conversion price before adjustment x [number of ordinary shares issued before capital reduction (Note 8)/number of ordinary shares issued after capital reduction]

(2) Capital reduction in cash:

Adjusted conversion Price = [conversion price before adjustment × (1- ratio of the cash refund per share to the closing price on the last trading day before the replacement of new shares)] × (number of ordinary shares in issue before the capital reduction (Note 8)/ number of ordinary shares in issue after the capital reduction).

(3)Capital reduction of ordinary share due to change in denomination of shares:

Conversion price after adjustment = conversion price before adjustment × (number of ordinary shares in issue before change in denomination/number of ordinary shares in issue after change in denomination)

Note 8: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and private placement shares) less the number of treasury shares repurchased by the Company but not yet canceled or transferred.

XII. The Listing of the Convertible Corporate Bonds to TPEx and Termination of the Listing

The Convertible Corporate Bonds shall apply to TPEx for trading before the issue date, and shall be terminated when all of them are converted into ordinary shares or all of them are bought back or repaid by the Company. The above matters shall be announced after the Company has contacted TPEx for consent.

XIII. Listing of New Shares after the Conversion

The ordinary shares issued after the conversion of the converted bonds shall be listed and traded in Taiwan Stock Exchange Corporation (hereinafter referred to as “TWSE”) from the date of delivery and shall be announced by the Company upon the consent of TWSE. The ordinary shares of the Company will be issued in a non-paper manner and the converted ordinary shares will be listed and traded on the TWSE on a non-paper basis from the delivery date.

XIV. Registration of Change of Capital Stock

The Company shall, within 15 days after the end of each quarter, announce the amount of ordinary shares delivered in the previous quarter as a result of the conversion of the Convertible Corporate Bonds, and shall apply to the competent authority of company registration for registration of capital change at least once in each quarter.

XV. Handling of the Amount of Less One Share at Share Conversion

If there is less than one share of the Company’s ordinary shares at the time of conversion, the amount of such shares shall be paid by the Company in cash (calculated to NT1$, rounded up below), except for deducting the fees for share depositary and clearing.

XVI. Rights and Obligations after the Conversion

Unless otherwise provided for in the Regulations, the bondholders requesting conversion shall have the same rights and obligations as the holders of the original issued ordinary shares of the Company when they acquire the ordinary shares after the conversion request takes effect.

XVII. Ownership of Dividends of the Conversion Year

(I) Cash dividends

1. If the holder of this Convertible Corporate Bond requests conversion from January 1 of the current year to fifteen business days (excluding) before the cessation of transfer of cash dividends of the current year, the ordinary shares obtained from the conversion may be entitled to be granted to the cash dividend of the current year as decided by the shareholders' meeting of the next year.

2. In the current year, the conversion of the Convertible Corporate Bonds shall cease from 15 business days (inclusive) before the cash dividend of the Company ceases to transfer to the base date (inclusive) of the cash dividend.

3. Holders of the Convertible Corporate Bonds of the Company who request conversion from the day following the base date of the current annual cash dividend to December 31 (inclusive) of the current year shall not enjoy the stock dividends of the previous year as decided by the shareholders' meeting of the current year, but may be entitled to be granted to the cash dividend of the current year as decided by the shareholders' meeting of the next year.

(II) Stock Dividend

1. If the holder of the Convertible Corporate Bonds requests the conversion before 15 business days (excluding) prior to the date of cessation of the transfer of the Company's stock grants for the year commencing on January 1 of the current year, the ordinary shares resulting from the conversion may be subject to the stock dividends of the year preceding the resolution of the current year's shareholders' meeting.

2. In the current year, the conversion of the Convertible Corporate Bonds of the Company shall cease from 15 business days (inclusive) before the date of the termination of the transfer of the Company's stock grants to the date (inclusive) of the base date of the stock grants.

3. Holders of the Convertible Corporate Bonds of the Company who request conversion from the day following the ex-dividend base date of the current annual stock grants to December 31 (inclusive) of the current year shall not enjoy the stock dividends of the previous year as decided by the shareholders' meeting of the current year, but may be entitled to be granted to the stock dividend of the current year as decided by the shareholders' meeting of the

next year.

XVIII. The Company's Right to Redeem the Convertible Corporate Bonds

(I) If the closing price of the ordinary shares of the Company exceeds the then conversion price by 30% (inclusive) for thirty consecutive business days from the day following the expiry of three months after the date of issue of the Convertible Corporate Bonds (March 7, 2024) to forty days before the expiry of the Issue period (October 27, 2028), the Company may, within thirty (30) business days thereafter, send by registered post to the bondholders (the list of bondholders listed on the fifth business day prior to the date of sending the "Notice of Call" shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) a 30-day Notice of Call (the aforesaid period shall be from the date of issuance of the letter by the Company, and the expiration date of the aforesaid period shall be the base date for the redemption of the bonds, and the aforesaid period shall not be the period of suspension of conversion under Article 9). The redemption price is fixed at the face value of the bonds, and the Company will recover all of its bonds in cash, and writing to TPEx to announce. The Company shall, within five business days after the base date of bond redemption, redeem the Convertible Corporate Bonds in circulation in cash at the value of the bonds.

(II) If the outstanding balance of the Convertible Corporate Bonds is less than 10% of the total amount originally issued from the day following the expiry of three months after the date of issue of the Convertible Corporate Bonds (March 7, 2024) to forty days before the expiry of the Issue period (October 27, 2028), the Company may, at any time thereafter, send by registered post to the bondholders (the list of bondholders listed on the fifth business day prior to the date of sending the "Notice of Call" shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) a 30-day Notice of Call (the aforesaid period shall be from the date of issuance of the letter by the Company, and the expiration date of the aforesaid period shall be the base date for the redemption of the bonds, and the aforesaid period shall not be the period of suspension of conversion under Article 9). The redemption price is fixed at the face value of the bonds, and the Company will recover all of its bonds in cash, and writing to TPEx to announce. The Company shall, within five business days after the base date of bond redemption, redeem the Convertible Corporate Bonds in circulation in cash at the value of the bonds.

(III) If the bondholder fails to provide a written replay to the Company’s stock agency (effective upon delivery, as indicated by the postmark date) before the bond redemption base date specified in the “Notice of Call”, the Company will redeem the outstanding Convertible Corporate Bonds in cash according to the face value of the bonds within five business days after the bond redemption base date.

(IV) If the Company executes the redemption request, the deadline for the bondholder to request conversion is the second business day after the Convertible Corporate Bond ceases trading over TPEx.

XIX. The put option base date for the early redemption of this Convertible Corporate Bond by the holders of it is December 6, 2026, after the issuance of the Convertible Corporate Bond for at least three years. The Company shall send a “Notice of Exercise of the Put Option” to the bondholder ((the list of bondholders listed on the fifth business day prior to the date of sending the “Notice of the Exercise of the Put Option” shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) by registered mail not later than forty days prior to the put option base date (October 27, 2026), and shall write to TPEx to notify the holder of the Convertible Corporate Bond of the exercise of the put option. The holder of the Convertible Corporate Bond may, within 40 days before the base date of put option, notify the stock agent of the Company in writing and request the Company to redeem the bond in cash at the face value of the bond plus interest compensation [100.7519% of bond face value after three years (yield to put of 0.25%)]. The Company shall redeem the Convertible Corporate Bond in cash within five business days after the base date of put option. If the aforementioned date falls on the day when the Taipei Stock Exchange is closed, it will be postponed to the next business day.

XX. All Convertible Corporate Bonds redeemed, repaid or converted by the Company (including those bought back by the dealer’s office) shall be cancelled and shall not be sold or issued again, and the conversion rights attached thereto shall be extinguished.

XXI. The Convertible Corporate Bonds and the ordinary shares converted are registered, their transfer of ownership, registration of change, pledge and loss are all handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and relevant provisions of the Company Act. In addition, tax matters shall be handled in accordance with the provisions of the current tax regulations.

XXII. Mega International Commercial Bank Co., LTD is the trustee of the bondholders and exercises the right and responsibility to check and supervise the Company’s execution of the issuance of the Convertible Corporate Bond on behalf of the bondholders. All bondholders who hold this convertible corporate bond, whether subscribed at the time of issuance or purchased midway, agree to and grant to the Trustee full authority in respect of the terms of the Contract of Trust between the Company and the Trustee, the rights and obligations of the Trustee and the present issue and conversion, and such authority shall not be revoked in the course of issue. As for the contents of the Contract of Trust, the bondholder may consult the Company or the Trustee's business premises at any time during business hours.

XXIII. The conversion, repayment of principal and interests of the Convertible Corporate Bond shall be entrusted to the Company's stock agency.

XXIV. In accordance with Article 8 of the Securities Exchange Act, no paper bonds will be printed.

XXV. Any matter concerning the issue and conversion method of the Convertible Corporate Bond shall be subject to relevant laws and regulations.