

Stock Code:6163



HWACOM SYSTEMS INC.

2023Annual Report

Annual Report Website: <http://mops.twse.com.tw>

Company Website: <Http://hwacom.com>

Printed on March 26, 2024

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## A. Letter to Shareholders

### Business Report

#### I. 2023 Operating Performance:

##### (I) Business Plan Implementation Results:

The Company's net operating revenue of 2023 was NT\$5,252,732 thousand, a decrease of 13.81% over NT\$6,094,449 thousand in 2022. Net profit was NT\$57,452 thousand and EPS was, NT\$ 0.42.

##### (II) Budget Implementation: The Company did not disclose financial forecast in 2023.

##### (III) Financial Structure and Profitability Analysis

Unit: NT\$ thousand

Item \ Year		2023	2022	Increase (Decrease) ratio %
Financial revenues and expenses	Operating revenue	5,252,732	6,094,449	(13.81)
	Operating profit gross	1,070,027	1,224,102	(12.59)
	Operating profit	13,688	117,540	(88.35)
	Non-operating income and expenses	57,452	46,080	24.68
Profitability	Return on assets (ROA)	1.10%	2.54%	(56.69)
	Return on equity (ROE)	2.46%	6.24%	(60.58)
	Pre-tax income to paid-in capital	5.04%	12.23%	(58.79)
	Net profit margin	1.10%	2.27%	(51.54)
	Earnings per share (NT\$)	0.42	1.06	(60.38)
	Net profit after tax	57,620	138,097	(58.28)

##### (IV) Research and Development Status:

The Company continues to invest in various relevant R&D technologies. The R&D progress for this year is listed as the following:

1. R&D of value-added application platform used for IoV smart transportations.
2. Developed cyber security application services by utilizing big data.
3. Developed smart operation center integrated monitoring platform for smart city by utilizing AI and big data technologies.
4. 5G related private network applications.
5. Industrial IoT (IIoT) information security services.

## II. Overview of Business Plan for 2024:

### (I) Operating Policy:

1. HWACOM will continue to focus on the business field of "Broadband Application Service Integrator". In addition, we will also strengthen our R&D capabilities in AI, big data technology, and application system integration.
2. Development of innovative services: Optimistic about the diversified development of IoT, ICT, and mobile markets, the Company will focus on developing five fields, namely, 5G private network application and integration service, information network service, IPTV, information security application and integration service, and smart services, etc. HWACOM aims to gradually evolve into a value-added innovative and integration service provider to meet customers' needs and to build our core business values.
3. Drive digital transformation by consolidating internal organization and aligning them with external resources. Through enhancing technological integration implementing applications of business and artificial intelligent, software development competencies, promoting for digitization of service platforms and project management, we will be an integrated service provider of total solutions.
4. Strengthen brand promotion and establish a positive brand presence, and by conveying our brand value, HWACOM aims to gradually enhance brand recognition.
5. Fulfill the social responsibility as a corporate citizen by giving back to the society; the Company will collaborate with partners and customers to actively participate in charity and welfare in order to contribute to and to care for the society. We will also assume the responsibilities as a corporation and take actions against material ESG issues.

### (II) Expected sales volume, their basis, and major manufacturing and marketing strategy:

1. Enhance overall profitability and strengthen management over large-scale projects; accelerate project acceptance schedules to save costs.
2. Enhance sales capabilities by shifting from Product Sales to Business Solution-oriented sales approach so as to become a "Broadband Application Service Integrator."
3. Increase sales of value-added integration services in cloud-based IoT application and information security.
4. Drive profits while reducing costs; prioritize talent cultivation and growth, as well as overall employee welfare and incentives.
5. Continue to promote the building of information exchange platforms throughout the Company to effectively enhance work planning, thereby improving business performance.

### III. Future Development Strategies

- (I) Promote digital transformation and value-added services for cloud-based IoT.
- (II) Build an infrastructure team for smart, ICT, IoT, AIoT, and cybersecurity services.
- (III) Strengthen relations with partners throughout the industry chain, and continue to invest in in-house R&D of niche products and services while formulating market sales and promotional plans.
- (IV) Develop cloud-based AIoT, cybersecurity, and big data in smart city governance by building a shared innovation service and applications platform.

### IV. Impacts from external environment, regulatory environment, and overall business environment

In response to the competitive market trends and post-COVID industry changes, the Company will uphold the spirit of long-term commitment - which has won much of our customers' trust - to strengthen our company structure, financial standings, performance, technical capabilities, and most importantly, service quality, to strive for customer faith in our technical expertise and service, thereby awarding us with more projects.

Finally, the Company wishes to express our utmost gratitude to our shareholders, customers, partners, and employees who have provided unwavering supports. The Company will continue to uphold the belief in sustainable operation and pursuit of excellence, hoping to achieve even better performance in the coming year.

We would like to wish everyone

Great health and prosperity,

Chairman Gary Chen

## Chapter 2 Company Profile

I. Date of Incorporation May 4, 1994

II. Company History:

- 2008
  - Issued the second domestic secured convertible bond with an issuance amount of NT\$200 million.
  - Won "HD MOD STB (270,000 units) and server equipment expansion tender project for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The tender project amount was NT\$942 million.
  - Won "GESW network equipment expansion and installation tender project for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$663 million.
  - Won "HD MOD STB (180,000 units) and server equipment expansion tender project for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$628 million.
  - Won "DSLAMVDSL 2 FTTx network equipment expansion tender project (NA2970109) for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$564 million.
  - Won "VDSL2 network equipment expansion tender project (N97C3603, S97C5073) for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$1.202 billion.
  - Won "AGG-C concentrator equipment expansion and installation tender project (NA8970417) for the year of 2008" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$559 million.
  - Won "purchase and installation of AGG-E concentrator equipment tender project (NA2970421)" of North and South Branch of Chunghwa Telecom Co., Ltd. The project amount was NT\$432 million.
- 2009
  - Won "expansion and purchases of HD MOD STB (150,000 units) and server equipment tender project (NA1980210) for the year of 2009" for Chunghwa Telecom. The project amount was NT\$512 million.
  - Won "VDSL2 network system equipment tender project (NA1980264) for the year of 2009" for Chunghwa Telecom. The project amount was NT\$586 million.
- 2010
  - Won "VDSL2 network system equipment tender project (Group A) (NA1990076) for the year of 2010" for Chunghwa Telecom's North Branch. The project amount was NT\$804 million.
  - Won " DSLAMVDSL2 HGW expansion tender project" for Chunghwa Telecom. The project amount was NT\$530 million.



- 2011 - Won "MOD equipment (total 200,000 units) tender project (Group A and B)(NA1000216) for the year of 2013" for Chunghwa Telecom's North Branch. The project amount was NT\$469 million.
- Won "VDSL2 network system equipment tender project (A Group) (NA8000397) for the year of 2013" for Chunghwa Telecom's North Branch. The project amount was NT\$749 million.
- 2012 - Issued the third domestic secured convertible bond with an issuance amount of NT\$250 million.
- Won "GPON system equipment expansion tender project (NA1010248) for the year of 2013" for Chunghwa Telecom's North Branch. The amount of this tender project was NT\$1,073,900 thousand (tax included).
- 2013 - 2013 - Won "MOD STB equipment tender project (NA3010535) for the year of 2013" of North and South Branch of Chunghwa Telecom. The project amount was NT\$553,000 thousand (tax included).
- Won "DSLAMVDSL2 secondary expansion tender project (A Group)(NA8020303) for the year of 2013" for Chunghwa Telecom. The project amount was NT\$855,525 thousand (tax included).
- Won bid R13 On-site equipment engineering tender project of Northern Region Highway and Port Western Interchange Existing Traffic Control System Upgrade and Improvement Project for Northern Region Branch Office of Freeway Bureau, MOTC. The project amount was NT\$421,580 thousand (tax included).
- Exercised the bond redemption rights and terminated over-the-counter trading of its third domestic secured convertible bond.
- Won "GPON system equipment tender project (A Group) (NA1010633) for the year of 2013" for Chunghwa Telecom's North Branch. The amount of this tender project was NT\$418,645 thousand (tax included).
- 2014 - The record date of the Company's third share capital reduction was March 19, 2014.
- 2015 - Repurchased Company shares for the fourth time, the actual period of this buyback was from August 12 to October 8, 2015, in which 2,500,000 shares were bought back.
- 2016 - Won R32 "National Highway 3 Traffic Control Enhancement and Installation of Traffic Control Equipment on Selected Sections tender project" for Southern Region Branch Office of Freeway Bureau, MOTC. The amount of this tender project was NT\$468,160 thousand (tax included).
- 2017 - Won V2 DSLAM+HGW access device expansion tender project (A Group) for the year of 2017" for Chunghwa Telecom. The project amount was NT\$429,833 thousand (tax included).

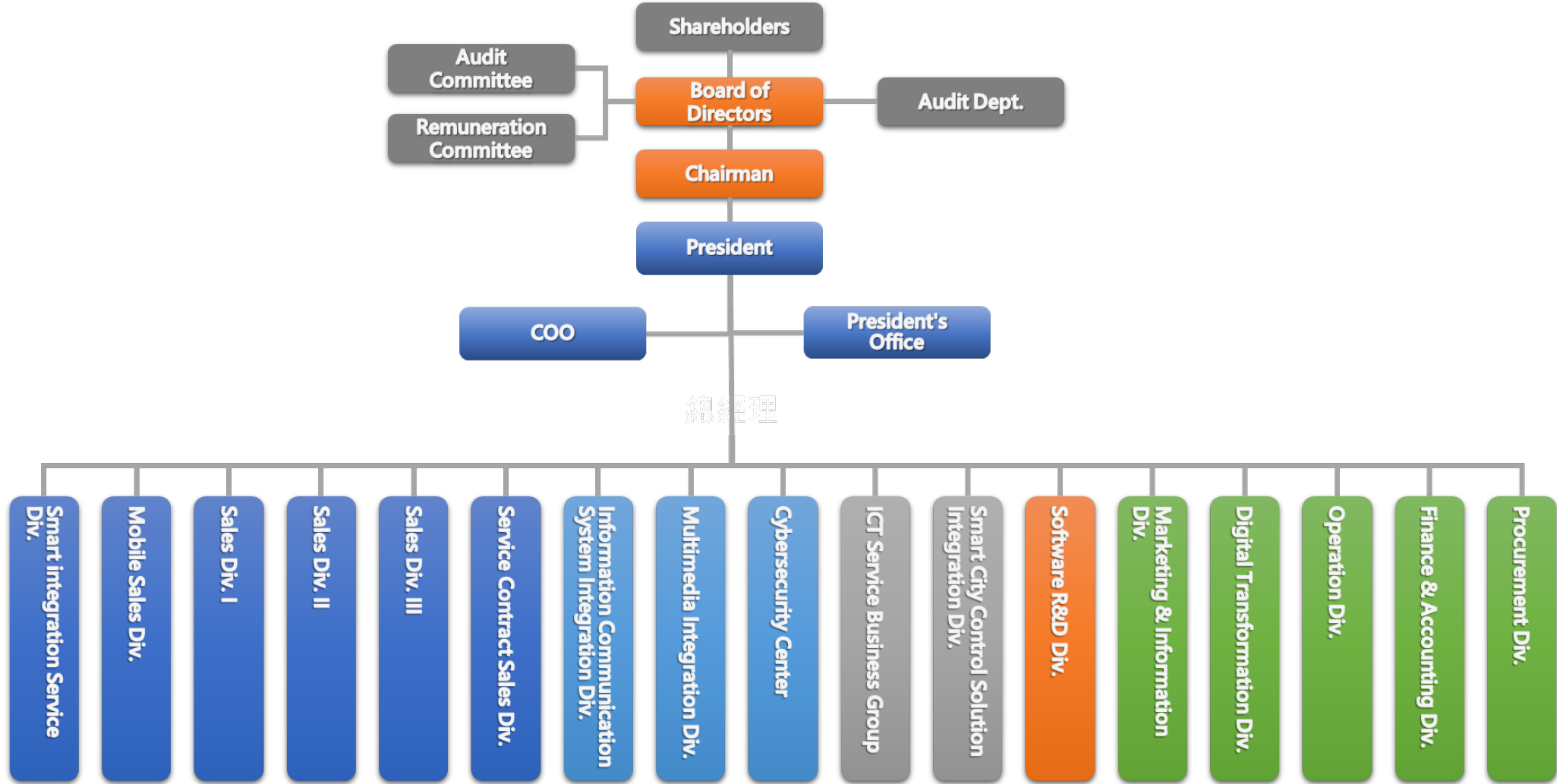
- 2018 - Undertaken "Taiwan Taoyuan International Airport Terminal 3 Area Information Communication System Engineering project" of CTCI Advanced Systems Inc., regarding contracting engineering such as detail design of information communication system, equipment procurement, installation, and testing.
- 2019 - Completed private placement on capital increase for NT\$194,000 thousand, and placee Advantech Investment Co., Ltd. became a strategic investor of the Company.
- 2020 - Won core NGN SVG equipment implementation tender project (A Group) for the year of 2020" for Chunghwa Telecom. The project amount was NT\$446,191 thousand (tax included).
  - Awarded formal dual certificates for "ISO 27001:2013 Information Security Management System" and "ISO 27701:2019 Privacy Information Management System" by the British Standards Institute.
- 2021 - Issued the fourth domestic unsecured convertible corporate bonds, with a total issuance amount of NT\$300 million.

- (I) M&A, investments in affiliated enterprises, and corporate reorganization in the most recent fiscal year and as of the date of publication of the Annual Report: None.
- (II) Instances of mass transfer of equity by or change of Directors, Supervisors, or shareholders holding more than 10% interest on the Company: None.
- (III) Changes in ownership rights: None.
- (IV) Significant changes in business operations or business activities: None.
- (V) Other significant matters affecting shareholders' equity and their impacts on the Company: None.

# Chapter 3 Corporate Governance Report

## I. Organizational System

(I) Organization Structure



## (II) Business and functions of main departments

Department	Functions
Audit Dept.	<ol style="list-style-type: none"> <li>1. Establishment, revision, and review of internal audit systems.</li> <li>2. Execution of internal audit operations for the Company and its subsidiaries.</li> <li>3. Handle employee complaints and vendor grievances.</li> </ol>
Smart Integration Service Div. Mobile Sales Div. Service Contract Sales Div. Sales Divisions I, II, and III	<ol style="list-style-type: none"> <li>1. Business divisions will expand various businesses by industry.</li> <li>2. Conduct regular market survey and analyze customer satisfaction to develop potential customers.</li> <li>3. Draft product sales plans and maintain customer satisfaction.</li> <li>4. Plan to develop international markets.</li> <li>5. Formulate and sign equipment maintenance or overall operating and service contracts.</li> <li>6. Utilize the service information platform and skilled technical professionals to provide customers with high-quality services.</li> </ol>
Information Communication System Integration Div.	<ol style="list-style-type: none"> <li>1. Provision of presale planning and professional technical support for broadband communication systems.</li> <li>2. Provision of presale planning and professional technical support for IP data networks and transmission systems.</li> <li>3. Development and promotion of value-added 3G/4G telecom application services.</li> <li>2. Plan and provide professional technical support for ICT system integration and total solutions.</li> <li>4. Professional technical integration services for cloud services and virtualization solutions.</li> <li>5. Development and integration services for telecom software and applications.</li> </ol>
Multimedia Integration Div.	<ol style="list-style-type: none"> <li>1. IPTV/OTT and DVB-C set-top box products.</li> <li>2. IPTV and OTT service system solutions.</li> <li>3. Digital headend and transmission solutions.</li> <li>4. Wi-Fi integrated marketing services (promote advertising and sales).</li> <li>5. Traffic information/digital advertising billboard software systems.</li> </ol>
Cybersecurity Center	<ol style="list-style-type: none"> <li>1. Provision of cybersecurity solutions and managed security services.</li> <li>2. Agency and promotion of IP data system products.</li> <li>3. Agency, planning, and promotion of IT-related products and solutions.</li> <li>4. Establishment of strong collaborative partnerships with original manufacturers. Move to Product Development team in President Office.</li> </ol>
Software R&D Div.	<ol style="list-style-type: none"> <li>1. Research and development of application services and customization.</li> <li>2. Research and development and implementation of system platforms.</li> <li>3. Development of new software technologies.</li> </ol>
Smart City Control Solution Integration Div.	<ol style="list-style-type: none"> <li>1. Integrated smart city solutions.</li> <li>2. Implementation and management of transportation, monitoring, and disaster management systems.</li> <li>3. Development and integration of smart monitoring system platform.</li> <li>4. Development of IoT systems and data analytics application services.</li> <li>5. Development and establishment of heterogeneous system integration and decision-making platforms.</li> <li>6. Supports ICT and Cybersecurity departments to create business opportunities in urban management fields.</li> </ol>
ICT Service Business Group	<ol style="list-style-type: none"> <li>1. Plans and executes customer system integrations.</li> <li>2. Provides software/hardware maintenance to customers.</li> <li>3. Customer Service Center: Troubleshoots customer issues.</li> </ol>
Software R&D Div.	<ol style="list-style-type: none"> <li>1. Research and development of application services and customization.</li> <li>2. Research and development and implementation of system platforms.</li> <li>3. Development of new software technologies.</li> </ol>
Operation. Div.	<ol style="list-style-type: none"> <li>1. Responsible human resource management and general/factory management in Comany.</li> <li>2. Warehousing management and Inventory management.</li> <li>3. Information construction, maintenance and information services in Company.</li> <li>4. Operations management, legal affairs and document management.</li> </ol>

	5. Occupational safety and health management
Finance & Accounting Div.	<ol style="list-style-type: none"> <li>1. Bookkeeping and preparing financial reports, provides and analyzes management information, tax planning, and budget management.</li> <li>2. Fund management, cash flow management, payout, and administrative affairs.</li> </ol>
Procurement Div.	<ol style="list-style-type: none"> <li>1. In charge of procurement and outsourcing of materials, equipment, and engineering for the Company's various projects.</li> </ol>
Marketing & Information Div.	<ol style="list-style-type: none"> <li>1. Responsible for market research and analysis.</li> <li>2. Maintaining relationships with product agents.</li> <li>3. Draft product sales plans and maintain customer satisfaction.</li> <li>4. Integrate Company resources to maximize productivity.</li> <li>5. Coordinate external media relations.</li> </ol>
Digital Transformation Div.	<ol style="list-style-type: none"> <li>1. Formulate and implement information system policies.</li> <li>2. Responsible for planning and maintenance of digitization of operational systems and computerized information management integration across internal departments.</li> <li>3. Planning and R&amp;D of application systems and services.</li> <li>4. Develop integrated application systems and services.</li> <li>5. Established the "HWACOM Digital Platform."</li> </ol>

## II. Information on Board Directors, President, Vice Presidents, Director, head of each department, and branch officers

### (I) Directors:

#### 1. Director Information

March 26, 2024

Title	Nationality or place of registration	Name	Gender Age	Date elected/appointed	Term	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions currently held within the Company	Spouse or relatives within second degree of kinship acting as Directors, Supervisors, or other department heads			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Gary Chen	Male Above 60	2022.6.23	3	1997.9.8	6,063,097	4.54%	6,063,097	4.30%	0	0%	0	0%	NKUST President of Hand Information Co., Ltd.	President of HWACOM Systems Inc. Representative of Hwakuan Systems Integration Technology (Shanghai) Co., Ltd. Director of Lutain Investment Co., Ltd. Representative of HwaCom Charity Foundation Chairman of S-Link Systems Inc. Director of Tarantula Networks Ltd. Chairman of Family plus technology Inc.	None	None	None	Note 1
Director	Republic of China	Advantech Investment Co., Ltd. Representative: Michael Huang	Male 30-40	2022.6.23 2022.6.23	3	2020.6.24	24,575,000	18.38% 0.00%	24,575,000	17.42% 0.00%	0 0	0% 0%	0 0	0% 0%	University of Colorado Denver, MS Finance	Director of International Integrated Systems, Inc. Director of Huan Yan IoT Co., Ltd. Project Manager of Strategic Investment Dept., Advantech Co., Ltd.	None	None	None	
Director	Republic of China	Lutain Investment Co., Ltd. Representative: Alex Yang	Male 50-60	2022.6.23 2022.6.23	3	2022.6.23	3,364,427 30,000	2.52% 0.02%	3,008,427 92,000	2.13% 0.07%	0 0	0% 0%	0 0	0% 0%	Master in Electrical Engineering, NTU IP Network Management, Eastern Media Technology (EMT)	Vice President of HwaCom Systems Inc. Supervisor of S-Link Systems Inc. Director of Family plus technology Inc.	None	None	None	
Director	Republic of China	Alex Huang	Male 40-50	2022.6.23	3	2009.6.10	145,975	0.11%	169,975	0.12%	0	0%	0	0%	Master in International Business, NCCU Sales Director of Stream Technologies Inc.	Vice President of HwaCom Systems Inc. Director of Family plus technology Inc.	None	None	None	
Director	Republic of China	Ellen Weng	Female 50-60	2022.6.23	3	2019.6.28	10,688	0.01%	34,688	0.02%	0	0%	0	0%	Bachelor in ECS, Feng Chia University Sales Manager of Hand Information Co., Ltd.	Vice President of HwaCom Systems Inc.	None	None	None	

Title	Nationalit y or place of registratio n	Name	Gender Age	Date elected/ appointed	Term	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions currently held within the Company	Spouse or relatives within second degree of kinship acting as Directors, Supervisors, or other department heads			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independen t Director	Republic of China	Jason Lee	Male 50~60	2022.6.23	3	2016.6.21	0	0.00%	0	0.00%	0	0%	0	0%	Master of Business Administration, NTU President of Da Hwa International Securities Investment Consulting Co., Ltd	Member of Remuneration Committee of HwaCom Systems Inc.	None	None	None	
Independen t Director	Republic of China	Li Ming-juinn	Male 50~60	2022.6.23	3	2016.6.21	0	0.00%	0	0.00%	0	0%	0	0%	LL.D. at Kyoto University Assistant Professor of Law School, Okayama University Assistant Research Fellow of Institute of International Relations, NCCU	Member of Remuneration Committee of HwaCom Systems Inc. Vice President for R&D at Taiwan Brain Trust	None	None	None	
Independen t Director	Republic of China	Chorng-Shyong Ong	Male 60~70	2022.6.23	3	2022.6.23	0	0.00%	0	0.00%	0	0%	0	0%	Doctor of Business Administration, NTU Deputy Dean of College of Management, NTU Member of Board of Examiners of Civil Service Examinations	Member of Remuneration Committee of HwaCom Systems Inc. Adjunct Professor of Information Management, NTU	None	None	None	
Independen t Director	Republic of China	Cilin Lin	Female 60~70	2023.6.30	2	2023.6.30	0	0.00%	0	0.00%	0	0%	0	0%	PhD of Electrical Engineering, NTU Professor of Department of Electronic Engineering and Dean of School of Engineering and Management, Huaan University	None	None	None		

Note 1: To enhance the efficiency of corporate governance and ensure prudent decision-making that aligns with maximizing the Company values, the Chairman concurrently serves as the President. This allows for smoother execution of decisions and reduces the likelihood of making unfavorable choices for the Company.

In order to reduce the concentration of power in the Chairman-cum-President role, we are taking steps this year to amend the articles of Incorporation. These amendments include increasing the number of directors and planning for a certain proportion of independent Directors. We aim to maintain the normal functioning of the Board of Directors and mitigate any potential interference.

Table I: Major Shareholders of Corporate Shareholders

March 26, 2024

Name of corporate shareholders	Major shareholders of corporate shareholders
Advantech Investment Co., Ltd.	Advantech Co., Ltd.

Table II: Major shareholders in the above table who are institutional investors and their major shareholders

April 1, 2024

Name of the Corporate	Major Shareholders of the Corporate
Advantech Co., Ltd.	Asus Computer Co., Ltd. (13.19%)、K and M Investment Co., Ltd. (11.68%)、AIDC Investment Corp. (11.54%)、K.C. Liu (3.25%)、Advantech Foundation (2.85%)、Tran-Fei Development Co., Ltd (2.38%)、Yong-Shun Zhuang (2.25%)、First Sentier Investors ICVC-Stewart Investors Asia Pacific Leaders Sustainability Fund (2.02%)、The Overlook Partners Fund L.P (1.92%)、Labor Pension Fund ( The New Fund ) (1.09%)



## Profile of directors and supervisors (II)

### I. Disclosure of Professional Qualifications of Board Directors and Supervisors and Independence of Independent Directors:

Criteria Name	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Chairman Gary Chen	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company, and currently serves as the Chairman and President of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None
Corporate director Advantech Investment Co., Ltd. Representative: Michael Huang	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 4. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None
Corporate Board director Lutain Investment Co., Ltd. Representative: Alex Yang	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None
Board Director Alex Huang	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders.	None

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
	2. Not under any of the circumstances stated in Article 30 of the Company Act.	2. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	
Board Director Ellen Weng	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None
Independent Director Jason Lee	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 4. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None
Independent Director Li Ming-juinn	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 4. Not having a marital relationship, or a relative within the second degree of	1

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
		kinship to any other director or supervisor of the Company.	
Independent Director Chorng-Shyong Ong	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 4. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	2
Independent Director Cllin Lin	1. Possesses a minimum of five years of work experience in the required areas for the business of the Company. 2. Not under any of the circumstances stated in Article 30 of the Company Act.	1. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 2. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 3. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. Not having a marital relationship, or a relative within the second degree of kinship to any other director or supervisor of the Company.	None

## II. Diversity and independence of the Board of Directors:

- (I) Board Diversity: The members of the Company's Board of Directors are nominated and elected according to the Articles of Incorporation. All directors are elected using the candidate nomination system, which assesses the candidates' education and work experiences while following “Regulations Governing the Election of Directors” and “Corporate Governance Best Practice Principles” to ensure the diversity and independence of the Board members. The current Board is comprised of 9 directors (including 4 independent directors). The members are equipped with various professional capabilities including production and management, decision-making, knowledge of the Industry, global perspective and the ability to perform accounting and financial analysis.

Diversity Items  Name	Basic composition									Professional knowledge and skills				
	Gender	Nationality	Title	Age			Independent director office term			Ability to manage a business	Decision-making ability	Knowledge of the industry	Global perspective	Ability to perform accounting and financial analysis
				Under 50	50 to 60	Above 60	Below 3 years	3 to 6 years	Over 6 years					
Gary Chen	Male	Republic of China	Chairman President			V				V	V	V	V	
Advantech Investment Co., Ltd. Representative: Michael Huang	Male	Corporate director	-	V						V	V	V	V	
Corporate director Lutain Investment Co., Ltd. Representative: Alex Yang	Male	Corporate director	Vice President		V					V	V	V	V	
Alex Huang	Male	Republic of China	Vice President	V						V	V	V	V	V
Ellen Weng	Female	Republic of China	Vice President		V					V	V	V	V	
Jason Lee	Male	Republic of China	-		V				V	V	V	V	V	V
Li Ming-juinn	Male	Republic of China	-		V				V	V	V	V	V	V
Chorng-Shyong Ong	Male	Republic of China	-			V	V			V	V	V	V	V
Clilin Lin	Female	Republic of China				V	V			V	V	V	V	

- (II) Board independence: Currently, the Company has 9 directors (including 4 independent directors) and the ratio of independent directors accounts for 44.44%, and the ratio of female directors accounts for 22.22% among all directors. The two female independent directors have each served for more than 6 years. All independent directors comply with the regulations set by the Financial Supervisory Commission (FSC) regarding independent directors, and there are no relationships among any of the directors as specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

## (II) Information on President, Vice Presidents, Director, head of each department, and branch officers

March 26, 2024

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Gary Chen	Male	1994.5.4	6,063,097	4.30%	0	0%	0	0%	NKUST President of Hand Information Co., Ltd.	Chairman of Hwacom Systems Inc. Representative of Hwakuan Systems Integration Technology (Shanghai) Co., Ltd. Board Director of Lutain Investment Co., Ltd. Representative of HwaCom Charity Foundation Chairman of S-Link Systems Inc. Board Director of Tarantula Networks Ltd. Chairman of Family plus technology Inc.	None	None	None	Note 1
COO	Republic of China	Simon Wang	Male	2022.2.9	100,000	0.07%	0	0%	0	0%	Ph D., Industrial Engineering and Management Department, National Tsing Hua University Master in San Jose State University VP, Business Development & Operations/Supermicro Computer Inc. Assistant Professor, Department of Business Management, Ming Chi University of Technology.	None	None	None	None	
Service Contract Sales Div. Vice President	Republic of China	Jademon Kuan	Male	1994.5.4	24,257	0.02%	0	0%	0	0%	Bachelor in ECS, Feng Chia University Director of Hand Information Co., Ltd.	Board Director of HwaCom Systems Inc. Board Director of S-Link Systems Inc.	None	None	None	
President's Office Vice President	Republic of China	Albert Ko	Male	2000.11.2	39,000	0.03%	0	0%	0	0%	Department of Accounting, NCCU Holds CPA qualification Finance Director of APEX Science & Engineering Co.	None	None	None	None	
Marketing & Information Div. Vice President	Republic of China	MingYeh Hsieh	Male	2006.10.2	77,789	0.06%	0	0%	0	0%	Department of Computer Science and Information Engineering, Tamkang University California State University Computer Science	Board Director of S-Link Systems Inc.	None	None	None	

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Vice President of Chunghwa Mobile Entertainment Corporation					
Smart Integration Service Div. Vice President	Republic of China	Ellen Weng	Female	1994.7.26	34,688	0.02%	0	0%	0	0%	EMBA in Information Management, NTU	Board Director of HwaCom Systems Inc.	None	None	None	
Multimedia Integration Div. Vice President	Republic of China	Alex Huang	Male	2004.11.1	169,975	0.12%	0	0%	0	0%	Master in International Business, NCCU Sales Director of Stream Technologies Inc.	Board Director of HwaCom Systems Inc. Board Director of Family plus technology Inc.	None	None	None	
Cybersecurity Center Vice President	Republic of China	Joe Cheng	Male	2011.4.1	7,500	0.01%	0	0%	0	0%	Ph.D., Institute of Management of Technology, National Chiao Tung University President of Telcordia Technologies Taiwan President, Open Information Security Inc	None	None	None	None	
Mobile Sales Div. Vice President	Republic of China	Tony Wang	Male	2009.6.1	23,790	0.02%	0	0%	0	0%	WestcoastUniversityMMIS Sales Manager of Avant Telsystem Inc.	Representative of Corporate Board Director Acom Networks Technology Co., Ltd.	None	None	None	
Information Communication System Integration Div. Vice President	Republic of China	Alex Yang	Male	2017.5.19	92,000	0.07%	0	0%	0	0%	Master in Electrical Engineering, NTU IP Network Management, Eastern Media Technology (EMT)	Representative of Corporate Board Director Lutain Investment Co., Ltd. Supervisor of S-Link Systems Inc. Board Director of Family plus technology Inc.	None	None	None	
Sales Div. II Vice President	Republic of China	MI Tu	Male	2017.5.19	27,000	0.02%	0	0%	0	0%	State University of New York computer science Senior Regional Manager of the Corporate BU, IBM	None	None	None	None	
Software R&D Div. Vice President	Republic of China	YH Leu	Male	2004.9.3	10,179	0.01%	0	0%	0	0%	Master of Computer Systems, Institute of Electrical Engineering, National Chung Cheng University R&D at First International Computer	Boeard Director of Family plus technology Inc.	None	None	None	
ICT Service Business Group Chief Technology Officer and Vice President	Republic of China	Hsieh-Heng Lin	Male	2017.3.1	0	0.00%	0	0%	0	0%	Master of Automation and Control Engineering, NCTU Vice President of Stark Technology Inc. Vice President of Eastern Media	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/ appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											International Co., Ltd. Assistant Researcher at Chunghwa Telecom Research Institute					
Sales Div. III Vice President	Republic of China	East Wu	Male	1998.9.15	75,353	0.05%	0	0%	0	0%	Department of Electronics, NTUT Assistant Manager at Mercuries Data Systems Ltd.	None	None	None	None	
Smart City Control Solution Integration Div. Vice President	Republic of China	Sky Yang	Male	2010.4.12	60,000	0.04%	0	0%	0	0%	Master of Transportation and Logistics Management, FCU Director of Vsprite Technology Co., Ltd.	None	None	None	None	
Vice President	Republic of China	Steven Chen	Male	2022.2.10	0	0.00%	0	0%	0	0%	Master of Business Administration, NTU Vice President, GIGA-BYTE Technology Co., Ltd. Director, Micro-Star International Co., Ltd.	None	None	None	None	
CFO	Republic of China	Sophia Wang	Female	2022.3.22	0	0.00%	0	0%	0	0%	MBA, National Chengchi University. Senior Director, Super Micro Computer, Inc. Chief of Finance, HP Enterprise Taiwan and Hong Kong.	None	None	None	None	
Senior Director in Accounting	Republic of China	Caroline Hsiao	Female	2001.2.12	10,950	0.01%	0	0%	0	0%	Accounting, Tamkang University Accounting Officer, APEX Science & Engineering Co.	None	None	None	None	
Multimedia Integration Div. Senior Director	Republic of China	Watson Huang	Male	2008.12.1	124,342	0.09%	0	0%	0	0%	Master of Information Science, NCTU Project Manager, Grandview Video Technology Co., Ltd.	Board Director of Family plus technology Inc.	None	None	None	
Multimedia Integration Div. Senior Director	Republic of China	Jerry Huang	Male	2010.11.1	0	0.00%	0	0%	0	0%	Computer Science, SCU Project Manager, Information Flow Technology Co., Ltd.	Supervisor of Family plus technology Inc.	None	None	None	
Products Management and Cybersecurity Div. Senior Director	Republic of China	Jerry Yang	Male	2011.9.30	17,802	0.01%	0	0%	0	0%	Department of Physics, Tamkang University pAsia Co., Ltd.	None	None	None	None	
Audit Dept. Senior Director	Republic of China	Iris Chen	Female	2015.8.3	2,000	0.00%	0	0%	0	0%	Department of Accounting, Fu Jen Catholic University Senior Manager of Lite-on Technology Corporation CPA, BDO Taiwan	None	None	None	None	
Mobile Sales Div. Director	Republic of China	Tina Wang	Female	2014.5.14	28,879	0.02%	68,675	0.05%	0	0%	Mechanical Drawing at Yongping Senior High School. Sales Assistant at T-Plus	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Solutions Limited					
Digital Transformation Div. Director	Republic of China	Warten Pan	Male	2019.5.13	8,143	0.01%	2,000	0%	0	0%	MBA, University of North Alabama NokiaSiemensNetworkIPPlanner	None	None	None	None	
Sales Div. III Director	Republic of China	James Yang	Male	2019.5.13	9,000	0.01%	0	0%	0	0%	EMBA, National Taiwan University of Science and Technology Director of Ring Line Co., Ltd. Director of Genesis Technology, Inc.	None	None	None	None	
Software R&D Div. Director	Republic of China	Johnson Hsu	Male	2016.1.6	0	0.00%	0	0%	0	0%	Department of Computer Science and Information Engineering, Dayeh University Technical Lead of Stark Technology Inc. Software Engineer, Giantene Technology Co., Ltd.	None	None	None	None	
Multimedia Integration Div. Director	Republic of China	Stanley Lin	Male	2011.9.30	0	0.00%	0	0%	0	0%	Master of Information Management, Aletheia University Project Manager, Twoway Communications, Inc.	None	None	None	None	
Products Management and Cybersecurity Div. Director	Republic of China	Yuchia Chen	Male	2015.1.4	0	0.00%	0	0%	0	0%	Department of Chemical Engineering, Southern Taiwan University of Science and Technology Network Engineer of Symphox Information Co., Ltd.	None	None	None	None	
Information Communication System Integration Div. Director	Republic of China	Steven Chen	Male	2015.1.4	18,167	0.01%	0	0%	0	0%	Department of Electronic Engineering, NTUT Broadband Technology Service at Eastern Media International Co., Ltd.	None	None	None	None	
Sales Div. III Director	Republic of China	Fisher Chung	Female	2018.10.1	45,000	0.03%	0	0%	0	0%	Bachelor of Business Administration, NTUST SYSTEX Corporation Chicony Electronics CO., Ltd. Rohm Semiconductor Taiwan Co., Ltd.	None	None	None	None	
Smart Integration Service Div. Director	Republic of China	Lynn Chung	Female	2019.8.2	6,323	0.00%	0	0%	0	0%	EMBA, Shih Chien University	None	None	None	None	
Sales Div. III Director	Republic of China	Jackie Chang	Male	2019.10.14	0	0.00%	0	0%	0	0%	MBA, University of Southern Queensland Vice President of Dong-Xiang	None	None	None	None	



Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Information Co., Ltd. IP Planner, Nokia Solutions and Networks Taiwan Co., Ltd. Director of DIYIXIAN.COM LIMITED TAIWAN BRANCH (HONG KONG)					
Sales Div. III Director	Republic of China	Victor Kung	Male	2020.2.26	7,500	0.01%	0	0%	0	0%	Master of Information Management, National Sun Yat-sen University Senior Business Manager of Omni System Integration, Inc. Project Manager of D-Link Corporation (Taiwan)	None	None	None	None	
Information Communication System Integration Div. Director	Republic of China	Andy Yu	Male	2020.9.1	36,000	0.03%	0	0%	0	0%	Department of Information Management, NTUB Assistant Manager of LIGHT STAR INFORMATION CO., LTD.	None	None	None	None	
ICT Service Business Group Director	Republic of China	Chaqe Chu	Male	2020.9.1	25,886	0.02%	0	0%	0	0%	Department of Business Administration, NKUST	None	None	None	None	
Software R&D Div. Director	Republic of China	Ken Hu	Male	2020.9.1	3,000	0.00%	0	0%	0	0%	Department of Marine Environment and Engineering, National Sun Yat-sen University Master of Oceanography, NTU Engineer of Atlas Services Group Energy B.V. R&D Manager of Aboutmedia Technology Co., Ltd. R&D Manager of Monmouth Technologies, Inc.	None	None	None	None	
ICT Service Business Group Director	Republic of China	Kevin Chen	Male	2020.9.1	21,935	0.02%	0	0%	0	0%	Master of Electro-Optical Engineering, National Taipei University of Technology	Director of Engineering Department of S-Link Systems Inc.	None	None	None	
Logistics Div. Director	Republic of China	Carol Chao	Female	2020.9.1	9167	0.01%	212	0%	0	0%	Department of Secretarial Science, NTUB	None	None	None	None	
ICT Service Business Group Director	Republic of China	Athena Tsai	Female	2020.9.1	9,000	0.01%	0	0%	0	0%	Master of Applied Mathematics, NCHU Providence University Mercuries Data Systems Ltd.	None	None	None	None	
Information Communication System Integration Div. Director	Republic of China	CF Yang	Male	2021.3.2	Note 2	-	0	0%	0	0%	University of Birmingham MBA Head of New Business Department, Taiwan Fixed Network Co., Ltd. UnaBiz Director	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Smart Integration Service Div. Director	Republic of China	Laurence Jih	Male	2021.10.1	0	0.00%	0	0%	0	0%	Chinese Culture University Project Manager of MBA TECHNIQUE CO., LTD.	None	None	None	None	
Smart Integration Service Div. Director	Republic of China	Rachel Lee	Female	2021.10.1	Note 3	-	0	0%	0	0%	Master of Tourism Management, NHU	None	None	None	None	
Sales Div. III Director	Republic of China	Mathew Yu	Male	2021.10.1	0	0.00%	0	0%	0	0%	Newport University MBA Assistant Manager of ATEAM Technology CO.	None	None	None	None	
Software R&D Div. Director	Republic of China	Titan Lee	Male	2022.5.1	9,000	0.01%	0	0%	0	0%	Department of Information Communications, CCU System Analyst of Altrust Inc.	None	None	None	None	
Sales Div. III Director	Republic of China	Evan YH Lai	Male	2022.5.1	0	0.00%	0	0%	0	0%	Master of Financial Engineering, King's College, University of London	None	None	None	None	

Note 1: To enhance the efficiency of corporate governance and ensure prudent decision-making that aligns with maximizing the Company values, the Chairman concurrently serves as the President. This allows for smoother execution of decisions and reduces the likelihood of making unfavorable choices for the Company.

In order to reduce the concentration of power in the Chairman-cum-President role, we are taking steps this year to amend the articles of Incorporation. These amendments include increasing the number of directors and planning for a certain proportion of independent Directors. We aim to maintain the normal functioning of the Board of Directors and mitigate any potential interference.

Note 2: CF Yang was dismissed of Senior Director on February 20,2024

Note 3: Rachel Lee was dismissed of Senior Director on February 20,2024

### III. Remunerations to Board Directors, President, and Vice Presidents in the most recent year

#### (I) Director's remunerations

December 31, 2023 (Unit: NT\$ thousand; thousand shares)

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net income		Remuneration for directors who concurrently serve as employees								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit after tax		Compensation from investments other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Director's remuneration (C)		Business expenses (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee remuneration (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	The Company	All companies in the financial statements			
Chairman	Gary Chen	60	60	0	0	955	955	5	5	1,020 1.77%	1,020 1.77%	8,495	8,495	0	0	0	0	0	0	9,515 16.51%	9,515 16.51%	None
Board Director	Advantech Investment Co., Ltd.	60	60	0	0	180	180	6	6	246 0.43%	246 0.43%	0	0	0	0	0	0	0	0	246 0.43%	246 0.43%	None
Board Director	Lutain Investment Co., Ltd.	60	60	0	0	180	180	4	4	244 0.42%	244 0.42%	0	0	0	0	0	0	0	0	244 0.42%	244 0.42%	None
Board Director	Ellen Weng	60	60	0	0	180	180	4	4	244 0.42%	244 0.42%	7,464	7,464	0	0	38	0	0	0	7,746 13.44%	7,746 13.44%	None
Board Director	Jademond Kuan	20	20	0	0	180	180	1	1	201 0.35%	201 0.35%	1,208	1,208	0	0	127	0	0	0	1,536 2.67%	1,536 2.67%	None
Board Director	Alex Huang	60	60	0	0	180	180	3	3	243 0.42%	243 0.42%	6,028	6,208	0	0	0	0	0	0	6,271 10.88%	6,271 10.88%	None
Independ ent Director	Jason Lee	540	540	0	0	0	0	28	28	568 0.99%	568 0.99%	0	0	0	0	0	0	0	0	568 0.99%	568 0.99%	None
Independ ent Director	Li Ming-juinn	540	540	0	0	0	0	22	22	562 0.98%	562 0.98%	0	0	0	0	0	0	0	0	562 0.98%	562 0.98%	None
Independ ent Director	Chorng-Shyong Ong	600	600	0	0	0	0	28	28	628 1.09%	628 1.09%	0	0	0	0	0	0	0	0	628 1.09%	628 1.09%	None

Independent Director	Cllin Lin	210	210	0	0	0	0	4	4	214 0.37%	214 0.37%	0	0	0	0	0	0	0	0	214 0.37%	214 0.37%	None
<p>1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:</p> <p>In accordance with the Company's Remuneration Committee Charter, the Remuneration Committee, is responsible for establishing and periodically reviewing policies, systems, standards, and structures related to the evaluation of directors and managers' performance and compensation. Recommendations regarding director's remunerations are submitted to the Board of Directors for discussion, and are limited to those specified in the Company's Articles of Incorporation or authorized by the Shareholders' Meeting for the Board to execute through a resolution. According to the Company's Articles of Incorporation, the remuneration of the Chairman and directors is determined by the Board of Directors, taking into account their level of involvement and contribution in the Company's operations while also in reference to domestic and international industry standards. In the event of annual profits, the Board of Directors may allocate no more than one percent of the profit as remuneration to directors in a resolution from the Board meeting, while proposals for employee remuneration and director remuneration should also be reported to the Shareholders' Meeting. However, an amount shall be set aside in advance to compensate for cumulative losses, if any, before employee and director remuneration could be allocated according to the aforementioned ratio.</p> <p>2. Except as disclosed above, remuneration received by directors in the most recent year for services rendered to all companies in the financial statement (e.g. acting as a non-employee consultant to parent company/all companies in the financial statements/investees): None.</p>																						

## (III) Remunerations to President and Vice President

December 31, 2023 Unit: NT\$ thousand; thousand shares)

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and special allowance, etc. (C)		Amount of employee remuneration (D)				Ratio of total compensation (A+B+C+D) and to net profit after tax (%)		Compensation from investments other than subsidiaries or 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 dividend	Stock bonus	Cash dividend	Stock bonus			
President	Gary Chen	71,657	71,657	0	0	24,971	24,971	2,723	0	2,723	0	99,351	99,351	0
COO	Simon Wang													
CFO	Sophia Wang													
CTO	Henry Lin													
Service Contract Sales Div. Vice President	Jademon Kuan													
Smart Integration Service Div. Vice President	Ellen Weng													
Information Communication System Integration Div. Vice President	Alex Yang													
Sales Div. II Vice President	MI Tu													
President's Office Vice President	Albert Ko													
Marketing & Information Div. Vice President	MingYeh Hsieh													
Multimedia Integration Div. Vice President	Alex Huang													
President's Office Vice President	Kuang-Chao Lan													
Mobile Sales Div. Vice President	Tony Wang													
Software R&D Div. Vice President	YH Leu													
Sales Div. III Vice President	East Wu													
Cybersecurity Center Vice President	Joe Cheng													
Smart City Control Solution Integration Div. Vice President	Sky Yang													
Vice President	Steven Chen													
Smart City Control Solution Integration Div. Vice President	Sky Yang													

## Range of Remuneration

Range of remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the financial statements
Under NT\$1,000,000	Henry Lin	Henry Lin
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Steven Chen	Steven Chen
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Jademon Kuan 、Joe Cheng 、MingYeh Hsieh 、Tony Wang 、MI Tu 、YH Leu	Jademon Kuan 、Joe Cheng 、MingYeh Hsieh 、Tony Wang 、MI Tu 、YH Leu
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Gary Chen 、Ellen Weng 、Alex Huang 、Albert Ko 、Alex Yang 、Sky Yang 、Simon Wang 、Sophia Wang	Gary Chen 、Ellen Weng 、Alex Huang 、Albert Ko 、Alex Yang 、Sky Yang 、Simon Wang 、Sophia Wang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Greater than NT\$100,000,000		
Total	17	17

## Managers' Name and the Distribution of Employee Remuneration

Unit: NT\$ thousand; thousand shares

	Title	Name	Stock bonus	Cash dividend	Total	Percentage of total bonuses to net profit after tax (%)
Managers	President	Gary Chen	0	14,345	14,345	0
	COO	Simon Wang				
	CFO	Sophia Wang				
	Vice President	Jademond Kuan				
	Vice President	Albert Ko				
	Vice President	MingYeh Hsieh				
	Vice President	Ellen Weng				
	Vice President	Alex Huang				
	Vice President	Joe Cheng				
	Vice President	Tony Wang				
	Vice President	Alex Yang				
	Vice President	MI Tu				
	Vice President	YH Leu				
	Chief Technology Officer and Vice President	Hsieh-Heng Lin				
	Vice President	East Wu				
	Vice President	Sky Yang				
	Vice President	Steven Chen				
	Senior DIRECTOR in Accounting	Caroline Hsiao				
	Senior Director	Watson Huang				
	Senior Director	Jerry Huang				
	Senior Director	Jerry Yang				
	Senior Director	Iris Chen				
	Senior Director	Tina Wang				
	Senior Director	Warten Pan				
	Senior Director	James Yang				
	Director	Johnson Hsu				
	Director	Stanley Lin				
	Director	Yuchia Chen				
	Director	Steven Chen				
	Director	Fisher Chung				
	Director	Lynn Chung				
	Director	Jackie Chang				
	Director	Victor Kung				
	Director	Andy Yu				
	Director	Chage Chu				
	Director	Ken Hu				
	Director	Kevin Chen				
	Director	Carol Chao				
	Director	Athena Tsai				
	Director	CF Yang				
	Director	Laurence Jih				
	Director	Rachel Lee				
	Director	Mathew Yu				
	Director	Titan Lee				
	Director	Evan YH Lai				

(IV) Comparison and analysis of remunerations to directors, supervisors, President, and Vice Presidents as a percentage of net profit after tax in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

1. Analysis of total remuneration of Directors, Supervisors, President and Vice Presidents as a percentage of net income during the past two fiscal years:

Unit: NT\$ thousand

Total as a percent of net profit after tax Percentage (%)	2023			2022		
Title	Total remuneration	Net profit after tax	Percentage of total remuneration to net profit after tax	Total remuneration	Net profit after tax	Percentage of total remuneration to net profit after tax
Board Director	4,170	57,620	7.24%	3,689	138,097	2.67%
Supervisor	0		0%	446		0.32%
President and Vice Presidents	71,657		124.36%	69,149		50.07%

There have been no changes in the method of paying remunerations to Board Directors, Supervisors, President, and VPs in the most recent two years.

2. The policies and standards of paying remunerations, and packages of remuneration; the procedure for making such decisions; and relation to business performance and future risks

- (1) The policies and standards of paying remunerations, and packages of remuneration

The remuneration for directors and supervisors of the Company is paid in accordance with the provisions of the Company's Articles of Incorporation:

Article 16: "The Board of Directors is authorized to determine remunerations for the Chairman, directors, and supervisors based on their level of participation and contribution to the Company's operations, taking into account industry standards."

The salary structure for the President and Vice Presidents of the Company is executed in accordance with the "Salary and Bonus Management Regulations," with recommendations submitted to the Board of Directors by the Remuneration Committee.

The remuneration for directors and supervisors includes allowances for transportation expenses, remuneration for performing their duties, and for dividend distributions. If directors also hold concurrent positions as employees of the Company, they may also receive employee remuneration. In addition to the base salary, the President and Vice Presidents may also receive additional allowances for managers and employee remuneration based on their positions, duties, and performance.

- (2) The procedures for setting remuneration

According to the Article 20 of the Company's Articles of Incorporation:

"If the Company makes profits in a year, 10% to 20% shall be allocated as employee remuneration, and the remuneration for directors and supervisors shall not exceed 1%. However, an amount shall be set aside in advance to compensate for cumulative losses, if any."

"If the Company has earnings to be distributed, taxes shall be reserved and paid first, followed by offsetting accumulated losses. Then, 10% shall be allocated as the legal reserve, and special reserves shall be set up in accordance with the law. If necessary, a portion of the earnings may be retained, and the remainder shall be distributed as dividends to shareholders. Among the dividends distributed in the



current year, the proportion of cash dividends shall be no less than 10%, and the rest may be distributed in the form of stock dividends."

(3) Correlation with business performance and future risks

In line with the Company's Articles of Incorporation, remuneration of directors and supervisors is determined according to the dividend distribution proposal approved by the Shareholders' Meeting, and it is closely related to the Company's operational performance. The Remuneration Committee regularly reviews the remuneration system based on the contributions of individual directors to the Board and the Company's operations.

The remuneration of the President and Vice Presidents is managed in accordance with the "Salary and Bonus Management Regulations," taking into account their contributions to the Company's operations, including future business risks, environmental considerations, and corporate social responsibility. These factors serve as the basis for calculating their remuneration, and the reasonableness of which is also periodically reviewed by the Remuneration Committee.

Therefore, the Company's operational performance is closely linked with the remuneration of directors and supervisors, as well as the remuneration of the President and Vice Presidents.

#### IV. Implementation of Corporate Governance

- (I) Operating Status of the Board of Directors: A total of 12 (A) meetings of the Board of Directors were held in the past year. The attendance of Directors was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Note
Chairman	Gary Chen	12	0	100.00%	2022.6.23 Re-elected
Director	Advantech Investment Co., Ltd. Representative: Michael Huang	11	0	91.67%	2022.6.23 Re-elected
Director	Lutain Investment Co., Ltd. Representative: Alex Yang	11	0	91.67%	2022.6.23 Elected
Director	Ellen Weng	10	0	83.33%	2022.6.23 Re-elected
Director	Jadmond Kuan	3	0	100.00%	2023.4.17 Resigned
Director	Alex Huang	10	0	83.33%	2022.6.23 Re-elected
Independent Director	Jason Lee	12	0	100.00%	2022.6.23 Re-elected
Independent Director	Li Ming-juinn	11	0	91.67%	2022.6.23 Re-elected
Independent Director	Chorng-Shyong Ong	11	0	91.67%	2022.6.23 Elected
Supervisor	Chlin Lin	5	0	83.33%	2023.6.30 Elected in by-election

Other matters that require reporting:

- I. Should any of the following take place in a Board meeting, the date and number of the meeting, the content of proposal, independent director's opinions, and the Company's response to such opinions should be recorded:
  - (I) Items specified in Article 14-3 of the Securities and Exchange Act: None.
  - (II) Aside from the above matters, other resolutions adopted by the Board of Directors to which an independent director has expressed objections or qualified opinions on record or in writing: None.
- II. Details, including names of directors, proposals, reasons for conflict of interest, and voting, of circumstances where directors recuse themselves due to conflict of interest: None.
- III. TWSE/TPEx listed companies shall disclose the frequency and period, scope, method and content of evaluation of their Board of Directors' self- (or peer) evaluation, and fill in the attached Table (2) on evaluation of the Board of Directors.

Evaluation cycle	Once every year
Evaluation period	Evaluation of the performance of the Board of Directors between January 1, 2023 and December 31, 2023
Evaluation scope	Performance evaluation of the Board of Directors, individual directors, and functional committees
Evaluation method	Internal evaluation of the Board of Directors, self-evaluation of Board members, internal evaluation of functional committees
Evaluation contents	<p>The evaluation content shall include at least the following items based on their respective scope of evaluation:</p> <p>(1) Board Performance Evaluation Including at least the degree of participation in the Company's operations, the quality of Board decisions, the composition and structure of the Board, the selection and continuing education of directors, internal control, etc.</p> <p>(2) Performance evaluation of individual directors: Including at least the mastery of Company goals and duties, awareness of director responsibilities, degree of participation in company operations, internal relationship management and communication, profession and continuing education of directors, internal control, etc.</p> <p>(3) Performance evaluation of functional committees: Degree of participation in the Company's operations, awareness of duties, decision-making quality, composition and selection of members, internal control, etc.</p>

- IV. An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:
  1. Board Meeting Efficiency and Evaluation:  
The Company has established the "Rules and Procedures for Board of Directors Meetings" in accordance with the guidelines of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". In order to enhance the efficiency of Board meetings, the Board of Directors has developed the "Board of Directors Performance Evaluation Guidelines" for evaluation by the Remuneration Committee, which also provides specific improvement recommendations.
  2. Directors' continuing education:  
To encourage directors to engage in continuing education, the Company arranges periodic training courses for directors and supervisors conducted by designated personnel.
  3. Directors' liability insurance:  
To provide protection for directors, supervisors, and managers against risks arising from their business activities, the Company purchases "Liability Insurance for Directors, Supervisors, and Managers" for them on an annual basis.

Note: A by-election was held for one director in 2023, and the number of attendance required for the by-election was 6 times.

(II) Operating Status of the Audit Committee:

In the recent fiscal year, the Audit Committees convened 5 meetings (A), and the

attendance of directors was as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Note
Independent Director	Jason Lee	5	100.00%	2022.6.23 Re-elected
Independent Director	Li Ming-juinn	4	80.00%	2022.6.23 Elected
Independent Director	Chorng-Shyong Ong	5	100.00%	2022.6.23 Re-elected
Independent Director	Cllin Lin	1	50.00%	2023.6.30 Elected in by-election

Other matters that require reporting:

I. The date of the Audit Committee meeting, the term, contents of the proposals, dissenting or qualified opinions given by independent directors or contents of major proposed items, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting.

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	The content of proposal that is related to the matters listed in Article 14-5 of the Securities and Exchange Act	Dissenting or qualified opinion of the Audit Committee
2023.3.14 (Fifth session of the 1st Term)	<ol style="list-style-type: none"> <li>1. The Company's completed business report and financial statements for 2022.</li> <li>2. Consolidated financial statements for 2022.</li> <li>3. The deliberation of the "Statement on Internal Control" for 2022.</li> <li>4. The distribution proposal of director and employee remuneration for the fiscal year 2022.</li> <li>5. Report on the repurchase of Company shares.</li> <li>6. Proposal to convene the Shareholder's Meeting for 2023.</li> </ol>	None
	Independent directors' dissenting opinions, qualified opinion, or signi recommendations: None.	
	Resolutions from Audit Committee meetings (2023.3.14): The chair passe matter without objection from any directors in attendance.	
	The Board of Directors' responses to the opinion of the Audit Comm Passed after the Chairman obtained unanimous consent from all atte directors and independent directors.	
2023.5.12 (The sixth session of the first term)	<ol style="list-style-type: none"> <li>1. The Company's consolidated financial report for Q1 2023.</li> <li>2. The 2022 dividend distribution proposal.</li> <li>3. Proposal to submit the list of nominated independent director for review by the Board of Directors.</li> <li>4. Proposal for amendments to certain articles of the Company's "Articles of Incorporation."</li> </ol>	None
	Independent directors' dissenting opinions, qualified opinion, or signi recommendations: None.	
	Resolutions from Audit Committee meetings (2023.5.12): The chair passe matter without objection from any directors in attendance.	
	The Board of Directors' responses to the opinion of the Audit Comm Passed after the Chairman obtained unanimous consent from all atte directors and independent directors.	
2023.6.12 (Seventh session of the first term)	<ol style="list-style-type: none"> <li>1. Ratification and planning for the establishment of Open Information Security INC.</li> <li>2. Proposal to set up a corporate governance officer.</li> </ol>	None

		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.	
		Resolutions from Audit Committee meetings (2023.6.12): The chair passed the matter without objection from any directors in attendance.	
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.	
2023.8.10 (The eighth session of the first term)	1. The Company's consolidated financial report for Q2 2023. 2. Proposal to set up a Hong Kong subsidiary with 100% investment from Hwacom Systems Inc. 3. Proposal for cash capital increase of NT\$50 million for the subsidiary "Open Information Security Inc." 4. Proposal to set up the Hwacom Systems Inc. Sustainable Development Committee. 5. Report on the repurchase of Company shares. 6. Proposal for amendments to certain articles of the Company's "Articles of Incorporation." 7. Proposal to establish the "Salary Management Regulations" of the Company. 8. Formulated greenhouse inventory and planning for subsidiaries.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.	
		Resolutions from Audit Committee meetings (2023.08.04): The chair passed the matter without objection from any directors in attendance.	
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.	
2023.11.9 (The ninth session of the first term)	1. The Company's consolidated financial report for Q3 2023. 2. Drafted the audit plan for the fiscal year 2024.		
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.	
		Resolutions from Audit Committee meetings (2023.11.09): The chair passed the matter without objection from any directors in attendance.	
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.	
(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: In the past fiscal year, the Company convened 5 Audit Committee meetings, and all of which were attended by all members of the Audit Committee, and all resolutions were passed unanimously.			
II.	When there are recusals of independent directors due to conflicts of interests, names of the independent directors, contents of resolutions, reasons of recusal, and voting participation should be stated: None.		
III.	Independent directors' communication with internal auditors and CPAs (shall include major matters, methods, and results of communication regarding the Company's financial position and business operations):		
	(I) The Company's internal audit supervisor regularly communicates results of the audit report to the Audit Committee and presents internal audit reports during quarterly Audit Committee meetings. In case of any special circumstances, immediate reporting is also made to the Audit Committee members. There were no such special circumstances during 2023. The communication between the Audit Committee and the internal audit supervisor of the Company has been good.		
	(II) The Company's CPAs report the results of their audit or review of the financial statements for each quarter during the Audit Committee meetings. They also communicate any other matters related to legal requirements. In case of any special circumstances, immediate reporting is made to the Audit Committee members. There were no such special circumstances during 2023. The communication between the Audit Committee and the CPAs has been good.		

(III) Corporate governance practices and discrepancies with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Evaluation item	Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
I. Has the company defined and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established its corporate governance principles pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and disclosed such principles on the Company website.	No significant difference.
II. Shareholding structure & shareholders' equity				
(I) Has the company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?	V		(I) The Company has appointed a spokesperson and deputy spokesperson to handle shareholder proposals or disputes.	No significant difference.
(II) Does the company have a list of major shareholders of companies over which the company has actual control and the list of ultimate owners of those major shareholders?	V		(II) The Company has entrusted a professional share handling agency for related matters. A dedicated person is responsible for handling these matters and reporting the shareholding from directors, managers, and major shareholders holding 10% or more of the Company's shares on a monthly basis. This ensures that we can stay on top of major shareholders with actual control over the Company.	No significant difference.
(III) Has the company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?	V		(III) The Company has established the "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group" as a set of guidelines governing financial transactions with related entities. Additionally, the "Subsidiary Monitoring Regulations" have been put in place to establish appropriate risk management mechanisms and prevent irregular transactions with related entities.	No significant difference.
(IV) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?			(IV) The Company has implemented the "Operating Procedures for Handling Material Insider Information and Preventing Insider Trading" to prohibit insiders from trading securities based on undisclosed material information in the market.	No significant difference.
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board with concrete management goals?	V		(I) The Company has formulated a "Corporate Governance Best Practice Principles", which stipulates that the composition of the Board of Directors should take into account diversity as well as basic conditions (gender, age, nationality and culture) and professional background, skills and industry experiences into consideration based on its operations, business model, and development needs. Board members shall be equipped with knowledge, skills, and attainments generally required for performing their tasks. In order to accomplish the preferred governance goals of the Company, the Board of Directors shall generally be equipped with the following capabilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to manage the business. 4. Ability to handle crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Decision-making ability. The Company's directors all have different expertise in various fields and are of great help to the Company's development and operations. Of the Company's 9 directors in the 11th term of the Company is listed, including 2 female members, those equipped with leadership, operational judgment, business management, crisis management and professional knowledge and international market observers are: Gary Chen, Ellen Weng, Alex Huang, Alex Yang, Michael Huang; While the independent directors are respectively good at financial affairs, industry knowledge and the ability to perform accounting and financial analysis. The proportion of directors who concurrently serve as employees of the Company is: 33%, independent directors account for 44%, female directors account for 22%.	No significant difference.
(II) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees?	V			
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	V			No significant difference.
(IV) Does the company periodically evaluate the level of independence of the CPA?	V			No significant difference.

Evaluation item	Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>two independent directors have a term of less than 3 years, two have had a term of less than 6 years. In addition, three independent directors are over 60 years old, four are between 50 and 60 years old, and two are under 50 years of age. The Company places a great emphasis on gender equality within the composition of the Board, and the target female representation is 30% or more.</p> <p>The diversity policy formulated by the Board of Directors regarding its composition is disclosed on the Company's website.</p> <p>(II) The Company's Board of Directors have approved the establishment of the "Remuneration Committee", "Audit Committee" and "Sustainable Development Management Committee".</p> <p>(III) The Board of Directors and Remuneration Committee are in charge of determining director remuneration based on the Company's operational performance through referencing industry standards. The Company also continues to improve the level of corporate governance in each year. Starting from the year 2020, we have formulated the Board of Directors Performance Evaluation Guidelines and conduct regular assessments in each year accordingly. The results of these performance evaluations are also reported to the Board.</p> <p>(IV) The Company's CPAs operate independently in accordance with relevant laws and regulations, and provide an "Statement of Independence" to the Company annually.</p>	
IV. Does the TWSE/TPEX listed company have a corporate governance unit and sufficient staff as well as a corporate governance officer responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, assisting the board and supervisors in legal compliance, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings) on a full-time or part-time basis?	V		<p>To ensure shareholders' equity and to strengthen the functions of the Board, pursuant to resolution from the Board of Directors meeting on June 12, 2023, Senior Director Iris Chen has been appointed to serve as the Corporate Governance Officer. The main responsibilities of this role are handling matters related to the Board of Directors meetings and the Shareholders' Meetings in accordance with the law, prepare minutes to Board meetings and Shareholders' Meetings, assist the directors in their appointment and continuing education, provide the directors with the information needed to perform their business, and assist the directors in compliance with laws and regulations.</p> <p>Implementation status of relevant tasks in 2023 include the following:</p> <ol style="list-style-type: none"> <li>1. Handle matters related to Board meetings and prepare minutes of Board meetings in accordance with the law.</li> <li>2. Review whether the Board resolution constitutes a major announcement.</li> <li>3. Assist directors with matters related to their continuing education (all directors' continuing education has been reported to the Market Observation Post System (MOPS)).</li> <li>4. Assist in meeting procedures of the Shareholders' Meeting and compliance matters related to resolutions.</li> <li>5. Pre-registration of Shareholders' Meeting dates is carried out in accordance with the law, meeting notices, meeting handbook and minutes are prepared within the legal period, and registration changes are handled after the amendment of the Articles of Incorporation and election of directors.</li> <li>6. Promote the achievement of corporate governance goals and review the scoring requirements for each year's Corporate Governance Evaluation.</li> <li>7. Arrange for communications between independent directors and internal auditors and CPAs.</li> <li>8. Purchase liability insurance for directors, supervisors, and key staff members.</li> </ol>	No significant difference.

Evaluation item	Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		The Company has set up a designated section for stakeholders on our website, providing timely and sufficient information for stakeholders to make informed judgments. Additionally, stakeholders can also communicate with us through channels such as telephone or email.	No significant difference.
VI. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	V		Matters related to Shareholders' Meeting, including the scheduling of the Shareholders' Meeting agenda and the completion of relevant reporting procedures is arranged and planned by the Shareholder Agency Department of Fubon Securities.	No significant difference.
VII. Information disclosure (I) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status? (II) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)? (III) Does the company announce and file the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?	V  V  V		(I) The Company has dedicated personnel to maintain and update our corporate website, ensuring timely disclosure of financial and business-related information for shareholders and the general public. Company website: <a href="http://www.hwacom.com">http://www.hwacom.com</a> . (II) The Company has appointed dedicated personnel to collect and disclose company information, and a spokesperson system has been established to ensure the timely and proper disclosure of information that may affect the decision-making of shareholders and stakeholders. (III) The Company completes the announcement and filing of annual and quarterly financial reports within the statutory deadlines, and submits monthly reports on the operational performance of each month.	No significant difference.  No significant difference.  Not specified.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(I) Employee rights and interests: The Company has always treated employees with honesty and integrity, and safeguards their legal rights in accordance with the Labor Standards Act and the Company's personnel regulations. (II) Employee relations: The Company provides diverse channels for employees to express their opinions, fostering a sense of engagement. It establishes a positive, mutually-trusting relationship with employees through enriching and stabilizing employee welfare systems, providing excellent education and training programs. For instance, We provide allowances for employee club activities, employee travel allowances, group insurance coverage, health check-up services, parking subsidies, and transportation allowances. (III) Investor relations: The Company aims to maximize shareholders' interests and treats all shareholders fairly. It promptly discloses material information, such as financial and business updates, and insider shareholding changes, through the "Market Observation Post System (MOPS)" The company's spokesperson and shareholder services personnel are responsible for addressing shareholder suggestions. (IV) Supplier relations: The Company has always maintained a good relationship with suppliers and handles procurement related matters in accordance with the relevant procurement management procedures. (V) Stakeholder interests: The Company and our transacting banks fulfill rights and obligations based on contracts and relevant operational rules, ensuring the protection of both parties' legal interests. The Company provides sufficient information for stakeholders to understand its operations and financial conditions. Stakeholders may protect their lawful interests through communicating with the Company and making suggestions.	No difference.
6. Continuing education of directors and supervisors:				

Evaluation item					Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
					Y	N	Summary	
Title	Name	Required hours of training	Training unit	Training time	Course name	Hours	Note	
Chairman	Gary Chen	6	International Project Management Association (IPMA)	2023/12/27 2023/12/28	Enterprise digital transformation and digital governance Building a succession team and talent development	6	Completed	
Director	Ellen Weng	6	Securities & Futures Institute	2023/03/09	The Metaverse and the Future of Cryptocurrency Blockchain How to best realize the profit-promoting functions of the functional committees of the Board of Directors	6	Completed	
Director	Alex Huang	6	International Project Management Association (IPMA)	2023/12/27 2023/12/28	Enterprise digital transformation and digital governance Building a succession team and talent development	6	Completed	
Representative of corporate director	Michael Huang	6	Taiwan Institute of Directors Securities & Futures Institute	2023/08/12 2023/11/15	The inheritance strategy of a century-old enterprise 2030/2050 Green Industrial Revolution	6	Completed	
Representative of corporate director	Alex Yang	6	Taiwan Corporate Governance Association Securities & Futures Institute	2023/10/31 2023/11/02	From a business ownership and shareholder perspective The technical development and application opportunities of ChatGPT	6	Completed	
Independent Director	Li Ming-juinn	3	Securities & Futures Institute	2023/09/13 2023/09/14	Analysis of key points in Corporate Governance Evaluation that directors and supervisors should pay attention to Practices of the Audit Committee	6	Completed	
Independent Director	Jason Lee	6	Taiwan Corporate Governance Association	2023/11/10 2023/11/10	Exploration of Key Issues in the Merger and Acquisition Integration Process Corporate M&A Practice	6	Completed	
Independent Director	Chorng-Shyong Ong	6	Taiwan Corporate Governance Association Securities & Futures Institute	2023/08/08 2023/09/26	Legal matters that the Board of Directors should be aware of when supervising enterprises The technical development and application opportunities of ChatGPT	6	Completed	
Independent Director	Clilin Lin	6	Taiwan Corporate Governance Association	2023/09/15 2023/11/10	How to enhance the credibility of Corporate Sustainability Report Corporate governance in the United States: Evolution over time and latest developments	6	Completed	
7. Implementation of risk management policies and risk assessment standards: The Company has established internal regulations in accordance with applicable laws to conduct various risk management and assessments.								
(1) Risk management policies								
■Promoting a risk management-oriented business model.								
■Establishing mechanisms for early identification, accurate measurement, effective monitoring, and strict control over risks.								
■Constructing a comprehensive risk management system across the entire company to keep risks within tolerable or controllable limits.								
■Deploying best practices in risk management and achieving continuous improvement.								
(2) Risks and management framework								



Evaluation item			Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
			Y	N	Summary	
<div>Major risks</div> <div>Operational Risk</div> <div>Technological and Industry Changes</div> <div>Cybersecurity Risk</div> <div>Market risk</div> <div>    ■ Competitors' Actions</div> <div>    ■ New Service Development</div> <div>Policies and Compliance</div> <div>Maintaining Corporate Image</div> <div>Investment and Reinvestment</div> <div>Employee Safety, Employee Conduct, Ethics, and Integrity</div> <div>Interest Rate, Exchange Rate, and Financial Risks</div> <div>Fund Loans to Others, Endorsements and Guarantees, Derivative Financial Instruments, and Capital Management</div> <div>Expression of Financial Statements</div> <div>Litigation and Non-Litigation Matters</div> <div>Changes in Shareholding of Directors, Supervisors, and Major Shareholders</div> <div>Board Meeting Management</div>	Level 1 Control Mechanisms	Responsible risk management units	Level 2 Control Mechanisms	Risk Assessment Mechanism	Highest Decision-making and Supervisory Mechanisms	
	Business Units, Technical Support Units		Business Development Management Committee	Highest Decision-making Mechanism: Board of Directors	Supervisory Mechanism: Audit Dept.	
	Marketing Units, Technical Support Units					
	Information Unit					
	Marketing Units, Technical Support Units					
	President's Office					
	Marketing Units					
	Finance Unit					
	Administrative Unit					
	Finance Unit					
	Finance Unit					
	Unit:					
	Legal Units					
	Shareholders Services Unit					
	Shareholders Services Unit					
8. The execution of customer relations policies: The Company maintains a strong and stable relationship with customers, providing them with exceptional services to generate profits for the Company and creates synergistic growth for both parties.						
9. Status of purchase of liability insurance by the company for directors and supervisors: The Company has purchased liability insurance for directors and supervisors.						
10. Licenses and certificates held by personnel involved in transparency of financial information:						
(1) President's Office: 1 CPA.						
(2) Accounting Department: 1 CPA, 2 Bookkeepers who have passed the general professional examination.						
11. Participation of managers in training and continuing education related to corporate governance:						
Title	Name	Organizer	Training Date Time	Course name	Hours of training	Note
President	Gary Chen	International Project Management Association (IPMA)	2023/12/27 2023/12/28	Enterprise digital transformation and digital governance Building a succession team and talent development	6	
Vice President	Ellen Weng	Securities & Futures Institute	2023/03/09	The Metaverse and the Future of Cryptocurrency Blockchain How to best realize the profit-promoting functions of the functional committees of the Board of Directors	6	
Vice President	Alex Huang	International Project Management Association (IPMA)	2023/12/27 2023/12/28	Enterprise digital transformation and digital governance Building a succession team and talent development	6	
Vice President	Alex Huang	Taiwan Corporate Governance Association Securities & Futures Institute	2023/10/31 2023/11/02	From a business ownership and shareholder perspective The technical development and application opportunities of ChatGPT	6	
Senior Director in Accounting	Caroline Hsiao	Accounting Research and Development Foundation	2023/12/21 2023/12/22	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12	

Evaluation item	Implementation of corporate governance			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary	
IX. Explain improvements made according to Corporate Governance Evaluation results released in the most recent year by the Corporate Governance Center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement. The Company makes improvements in areas that did not meet the benchmarks in accordance with the Corporate Governance Evaluation results in each year: The Company, having scored in the top 66 to 80 percentile in the sixth Corporate Governance Evaluation, has chosen to prioritize the strengthening of "enhancement of Board structure and operations" aspect. In 2023, the Company's Remuneration Committee has held at least two meetings, with over half of the committee members being independent directors, and all committee members have attended at least two meetings.				

(IV) If the company has set up a Remuneration Committee, disclose its composition, duties, and operations:

1. Information on members of the Remuneration Committee

December 31, 2023

Type of identity	Name (Note 1)	Criteria		Number of other public companies in which the member also serves as a member of their Remuneration Committee
		Professional qualifications and experience (Note 2)	Independence status (Note 3)	
Independent Director (Convener)	Jason Lee	Please refer to the contents related to independent directors on Pages 10 and 11 of this Annual Report.	1. Neither the individual, spouse, nor a relative within the second degree of kinship, is a directors or employee of the Company or its affiliates. 2. Neither the individual, spouse, or a relative within the second degree of kinship, holds 1% or more of the total issued shares of the Company, or is among the top ten natural-person shareholders. 3. Not a director, supervisor or employee of an institutional shareholder directly holding 5% or more of the Company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act. 4. Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the Board or majority votes of the Company. 5. Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Company. 6. Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. 7. Has not provide business, legal, financial, accounting, or other services to the Company or its affiliates in the past 2 years.	0
Independent Director	Li Ming-juinn			0
Independent Director	Chorng-Shyong Ong			2

2. Operations of the Remuneration Committee

- (1) The current Remuneration Committee consists of three members.
- (2) Current term: From June 23, 2022 to June 22, 2025. The Remuneration Committee held 3 meetings (A) in the most recent fiscal year, and the qualifications and attendance of its members are as follows:

Title	Name	Number of actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1)	Note
Convener	Jason Lee	4	0	100%	None
Committee member	Li Ming-juinn	3	0	75%	None
Committee member	Chorng-Shyong Ong	4	0	100%	None

Other matters that require reporting:

- I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee: None.
- II. If a member opposes a resolution the Remuneration Committee has adopted or has qualified opinions for which there is a written record or a statement, the date and session of the Remuneration Committee meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.

Note 1:

- (1) If any member of the Remuneration Committee left the committee before the end of the fiscal year, please indicate the date of their departure in the Remarks column. Calculate their in-person

attendance rate (%) based on the number of Remuneration Committee meetings held and the number of meetings they attended in person during their tenure on the committee.

- (2) If any by-election for Remuneration Committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The actual attendance rate (%) should be calculated based on the number of Remuneration Committee meetings held and the number attended in person during the period of each member's term.

(V) Company's implementation status of sustainable development and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
I. Has the company established a governance framework to promote sustainable development and a dedicated department (or have another department be responsible for related efforts) for fulfilling sustainable development, with the board of directors authorizing high-level managers to handle such efforts, and having relevant progress be supervised by the board of directors?	V		<p>(I) The Company has established a "Corporate Social Responsibility (CSR) Promotion Committee" under the supervision of the Board of Directors. The President serves as its Chairman, and one Executive Secretary has been appointed. The committee consists of three subgroups: Social Welfare, Corporate Governance, and Environmental Protection, each is concurrently served by respective department supervisors.</p> <p>(II) The implementation status of each organization within the Company includes, but is not limited to, the following: The Social Welfare subgroup under the CSR Promotion Committee is led by Ming Yeh Hsieh, Executive VP of the Marketing Div.; while the Corporate Governance Officer is in charge of corporate governance, and the Environmental Protection subgroup is led by the Operation Division.</p> <p>(III) The CSR Promotion Committee convenes quarterly meetings to review the Company's CSR initiatives. It also regularly reports its progress to the Board of Directors.</p>	No difference.
II. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies accordingly?	V		<p>(I) The Company holds regular operational meetings on a monthly basis, as well as quarterly Board meetings to discuss issues related to CSR as well as to evaluate and the potential risk occurrences. This assessment also encompasses the operational risks that are likely to occur to subsidiaries. Based on the assessed risk levels, appropriate strategies are formulated to ensure the normal functioning of the Company. The risk assessment criteria, process, results, and risk management policies or strategies for identifying material environmental, social, and corporate governance issues are hereby specified.</p>	No difference.
III. Environmental issues			(I) Environmental management requirements are not	Unspecified

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
(I) Has the company developed an appropriate environmental management system, given its distinctive characteristics? (II) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (III) 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 countermeasures accordingly? (IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on GHG reduction, water use reduction, or waste management?		V	applicable given the nature of our industry, and therefore, relevant systems have not been established. (II) The Company promotes an office supplies recycling and reuse program to enhance resource utilization efficiency, aiming to effectively utilize and recycle resources. (III) Since 2016, the Company has been participating annually in the surveys conducted by international organizations CDP (known as Carbon Disclosure Project) and EcoVadis, and has disclosed information regarding greenhouse gas emissions, water consumption, waste, and more. We have also implemented policies to promote energy efficiency, carbon reduction, and water conservation. (IV) The Company calculates carbon emissions and water consumptions as a part of the CDP and EcoVadis questionnaire survey process. Furthermore, we have implemented energy conservation and carbon reduction measures throughout the office, such as temperature control for air conditioning, the use of high-efficiency and low-power lighting equipment, while preventing simultaneous use of high-power appliances in the same outlet, turning off lights in unoccupied spaces, and encouraging employees to use stairs instead of elevators. We actively promote energy conservation and environmental awareness among our staff, regularly evaluate energy-saving effectiveness, and strive to meet international and domestic environmental standards as part of our ongoing efforts.	No difference.  No difference.  Unspecified
IV. Social topics				
(I) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		(I) The Company complies with employment-related regulations and respects internationally recognized labor rights principles to safeguard the rights and interests of employees. Our employee policies ensure equal treatment without discrimination.	The Company has not developed management policies and procedures that directly follow the International Bill of Human Rights.
(II) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance	V		(II) Employee salaries are determined based on rankings, functions, and work experience, with	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>or results are reflected adequately in employee remuneration?</p> <p>(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(IV) Does the company have in place effective tools to help employees with career planning and development?</p> <p>(V) 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 or customer rights protection and grievance procedure policies implemented?</p> <p>(VI) 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.</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>periodic salary adjustments and promotions based on performance. Bonuses are also provided to employees based on their performance, and employee remuneration is allocated according to the Company's Articles of Incorporation.</p> <p>(III) Ensuring workplace safety</p> <ol style="list-style-type: none"> <li>1. The Company has established contingency handling procedures that clearly define response and contingency measures so as to ensure the safety of personnel and assets, mitigate disasters, facilitate rapid recovery, and prevent or minimize accidents.</li> <li>2. We purchase group insurance for employees, including life insurance, accident insurance, general hospitalization medical insurance and accident medical insurance, etc., and have filed for higher accident insurance coverage for employees working at heights or engaging in higher-risk work.</li> <li>3. We regularly conduct employee health check-ups, strengthen accident and medical insurance coverage for employees in high-risk roles, and plan training courses related to labor safety. We also encourage employees to obtain relevant professional licenses and enhance workplace safety inspections.</li> <li>4. To prevent sexual harassment and ensure gender equality in the workplace, regulations on sexual harassment prevention are established, and relevant provisions and complaint channels are posted on the Company's internal website to regulate employees' behavior in the workplace.</li> </ol> <p>Committed to employee safety and health The Company aims to provide a safe, healthy, and comfortable working environment by promoting health and safety management to instill proper awareness and maintaining physical and mental well-being among employees. The following measures are implemented:</p>	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>1. Compliance with environmental protection, safety, and health-related laws and regulations in addition to other requirements.</p> <p>2. To reduce potential hazards in the work environment, new employees must complete general safety and health education training for new workers upon arrival. In addition, we also conduct quarterly fire safety protection training courses, regular building fire safety inspections every six months, and purchase commercial fire insurance for workplaces and equipment.</p> <p>3. Enhancing health education and implementing health check-up to ensure effective health management.</p> <p>4. Encouraging energy conservation and reducing resource wastage.</p> <p>5. Implementing access control systems in major equipment rooms and office areas to ensure security of personnel and property.</p> <p>6. Implementing energy conservation and carbon reduction initiatives to address global warming.</p> <p>(IV) Regular employer-employee meetings are held, and through the joint participation of employees and the management as well as sufficient communications between the two parties, we have established a very harmonious employer-employee relationship. The Company regularly conducts employee education and training programs, and encourages employees to obtain relevant professional licenses.</p> <p>(V) The Company has a dedicated customer service unit to handle consumer-related services. Our products and services comply with national regulations, and a dedicated customer service email has been set up: <a href="mailto:service@hwacom.com">service@hwacom.com</a>.</p> <p>(VI) 1. Supplier selection is based on relevant operational evaluations. Prior to engaging with suppliers, the Company requires them to comply with laws and regulations to avoid causing</p>	<p>No difference.</p> <p>No difference.</p> <p>Unspecified</p>



Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>environmental pollution. We select suppliers through a fair, just, and rigorous procurement tender process based on the principles of transparency.</p> <p>2. While our contracts do not explicitly state the termination or rescission of contracts for suppliers in violation of their corporate social responsibility policies, we periodically assess the qualifications of suppliers as a basis for continuing transactions.</p> <p>3. The Company collaborates with suppliers on social care initiatives to enhance corporate social responsibility on an ongoing basis.</p> <p>4. The Company has established an "Ethical Corporate Management Operating Procedures and Code of Conduct", and Article 14 of which is a statement on protecting consumer rights. We have a customer service hotline available on our official website, which serves as a provision for protecting consumer rights.</p> <p>(VII) The Company's involvement in community development and charitable activities is as follows:</p> <p>2023/03/09 Donated NT\$39,000 to the Beigang Elementary School to teach wireless AP setup.</p> <p>2023/03/16 Donated NT\$20,000 as scholarship to Seed of Love Education Foundation.</p> <p>2023/05/18 Donate NT\$24,900 as tuition fees to Er-Chong Elementary School #112-06873</p> <p>2023/08/24 Donate NT\$11,000 as Mid-Autumn Festival gift boxes to the children of Chung Yi Social Welfare Foundation</p> <p>2023/10/02 Donated NT\$20,000 to help BeiGang Elementary School purchase computer equipment</p> <p>2023/11/09 Donate NT\$13,440 to the charity egg roll gift boxes for disadvantaged elementary school children</p> <p>2023/07/06 Donate NT\$5,904 to the 'Food Bank for</p>	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>Senior Citizens Residing Alone' fund of Shuangxi District Office</p> <p>2023/08/04 Donate NT\$2,500 for Father's Day cake for the elderly at New Sunny Senior's Home</p> <p>2023/08/24 Donate NT\$1,750 for Mid-Autumn Festival gift boxes at New Sunny Senior's Home</p> <p>2023/12/28 Donated NT\$12,000 for Huashan Foundation's 34th Winter Feast for the Poor</p> <p>2023/02/16 Donated NT\$24,000 to purchase 100 sets of bedding for Ai-Wei Mercy Home</p> <p>2023/04/20 Donated NT\$9,520 to purchase May charity cakes from Eden Social Welfare Foundation</p> <p>2023/04/27 Donated NT\$2,500 to purchase May charity cakes from New Sunny Senior's Home at Xizhi</p> <p>2023/08/24 Donated NT\$7,000 for Mid-Autumn Festival gift boxes from Eden Social Welfare Foundation</p> <p>2023/11/28 Donated NT\$14,208 to support patients' diaper needs at Ai-Wei Mercy Home</p> <p>2023/12/21 Donated NT\$12,820 to support New Year's dishes for the elderly, young and disabled at Eden Social Welfare Foundation</p> <p>2023/01/05 Donated NT\$10,000 to Shih at Tucheng Community Welfare Center</p> <p>2023/03/30 Donated NT\$8,000 to Tsai at Tucheng Community Welfare Center</p> <p>2023/04/20 Donated NT\$8,000 to Chiang at North Coast Community Welfare Center</p> <p>2023/06/20 Donated NT\$8,000 to Lin at North Coast Community Welfare Center</p> <p>2023/08/17 Donated NT\$30,000 to Tainan's post-Typhoon Khanun reconstruction</p> <p>2023/08/24 Donated NT\$10,000 to Tan at Tucheng Community Welfare Center</p> <p>2023/04/20 Donate NT\$9,680 to New Taipei City North Coast Social Welfare Bank</p> <p>2023/08/17 Donated NT\$10,000 to the Food Box Fund</p>	

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>from Andrew Charity Association</p> <p>2023/10/02 Donated NT\$9,114 to New Taipei Ruifang Social Welfare Bank</p> <p>2023/11/16 Donated NT\$15,708 to Zhonghe Social Welfare Bank</p> <p>2023/02/16 Donated NT\$50,000 to Türkiye disaster relief project</p> <p>2023/03/23 Donated NT\$15,000 to Mother's Day cake fundraiser at PxMart</p> <p>2023/04/06 Donated 60 Mother's Day cakes from PxMart and collected discounts and refund NT\$0</p> <p>2023/05/11 Donated NT\$10,740 to charity dumpling fundraiser for disadvantaged elementary school students</p> <p>2023/07/06 Sponsored NT\$10,000 for the charity performance of Dayday Work Theatre</p> <p>2023/07/20 Donated NT\$15,960 to purchase moon cakes for Mid-Autumn Festival for underprivileged elementary school students</p> <p>2023/09/07 Donated NT\$10,000 as tuition subsidies for year 2023-07438 at Yuan Shan Junior High School</p> <p>2023/10/26 Donated NT\$20,000 to Charity Meal Voucher Program at Taipei TKU</p>	
V. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the preceding reports?		V	(I) The Company discloses relevant and reliable corporate social responsibility information in our Annual Reports prepared for the Shareholders' Meeting. The Company has not yet prepared a Corporate Social Responsibility Report, but will do so in accordance with regulatory requirements going forward.	Since 2022, the Company has been referring to international sustainability reporting guidelines to prepare our Annual Report. The report will include matters that the Company is required to disclose according to GRI, SASB, and SDGs standards.
VI. Describe the deviations, if any, between actual practice and the sustainable development regulations, if the company has formulated such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: No difference.				
VII. Other important information to facilitate a better understanding of the Company's implementation of sustainable development:				
(I) Environmental Protection: The Company handles waste generated from production in accordance with environmental regulations, and have centralized management and classification for household waste. We also comply with environmental laws and regulations to ensure environmental protection and resource conservation.				

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
(II) Community Involvement, Social Contribution, Community Service, and Social Welfare: The Company actively participates in various activities organized by social welfare organizations to assist the underprivileged in society, promoting community engagement and fostering social solidarity.				
(III) Consumer Rights: We are committed to product quality and safety, address customer complaints on a timely basis, and provide comprehensive product information to safeguard consumer rights.				
(IV) Human Rights:				
1. The contents of the Company's personnel regulations all adhere to the provisions of the Labor Standards Act, and employee-related matters are all handled by dedicated personnel to safeguard employees' rights.				
2. The Company prohibits gender-based discrimination in the recruitment, selection, promotion, performance evaluation, or advancement of job applicants or employees. We also have established relevant measures and regulations to ensure equal treatment.				
(V) Safety and Health: The Company provides safety and health education to employees based on the nature of their functions and also implements disaster preventive training to ensure workplace safety.				

(VI) Implementation of ethical corporate management and measures and departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Evaluation item	Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>I. Establishment of ethical corporate management policy and approaches</p> <p>(I) Has the company established the ethical corporate management policies approved by the board of directors and stated the policies and practices in its bylaws or external correspondence to maintain business integrity? Are the board of directors and the managerial officers committed in fulfilling this commitment?</p> <p>(II) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed operating activities with higher risk of unethical conducts on a regular basis, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Does the company clearly provide operating procedures, code of conduct, disciplinary actions, and appeal procedures in its programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) To implement corporate governance, establish an ethical corporate culture and to achieve sound development, the Board has established the "Ethical Corporate Management Best Practice Principles" as a reference framework to achieve good business practices. For more information, please refer to our company's website at <a href="http://www.hwacom.com">http://www.hwacom.com</a>.</p> <p>(II) The Company strengthens our transaction review mechanisms to prevent bribery, corruption, and illegal political contributions, particularly in business activities with a higher risk of unethical behavior within its scope of operations.</p> <p>(III) The Company strictly adheres to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and implements an operation policy of integrity. The management regularly reviews these practices to prevent unethical conduct and ensures the implementation of the Company's business philosophy. For business activities with a higher risk of unethical conduct, on top of enhancing the awareness of ethical conduct among relevant personnel to prevent unethical conduct including inappropriate gifting; the Company has also establishes the "Employee Code of Ethics" to regulate the ethical standards of all employees in the Company and its subsidiaries, aiming to gain public trust, enhance corporate image, and ensure sustainable operation and development of the Company.</p>	No difference.



Evaluation item	Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			have dedicated information disclosure personnel responsible for collecting and disclosing company information on our corporate website.	
V. Describe the difference, if any, between actual practice and the ethical corporate management principles, if the Company has implemented such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: The Company has formulated and adheres to the "Ethical Corporate Management Best Practice Principles", and the actual operations align closely with the provisions of the principles.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: To implement corporate governance, establish an ethical corporate culture and to achieve sound development, the Board has established the "Ethical Corporate Management Best Practice Principles" as a reference framework to achieve good business practices. For more information, please refer to our company's website at <a href="http://www.hwacom.com">http://www.hwacom.com</a> .				

(VII) If the company has formulated a corporate governance code of conduct and related guidelines, the method of access to such code and guidelines must be disclosed: For relevant information, please refer to our company's website [https://www.hwacom.com/web/governance\\_4.html](https://www.hwacom.com/web/governance_4.html).

(VIII) Other significant information which may improve the understanding of corporate governance and operation:

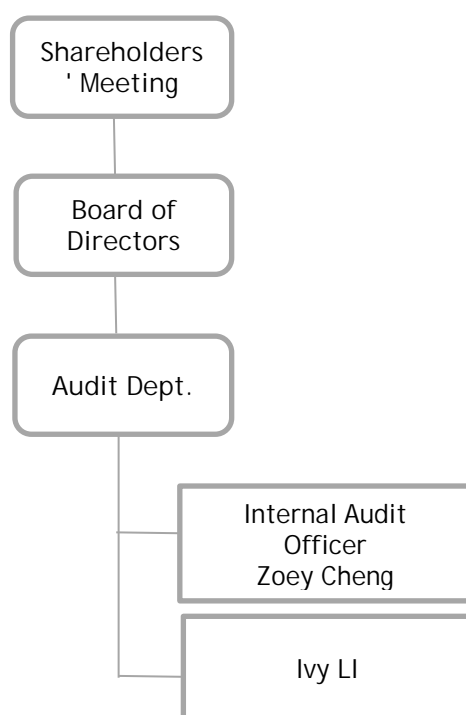
The Company has been continuously reviewing and, as necessary, revising or establishing relevant rules, procedures, and internal operating guidelines to enhance operational efficiency and strengthen risk management mechanisms, thereby improving the implementation of corporate governance. In recent years, we have aligned with regulatory requirements set forth by supervisory authorities and considered the operational needs of the company. As a result, we have completed the following policies and procedures: "Rules and Procedures for Board of Directors Meetings," "Procedures for the Acquisition or Disposal of Assets", "Procedures for Engaging in Financial Derivative Transactions," "Rules of Procedure for Shareholders Meetings," "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group," "Operating Procedures for Monitoring Subsidiaries," "Code of Ethics for Directors, Supervisors, and Managers," "Employees Code of Conduct," and "Operating Procedures for Handling Material Insider Information and Preventing Insider Trading." These policies and procedures serve as the basis for our operations. The latest versions of these documents are available on the Company's website and internal portal for reference. For more information, please visit our website at <http://www.hwacom.com>.



(IX) Status of implementing the internal control system

1. Internal audit organization and operation

(1) Internal audit organization



Responsibilities of internal auditors:

- Urge all divisions to establish internal control systems and adhere to them.
- Implement audit tasks, report audit results, and follow-up on any deficiencies.
- Review the self-assessment results of each department and subsidiaries.
- Handle employee complaints and vendor grievances.
- Other tasks to be executed in accordance with regulations.

(2) The Company's Audit Department directly reports to the Board of Directors, and the scope of its audit includes the Company and its subsidiaries, covering all operational and managerial functions such as finance and business operations. The audits are categorized into ten major cycles, and conducted in accordance with laws and regulations. The primary audit approach is the routine audit conducted in accordance with the annual audit plan. Additionally, special project-based audits are conducted as needed to timely identify potential deficiencies in the internal control system and to offer suggestions for improvement. After the completion of an audit, the Audit Department prepares audit reports, which are submitted to the Chairman. The internal audit officers regularly report on the execution and results of audits during Board meetings to ensure that corporate governance practices are being fulfilled. Furthermore, the Audit Department encourages self-assessment within each of the Company's departments and helps establish a self-supervision mechanism. The results of these self-assessments serve as a basis for providing recommendations to the Board of Directors and the President for preparing the Statement on Internal Control.

2. If the company engages an accountant to examine its internal control system, disclose the CPA audit report: None.

# HwaCom Systems Inc.,

## Statement of Internal Controls

Date: 03/07/2024

According to the examination on internal control system done by the Company itself in 2023, we hereby state as follows :

- (1) The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives : (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets) ; (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process : (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2023 has effectively assured that the following objectives have been reasonably achieved during the assessing period : (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports ; (c) The compliance of the relevant laws/regulations and company policies.
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on March 7, 2024. Among the 8 attending Directors, 0 people have a dissenting opinion, to the contents of this statement.

HwaCom Systems Inc.,  
Chairman & President

(X) Disciplinary actions imposed by law on the company or its employees, disciplinary actions imposed by the company on its employees for violation of internal control system, and deficiencies and improvements in the most recent year and up to the publication date of this Annual Report: None.

(XI) Important resolutions made during Shareholders' meetings and Board of Directors' meetings in the past year and up to the publication date of this Annual Report:

1. Major resolutions at the Shareholders' Meeting

Date	Contents of the meeting minutes			Special disclosures
	Summary of proposals	Discussion and resolution	Implementation status of resolution	
2023.6.30 (2023 Shareholders' Meeting)	<p>Reported matters:</p> <p>(I) The Company's business report for 2022.</p> <p>(II) The 2022 due diligence report prepared by the supervisor for the financial statements prepared by the Board of Directors for the Shareholders' Meeting.</p> <p>(III) The report on the distribution of remuneration to directors, supervisors, and employees for 2022.</p> <p>(IV) Report on the repurchase of Company shares.</p> <p>Matters for Ratification:</p> <p>(I) The Company's 2022 business report and financial statements.</p> <p>(II) The dividend distribution proposal for 2022.</p> <p>Matters for discussion:</p> <p>(I) Proposal to amend the Company's "Articles of Incorporation".</p> <p>Elections:</p> <p>(I) Proposal for by-election of directors.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Acknowledged</p> <p>Acknowledged</p> <p>Passed as proposed.</p> <p>Passed as proposed.</p> <p>Passed as proposed.</p> <p>Passed as proposed.</p>	<p>(I) The consolidated and individual financial statements for the fiscal year 2022 have been prepared, audited and certified by our appointed accounting firm, BDO Taiwan Union CPA Office., who has issued an audit report. The financial statements, along with the business report, have also been audited by the Company's supervisors.</p> <p>(II) The Company had undistributed earnings of NT\$261,026,180 (currency denoted in NTD, same as below) at the beginning of 2022. The net profit of the term was NT\$138,096,754, and it amounted to NT\$145,186,876 after adjustments. After appropriating the legal reserve (NT\$14,518,688), the distributable earnings for the current period was NT\$391,694,368.</p> <p>(III) Certain provisions of the Company's Articles of Incorporation have been revised to accommodate actual operations.</p> <p>(IV) To release the prohibition on the newly elected independent directors from participation in competitive business.</p>	None

Date	Contents of the meeting minutes			Special disclosures
	Summary of proposals	Discussion and resolution	Implementation status of resolution	
	Other matters for discussion: (I) Proposal to lift the restrictions on competition for newly appointed directors and their representatives.		Election results: The elected director in the by-election and their voting rights are as follows: List of elected directors: Independent director Cllin Lin Voting Rights: 76,766,619 rights	

## 2. Major resolutions of the Board of Directors meetings

Date/No.	Contents of the meeting minutes	Special Disclosures
2023.03.14 (Seventh session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's business report and financial statements for 2022. 2. The consolidated and individual financial statements of the Company for 2022. 3. The deliberation of the "Statement on Internal Control" for 2022. 4. Report on the distribution of remuneration to directors, supervisors, and employees for 2022. 5. Report on the repurchase of Company shares. 6. Proposal to amend certain provisions of the Company's "Articles of Incorporation". 7. Proposal to establish the "Salary Management Regulations" of the Company. 8. Formulated greenhouse inventory and planning for subsidiaries. 9. Proposal to convene the 2023 Shareholders' Meeting.	None
2023.04.06 (Eighth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Application for registration of capital change and issuance of new shares for the fourth domestic unsecured convertible corporate bonds of the Company, to be converted into common shares in Q1 2023.	None
2023.04.25 (Ninth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Proposal for by-election of directors. 2. Proposal to release the prohibition on new independent director from participation in competitive business. 3. Proposal to lift the restrictions on competition for newly appointed directors and their representatives. 4. Proposal to convene the 2023 Shareholders' Meeting.	None

Date/No.	Contents of the meeting minutes	Special Disclosures
2023.5.12 (Tenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The 2022 dividend distribution proposal. 2. Submitted list of nominated independent directors for review by the Board of Directors. 3. Proposal to amend certain provisions of the Company's "Articles of Incorporation".	None
2023.6.12 (Eleventh session of the eleventh term)	Resolutions passed by Board of Directors: 1. Proposal to implement employee stock ownership trust. 2. Ratification and planning for the establishment of Open Information Security INC. 3. Proposal to set up a corporate governance officer.	None
2023.7.5 (Twelfth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Application for registration of capital change and issuance of new shares for the fourth domestic unsecured convertible corporate bonds of the Company, to be converted into common shares in Q2 2023.	None
2023.8.10 (Thirteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's consolidated financial report for Q2 2023. 2. Established a Hong Kong subsidiary with 100% investment from Hwacom Systems Inc. 3. Processed the cash capital increase of NT\$50 million for the subsidiary "Open Information Security INC." 4. Proposal to set up the Hwacom Systems Inc. Sustainable Development Committee. 5. Proposal to invest in Leon Energy Co., Ltd.	None
2023.10.03 (Fourteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Application for registration of capital change and issuance of new shares for the fourth domestic unsecured convertible corporate bonds of the Company, to be converted into common shares in Q3 2023.	None
2023.11.09 (Fifteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's consolidated financial report for Q3 2023. 2. Drafted the audit plan for the fiscal year 2024. 3. Proposal to amend certain articles of the Company's "Ethical Corporate Management Best Practice Principles." 4. Establishment of the Company's Corporate Governance Best Practice Principles. 5. Draft to formulate the Company's "Code of Practice for Sustainable Development".	None
2023.12.6 (Sixteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Application for registration of capital change and issuance of new shares for the fourth domestic unsecured convertible corporate bonds of the Company, to be converted into common shares in Q4 2023.	None
2023.12.26 (Seventeenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. Assessment of independence and competency of CPAs who audit the Company's financial statements. 2. Hwacom Systems Sustainable Development Committee Charter.	None

- (XII) Dissenting or qualified opinions of directors and supervisors against an important resolution passed by the board of directors that are on record or stated in a written statement in the past year and up to the printing date of this Annual Report: None.
- (XIII) During the most recent fiscal year and as of the date of publication of the annual report, a summary of resignations and dismissals of the Company's Chairman, President, accounting supervisor, financial officer, Chief Internal Auditor, and Chief R&D Officer: None .

Summary table of the resignation and dismissal of persons relevant to the Company

March 26, 2024

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chairman	Gary Chen	1994.05.04	In-Service	Not applicable
President	Gary Chen	1994.05.04	In-Service	Not applicable
Financial officer	Sophia Wang	2022.11.07	In-Service	Not applicable
Accounting supervisor	Caroline Hsiao	2001.02.12	In-Service	Not applicable
Chief Internal Auditor	Zoey Cheng	2020.05.12	In-Service	Not applicable
Chief R&D Officer	YH Leu	2018.08.09	In-Service	Not applicable

## V. Information on CPA Fees

### (I) Information on CPA fees

Unit: NT\$ 1,000

Name of accounting firm	Name of CPAs:	Audit period	Audit fee	Non-audit fee	Total	Note
BDO Taiwan	Shu-Cheng Chang	2023.01.01~2023.12.31	1,805	507	2,312	Business Registration and others
	Kun-Hsi Hsu	2023.01.01~2023.12.31				

(II) If the company changes accounting firm, and the amount of audit fee paid in the year of change is less than that in the year before: None.

(III) If the audit fee decreases by 15 percent or more compared with the previous years: None.

## VI. Information on Replacement of CPAs None.

VII. Where the company's Chairman, President, or any manager in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm: None.

VIII. Share transfers and share pledging by Directors, Supervisors, managers and shareholders holding more than 10% equity in the past year and up to the printing date of this Annual Report: None.

## (I) Change in share equity among directors, supervisors, managers, and major shareholders

Number of shares thousand shares

Title	Name	2023		2024 (up to March 26)	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Chairman and President	Gary Chen	0	0	0	0
Corporate director/ Major shareholders holding more than 10% of the shares	Advantech Investment Co., Ltd.	0	0	0	0
Corporate director	Lutain Investment Co., Ltd.	(356)	0	0	0
Vice President	Alex Yang	0	0	62	0
Board Director and Vice President	Ellen Weng	0	0	24	0
Board Director and Vice President	Jademond Kuan	(198)	0	24	0
Board Director and Vice President	Alex Huang	0	0	24	0
Independent Director	Jason Lee	0	0	0	0
Independent Director	Li Ming-juinn	0	0	0	0
Independent Director	Chorng-Shyong Ong	0	0	0	0
Independent Director	Cllin Lin	0	0	0	0
COO	Simon Wang	100	0	0	0
CTO	Henry Lin	(39)	0	0	0
Vice President	Jademond Kuan	(198)	0	0	0
Vice President	MI Tu	0	0	27	0
Vice President	Albert Ko	0	0	39	0
Vice President	MingYeh Hsieh	0	0	24	0
Vice President	Joe Cheng	0	0	7.5	0
Vice President	Tony Wang	0	0	21.6	0
Vice President	YH Leu	0	0	9	0
Vice President	East Wu	0	0	75	0
Vice President	Sky Yang	0	0	60	0
Vice President	Steven Chen	(7)	0	0	0
Vice President and CFO	Sophia Wang	0	0	0	0
Senior Director in Accounting	Caroline Hsiao	0	0	6	0
Senior Director	Iris Chen	0	0	2	0
Senior Director	Watson Huang	0	0	15	0
Senior Director	Jerry Huang	0	0	0	0
Senior Director	Jerry Yang	(9)	0	6	0
Senior Director	Tina Wang	0	0	3.6	0
Senior Director	Warten Pan	0	0	7.5	0
Senior Director	James Yang	0	0	9	0
Director	Steven Chen	0	0	0	0
Director	Yuchia Chen	0	0	0	0
Director	Stanley Lin	0	0	0	0
Director	Johnson Hsu	0	0	0	0
Director	Fisher Chung	0	0	45	0
Director	Lynn Chung	0	0	6	0
Director	Jackie Chang	0	0	0	0
Director	Victor Kung	0	0	7.5	0
Director	Andy Yu	0	0	36	0
Director	Chage Chu	0	0	6	0
Director	Ken Hu	0	0	3	0
Director	Kevin Chen	(17.744)	0	0	0



Title	Name	2023		2024 (up to March 26)	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Director	Carol Chao	0	0	0	0
Director	Athena Tsai	0	0	0	0
Director	Laurence Jih	0	0	0	0
Director	Mathew Yu	25	0	0	0
Director	Titan Lee	0	0	0	0
Director	Evan YH Lai	0	0	0	0

(II) Information on share transfer: None.

(III) Information on pledged shares: None.

IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

March 26, 2024 Unit: Shares; %

Name	Shareholding by the individual in question		Shares held by spouse and underage children		Shareholding by nominee arrangement		Titles, names and relationships between top ten shareholders (related party, spouse, or kinship within the second degree)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or title)	Relationship	
Advantech Investment Co., Ltd.	24,575,000	17.42%	0	0	0	0	None	None	None
Gary Chen	6,063,097	4.30%	0	0	0	0	Lutain Investment Co., Ltd. HwaCom Systems Inc.	Same Person in Charge	None
Lutain Investment Co., Ltd.	3,008,427	2.13%	0	0	0	0	Gary Chen HwaCom Systems Inc.	Same Person in Charge	None
Lutain Investment Co., Ltd. Representative: Gary Chen	6,063,097	4.30%	0	0	0	0	Gary Chen HwaCom Systems Inc.	Same Person in Charge	None
TU, LIANG-JYUN	1,852,000	1.31%	0	0	0	0	None	None	None
Wu-Hsien Heish	1,771,000	1.26%	0	0	0	0	None	None	None
LIU, JI-HONG	1,383,000	0.98%	0	0	0	0	None	None	None
CTBC Bank Employee Stock Ownership Trust Account of Hwacom System Inc.	1,301,300	0.92%	0	0	0	0	None	None	None
HUNG, HUN-CHIH	1,143,000	0.81%	0	0	0	0	None	None	None
LIN, CHE-MIN	1,101,000	0.78%	0	0	0	0	None	None	None
CTBC Bank Co., Ltd. Trust Account - Hwacom System Inc.	1,062,600	0.75%	0	0	0	0	None	None	None

X. Shareholding of the Company, directors, supervisors, managers, and companies that are directly or indirectly controlled by the Company in the same re-invested company:

Investee company	Investment by the Company		Investments by Directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Zero One Technology Co., Ltd.	125,000	0.08%	0	0	125,000	0.08%
Genie Networks Ltd.	905,679	3.53%	0	0	905,679	3.53%
VeriSilicon Microelectronics(Shanghai)Co., Ltd.	692,548	0.14%	0	0	692,548	0.14%
ACOM NETWORKS TECHNOLOGY Co., Ltd.	380,000	19.00%	0	0	380,000	19.00%
TBTSoftware Technology CO., Ltd.	500,000	11.63%	0	0	500,000	11.63%
OMNI MEDIA INTERNATIONAL INCORPORATION	500,000	0.76%	0	0	500,000	0.76%
LEON ENERGY CO., LTD.	100,000	0.43%	0	0	100,000	0.43%
TARANTULA NETWORKS LTD. ZQAM COMMUNICATIONS CORPORATION -Normal Stock	56,250	0.77%	0	0	56,250	0.77%
TARANTULA NETWORKS LTD. ZQAM COMMUNICATIONS CORPORATION -Preferred Stock	24,750	-	0	0	24,750	-
TARANTULA NETWORKS LTD. (Note1)	2,000,000	100.00%	0	0	2,000,000	100.00%
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Note 1	100.00%	0	0	Note 1	100.00%
Family plus technology Inc.	1,600,000	100.00%	0	0	1,600,000	100.00%
S-LINK SYSTEMS Inc. (Note 1)	4,500,000	100.00%	0	0	4,500,000	100.00%
Open Information Security INC.	5,100,000	100.00%	0	0	5,100,000	100.00%
HWACOM SYSTEMS H.K., Ltd	100,000	100.00%	0	0	100,000	100.00%

Note 1: No shares issued.

# Chapter 4 Fundraising

## I. Capital and Shareholding

### (I) Source of Share Capital

#### 1. Capital formulation process

Unit: Shares; NT\$

Year/ Month	Issuance price	Authorized capital		Paid-in capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital	Shares acquired by non-cash assets	Others
2011.10	10	120,000,000	1,200,000,000	90,919,929	909,199,290	Write-off of treasury stock for capital reduction 12,830,000	None	Note 1
2012.10	10	120,000,000	1,200,000,000	96,918,080	969,180,800	Corporate bonds converted to shares 59,981,510	None	Note 2
2013.01	10	120,000,000	1,200,000,000	103,108,837	1,031,088,370	Corporate bonds converted to shares 61,907,570	None	Note 3
2013.04	10	120,000,000	1,200,000,000	105,840,825	1,058,408,250	Corporate bonds converted to shares 27,319,880	None	Note 4
2013.07	10	120,000,000	1,200,000,000	106,165,289	1,061,652,890	Corporate bonds converted to shares 324,464	None	Note 5
2013.10	10	120,000,000	1,200,000,000	106,812,513	1,068,125,130	Corporate bonds converted to shares 647,224	None	Note 6
2014.02	10	120,000,000	1,200,000,000	107,203,692	1,072,036,920	Corporate bonds converted to shares 391,179	None	Note 7
2014.04	10	120,000,000	1,200,000,000	103,481,692	1,034,816,920	Write-off of treasury stock for capital reduction 37,220,000	None	Note 8
2019.08	10	150,000,000	1,500,000,000	122,881,692	1,228,816,920	Private placement for capital increase 194,000,000	None	Note 9
2021.10	10	200,000,000	2,000,000,000	125,088,526	1,250,855,260	Corporate bonds converted to shares 2,206,834	None	Note 10
2022.02	10	200,000,000	2,000,000,000	133,693,380	1,336,933,800	Corporate bonds converted to shares 8,604,854	None	Note 11
2022.10	10	200,000,000	2,000,000,000	133,777,565	1,337,775,650	Corporate bonds converted to shares 84,185	None	Note 12
2023.05	10	200,000,000	2,000,000,000	136,231,524	1,362,315,240	Corporate bonds converted to shares 2,453,959	None	Note 13
2023.08	10	200,000,000	2,000,000,000	140,354,175	1,403,541,750	Corporate bonds converted to shares 4,122,651	None	Note 14
2024.03	10	200,000,000	2,000,000,000	141,050,234	1,410,502,340	Corporate bonds converted to shares 236,903	None	Note 15

Note 1. Approval Letter No. No. 10001229130 of MOEA on October 3, 2011.

Note 2. Approval Letter No. No. 10101214820 of MOEA on October 22, 2012.

Note 3. Approval Letter No. No. 10201011690 of MOEA on January 16, 2013.

Note 4. Approval Letter No. No. 10201069310 of MOEA on April 18, 2013.

Note 5. Approval Letter No. No. 10201140920 of MOEA on July 24, 2013.

Note 6. Approval Letter No. No. 10201213530 of MOEA on October 17, 2013.

Note 7. Approval Letter No. No. 10301025010 of MOEA on February 13, 2014.

Note 8. Approval Letter No. No. 10301061320 of MOEA on April 10, 2014.

Note 9. Approval Letter No. No. 10801116720 of MOEA on September 5, 2019.  
Note 10. Approval Letter No. No. 11001193130 of MOEA on October 28, 2021.  
Note 11. Approval Letter No. No. 11101010490 of MOEA on February 14, 2022.  
Note 12. Approval Letter No. No. 11101201850 of MOEA on October 31, 2022.  
Note 13. Approval Letter No. No. 11230066240 of MOEA on May 3, 2023.  
Note 14. Approval Letter No. No. 11230139530 of MOEA on August 7, 2023.  
Note 15. Approval Letter No. No. 11230241810 of MOEA on March 22, 2024.

## 2. Type of Shares

March 26, 2024/ Unit: shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common shares	141,050,234	58,949,766	200,000,000	OTC

## 3. Approved to offer and issue marketable securities by shelf registration: None

### (II) Shareholder Structure

March 26, 2024

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal persons	Natural persons	Foreign institutions and foreigners	Total
Number of shareholders	0	0	155	38,173	51	38,379
Number of shares held	0	0	31,972,027	104,862,273	4,215,934	141,050,234
Shareholding ratio (%)	0.00%	0.00%	22.67%	74.34%	2.99%	100.00%

Note: Companies primarily listed on the TWSE or the TPEX shall disclose the proportion of their shares held by Chinese investors. Chinese investors refer to individuals, corporate entities, organizations, other institutions, or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

### (III) Ownership Dispersion Status

#### 1. Common shares

March 26, 2024 (par value of NT\$10 per share)

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	22,472	418,189	0.30%
1,000 to 5,000	12,590	26,598,446	18.86%
5,001 to 10,000	1,860	15,562,560	11.03%
10,001 to 15,000	462	6,009,175	4.26%
15,001 to 20,000	358	6,837,471	4.85%
20,001 to 30,000	241	6,295,185	4.46%
30,001 to 40,000	108	3,952,299	2.80%
40,001 to 50,000	77	3,637,118	2.58%
50,001 to 100,000	114	8,105,765	5.75%
100,001 to 200,000	51	7,335,916	5.20%
200,001 to 400,000	27	7,332,599	5.20%
400,001 to 600,000	5	2,183,000	1.55%
600,001 to 800,000	1	721,087	0.51%
800,001 to 1,000,000	3	2,801,000	1.99%
More than 1,000,001	10	43,260,424	30.66%
Total	34,711	140,354,175	100.00%

2. Preferred shares: The Company has not issued preferred shares
- (IV) List of Major Shareholder

March 26, 2024

Name of major shareholder	Shares	Number of shares held	Shareholding ratio (%)
Advantech Investment Co., Ltd.		24,575,000	17.42%
Gary Chen		6,063,097	4.30%
Lutain Investment Co., Ltd.		3,008,427	2.13%
TU, LIANG-JYUN		1,852,000	1.31%
Wu-Hsien Heish		1,771,000	1.26%
LIOU, JI-HONG		1,383,000	0.98%
CTBC Bank Employee Stock Ownship Trust Account of Hwacom System Inc.		1,301,300	0.92%
HUNG, HUN-CHIH		1,143,000	0.81%
LIN, CHE-MIN		1,101,000	0.78%
CTBC Bank Co., Ltd. Trust Account - Hwacom System Inc.		1,062,600	0.75%

- (V) Market price per share, net worth, earnings, dividends, and the related information for the past two years

Item			Year	2022	2023
Market price per share (Note 1)	Highest			21.15	27.95
	Lowest			13.55	14.70
	Average			16.04	19.00
Net worth per share (Note 2)	Before distribution			17.43	17.51
	After distribution			17.11	
Earnings per share	Weighted average shares (thousand shares)			129,957	137,785
	Earnings per share (Note 3)	Before adjustment		1.06	0.42
		After adjustment		0.74	
Dividends per share	Cash dividends			0.3 (Note 8)	0.3(註 8)
	Stock dividend	Stock Dividends Appropriated from Retained Earnings		-	-
		Stock Dividends Appropriated from Capital Reserve		-	-
	Accumulated undistributed dividends (Note 4)			-	-
ROI Analysis	Price-earnings ratio (Note 5)			15.13	45.24
	Price-dividend ratio (Note 6)			53.47 (Note 8)	53.47(註 8)
	Cash dividend yield rate (Note 7)			1.87% (Note 8)	1.87%(註 8)

\* 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 common shares in each year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Based on the number of outstanding shares at year-end, please fill out this table based on the distribution approved by the Board or resolved in the next year's Shareholders' Meeting.

Note 3: If retroactive adjustments are required due to stock dividends, the Company shall list the earnings per share before and after the adjustment.

Note 4: If there are any conditions in issuing equity securities that allow for undistributed dividends for the year to be accumulated to subsequent years in which there is profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price-earnings (P/E) ratio = Average market price / Earnings per share.

Note 6: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.

Note 7: Cash dividend yield rate = Cash dividend per share / Average market price.

Note 8: The Board of Directors has resolved on April 11, 2024, to distribute a dividend of NT\$0.3 per share for the year 2023. The proposal of the dividend distribution is subject to the approval of the shareholders' meeting.

## (VI) Dividend Policy and Implementation Status

### 1. Dividend policy stipulated in the Articles of Incorporation:

If the Company generates profits during a fiscal year, the Company should pay tax and offset accumulated losses first. Then, the Company should allocate 10% of the remaining earnings as legal reserves and allocate special reserve in accordance with the law, reserve retained earnings while necessary, and the remaining amount shall be shareholders' dividends. At least fifty percent shall be distributed as shareholders' dividends.

Considering the growing nature of the industry in which the Company operates, and in order to meet the future funding needs of the Company and satisfy shareholders' demands for cash inflow, if there is dividends to be distributed to shareholders, no less than 10% should be in the form of cash dividends, while the remaining portion may be distributed in the form of stock dividends.

### 2. Distribution of shareholder dividends proposed in the Shareholders' Meeting:

At the beginning of 2023, the Company had undistributed retained earnings of NT\$349,876,416 (denoted in NTD, the same follows). The net profit for the current period was NT\$57,619,580, and the amount after adjustment was NT\$68,124,048. After appropriating NT\$6,812,405 to legal reserves, the distributable earnings of the current period were NT\$411,188,059. The earnings distribution plan is as follows:

Earning Distribution Plan Year of 2023		Unit: NT\$
Item	Amount	Note
Undistributed profits at the beginning of the period	349,876,416	
Net profit of the term	57,619,580	
Actuarial profits (losses) included in the retained earnings	3,804,305	
Disposal of investments in equity instruments at fair value through other comprehensive income	6,700,163	
Net profit after adjustment	68,124,048	
Appropriation of 10% as legal reserve	(6,812,405)	
Distributable profits of the current	411,188,059	

Item	Amount	Note
period		
Distribution items		
Shareholder dividends	(42,026,770)	Cash dividends NT\$0.3
Undistributed earnings at end of year	369,161,289	

Note: The cash dividends for common shares in this distribution will be calculated to the nearest whole NTD. Amounts less than one NTD will be rounded down, and any resulting fractional amounts will be transferred to other income by the Company. In the event that the subsequent number of outstanding shares changes due to share repurchases, transfers, conversions, cancellations, capital increases, or other reasons, leading to increases or decreases in the number of shares outstanding, the total amount of cash dividends to be distributed will be adjusted according to the actual number of shares outstanding on the record date, as determined by the Shareholders' Meeting.

3. Any expected material changes in the dividend policy: None.
- (VII) The effects of the stock dividends proposed by the Shareholders' Meeting on the Company's business performances and earnings per share: Not applicable.
- (VIII) Remuneration of employees, directors and supervisors
1. Percentages and ranges of remuneration to employees, directors, and supervisors, as specified in the Company's Articles of Incorporation:  
If the Company generates profits during a year, it should allocate 10% to 20% for employee remuneration, while the remuneration for directors and supervisors should not exceed 1%. However, an amount shall be set aside in advance to compensate for cumulative losses, if any.
  2. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee bonus, the actual distributed amount for the current period, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount: None.
  3. Remuneration proposals passed by the Board of Directors:
    - (1) Employee, director, and supervisor remuneration will be distributed in cash or shares. If there is any discrepancy with the recognized costs for the year then the difference, reason, and response should be disclosed:  
The remuneration for directors, supervisors, and employees for 2022 has been approved by the Board of Directors in a meeting convened on March 14, 2023. The approved amount for director and supervisor was NT\$1,855 thousand, and for employee NT\$22,260 thousand. The approved remuneration amounts for employees and directors/supervisors were consistent with the estimated figures in the 2022 financial statements.
    - (2) The amount of employee remuneration to be paid in shares as a ratio of the cumulative amount of the current net profit after tax and employee remunerations:  
The Company did not distribute employee stock dividends for 2022; hence, it is not applicable.
  4. Any discrepancy between actual remuneration distribution of employees, directors, and supervisors (including the number of shares, the amount and share price) and the recognized remuneration of employees, directors, and supervisors, and disclosure of the differences, reasons, and responses: None.
- (IX) Buyback of treasury stock:



Repurchase no.	Fifth time (term)
Purpose of repurchase	Transfer shares to employees
Repurchase period	2020/03/24~2020/05/21
Repurchase price range	9.00~18.00
Types and numbers of shares bought back	Common shares 4,338,000 shares
Monetary amount of shares bought back	NT\$59,797,365
Ratio of the number of shares already repurchased to the number of shares intended to be repurchased (%)	86.76%
The number of repurchased shares that have been canceled or transferred	3,377,000 shares
Cumulative number of the Company's shares held by the Company	961,000 shares
Ratio of the cumulative number of the Company's shares held by the Company to the total number of issued shares (%)	0.68%

## II. Issuance of Corporate Bonds:

- (I) Issuance of corporate bonds: None.
- (II) Information on Convertible Bonds: None.
- (III) Information on conversion of corporate bonds: None.
- (IV) Status of engaging in shelf registration to issue corporate bonds: None.
- (V) Information of corporate bonds with warrants: None.

## III. Issuance of Preferred Shares:

- (I) Issuance of preferred shares: None.
- (II) Information of preferred shares with warrants: None.

## IV. Issuance of Global Depositary Receipts (GDR): None.

## V. Issuance of Employee Stock Options: The Company has not engaged in employee stock subscription plans.

## VI. Implementation of Restricted Stock Units (RSU): The Company has not issued RSUs.

## VII. Issuance of new shares for merger or acquisition of shares of other companies: None.

## VIII. Implementation of Capital Allocation Plans: The Company has not issued any ongoing or recently completed capital allocation plans where the anticipated benefits have not yet been realized within the past three years.

## Chapter 5. Business Overview

### I. Business Activities:

#### (I) Business Scope:

##### 1. Major business activities:

- (1) CA02010 Manufacture of Metal Structure and Architectural Components.
- (2) CB01010 Mechanical Equipment Manufacturing.
- (3) CB01030 Pollution Controlling Equipment Manufacturing.
- (4) CB01990 Other Machinery Manufacturing.
- (5) CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery.
- (6) CC01020 Electric Wires and Cables Manufacturing.
- (7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- (8) CC01040 Lighting Equipment Manufacturing.
- (9) CC01060 Wired Communication Mechanical Equipment Manufacturing.
- (10) CC01070 Wireless Communication Mechanical Equipment Manufacturing.
- (11) CC01080 Electronics Components Manufacturing.
- (12) CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
- (13) CC01110 Computer and Peripheral Equipment Manufacturing.
- (14) CC01120 Data Storage Media Manufacturing and Duplicating.
- (15) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- (16) CD01020 Rail Vehicle and Parts Manufacturing.
- (17) CD01060 Aircraft and Parts Manufacturing.
- (18) CD01990 Other Transport Equipment and Parts Manufacturing.
- (19) E502010 Fuel Catheter Installation Engineering.
- (20) E599010 Piping Engineering.
- (21) E601010 Electric Appliance Construction.
- (22) E601020 Electric Appliance Installation.
- (23) E603010 Cable Installation Engineering.
- (24) E603040 Fire Safety Equipment Installation Engineering.
- (25) E603050 Automatic Control Equipment Engineering.
- (26) E603080 Traffic Signs Installation Engineering.
- (27) E603090 Lighting Equipments Construction.
- (28) E603100 Electric Welding Engineering.
- (29) E604010 Machinery Installation.
- (30) E605010 Computer Equipment Installation.
- (31) E701010 Telecommunications Engineering.
- (32) E701020 Satellite Television KU Channels and Channel C Equipment Installation.
- (33) E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering.
- (34) E701040 Simple Telecommunications Equipment Installation.
- (35) E801010 Indoor Decoration.
- (36) E901010 Painting Engineering.
- (37) EZ05010 Instrument and Meters Installation Engineering.
- (38) EZ06010 Traffic Marking Engineering.
- (39) EZ15010 Warming and Cooling Maintenance Construction.
- (40) EZ99990 Other Engineering.
- (41) F108031 Wholesale of Medical Devices.
- (42) F113010 Wholesale of Machinery.
- (43) F113020 Wholesale of Electrical Appliances.
- (44) F113030 Wholesale of Precision Instruments.
- (45) F113050 Wholesale of Computers and Clerical Machinery Equipment.
- (46) F113060 Wholesale of Measuring Instruments.
- (47) F113070 Wholesale of Telecommunication Apparatus.
- (48) F113090 Wholesale of Traffic Sign Equipments and Materials.
- (49) F113100 Wholesale of Pollution Controlling Equipments.

- (50) F113110 Wholesale of Batteries.
- (51) F114010 Wholesale of Motor Vehicles.
- (52) F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
- (53) F114070 Wholesale of Aircraft and Component Parts Thereof.
- (54) F114080 Wholesale of Track Vehicle and Component Parts Thereof.
- (55) F114990 Wholesale of Other Traffic Means of Transport and Component Parts Thereof.
- (56) F118010 Wholesale of Computer Software.
- (57) F119010 Wholesale of Electronic Materials.
- (58) F208031 Retail Sale of Medical Apparatus.
- (59) F209060 Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies.
- (60) F213010 Retail Sale of Electrical Appliances.
- (61) F213030 Retail Sale of Computers and Clerical Machinery Equipment.
- (62) F213040 Retail Sale of Precision Instruments.
- (63) F213050 Retail Sale of Measuring Instruments.
- (64) F213060 Retail Sale of Telecommunication Apparatus.
- (65) F213080 Retail Sale of Machinery and Tools.
- (66) F213090 Retail Sale of Traffic Sign Equipments and Materials.
- (67) F213100 Retail Sale of Pollution Controlling Equipments.
- (68) F214010 Retail Sale of Motor Vehicles.
- (69) F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
- (70) F214070 Retail Sale of Aircraft and Component Parts Thereof.
- (71) F214080 Retail Sale of Track Vehicle and Component Parts Thereof.
- (72) F214090 Retail Sale of Other Traffic Means of Transport and Component Parts Thereof.
- (73) F218010 Retail Sale of Computer Software.
- (74) F219010 Retail Sale of Electronic Materials.
- (75) F401010 International Trade.
- (76) F401021 Controlled Telecommunications Radio-Frequency Devices and Materials Import.
- (77) F601010 Intellectual Property Rights.
- (78) I103060 Management Consulting.
- (79) I301010 Information Software Services.
- (80) I301020 Data Processing Services.
- (81) I301030 Electronic Information Supply Services.
- (82) I401010 General Advertisement Service.
- (83) I501010 Product Designing.
- (84) IE01010 Telecommunications Service Number Agencies.
- (85) IG02010 Research and Development Service.
- (86) IG03010 Energy Technical Services.
- (87) IZ03010 Clipping.
- (88) IZ12010 Manpower Dispatched.
- (89) IZ13010 Internet Certificates Service.
- (90) IZ15010 Market Research and Public Opinion Polling.
- (91) JA02010 Electric Appliance and Electronic Products Repair.
- (92) JE01010 Rental and Leasing.
- (93) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue breakdown:

Year of 2023

Unit: NT\$ thousand

Product name	Sales	Ratio %
Telecommunications system integration service	1,572,567	29.94
IP broadband network service	314,806	5.99
Media industry service	468,996	8.93

Product name	Sales	Ratio %
Enterprise customers and others	1,643,273	31.28
Smart city application service	1,253,090	23.86
Total	5,252,732	100.00

### 3. The current products (services) of the Company:

Product name	Major applications
Telecommunications system integration service	PRBT system, UMS system, multifunctional SMS service platform system, regional message notification system platform, EAP-SIM authentication platform, remote backup of storage system, mobile voice gateway platform, 3G/4G LTE network core system, mobile payment services, x86 procurement, NGN7/8, MASS, centralized backup system, unified platform, and more.
IP broadband network service	V2(DSLAN/HGW), GPON-HGW-O equipment, Optical Distribution Network (ODN), MSAN broadband access network, SVG access equipment, AGG-E equipment (L2), DNS network equipment, IP network security services, V2 HGW equipment, and more.
Media industry service	SD/HD, 4K2K content digital transcoding system, multi-format audio/video Transcoder, camera and broadcasting control/sub-control systems, digital cable TV headend system, HD multimedia set-top boxes, fiber or telecom equipment, data terminal system, network application service, 3D games, Multimedia on Demand (MOD), DRM, and more.
Enterprise customers	Centralized system for general enterprise data centers, enterprise virtualization, cloud computing projects, VDI desktop cloud, cybersecurity system services, big data analysis, EMC bidding, SWRD NETAPP expansion, MTK new data center relocation projects, and more.
Intelligent transportation service (ITS)	The Company provides the necessary equipment for traffic control systems, including CCTV cameras, large-format displays, vehicle detectors, weather sensors (wind, rain, fog), power equipment, fire equipment, IT rooms, event management platforms, surveillant systems, BRT mechatronic systems, and customized development of the central computer systems for regional traffic control centers. Such systems integrate various roadside traffic control devices, execute incident response plans, include intelligent transportation and equipment maintenance management apps, provide video recording and graphic control software, as well as image broadcasting software, thereby offering management and decision-making support services, as well as equipment update and maintenance for traffic control systems.
Integrated monitoring platform of Intelligent Operation Center (IOC)	The integrated monitoring platform, aoSCADA, is designed for the IOC of a smart city. It provides diverse intelligent monitoring and management services within an IoT environment.
Innovative business applications	Based on the professional expertise, experience, and resources accumulated in the aforementioned six application domains, the Company plans to develop a wide range of innovative applications and services, including intelligent transportation, smart digital billboard system, and WiFi O2O service application platforms. These will serve as the Company's development direction in the next decade.

### 4. Planned development of new products (services):

The Company continues to strive towards its positioning as a Broadband Application Service Integrator, with the goal of realizing the vision of "Any Service Any Device Anywhere" in broadband services. Hwacom has been investing manpower and resources into the development of next-generation IPTV services, systems and network security, and integrated monitoring platforms for IOCs. These efforts aim to enhance our competitive advantage as a major broadband multimedia product supplier in the market. The R&D objectives in this fiscal year are as follows:

#### (1) Media industry service

##### A. Multimedia terminal development project:

With the rapid growth of Smart TV, we are committed to continuous innovation and actively collaborate with IC platform suppliers such as: Intel, BroadCom, and domestic companies like Morningstar to develop the next-generation high-end 4K2K ultra-HD set-top box and networked OTT television device. We are also developing devices based on the Android operating system.

B. Cloud-based media service platform:

With the rapid advancement of cloud technology and infrastructure in recent years, HwaCom has partnered with international technology giants to launch a cloud-based media platform. This platform will benefit enterprises and the media industry by providing efficient and cost-effective access to internal media resources and enabling the launch of media products.

(2) Innovative application services

A. Smart Digital Signage

Based on our years of experience in multimedia digital contents and embedded terminal devices, as well as project expertise in information display and multimedia billboards in transportation system, Hwacom foresees a significant demand for electronic billboard applications in various real-life scenarios. As a result, Hwacom is investing to develop smart digital billboard system as a new business opportunity.



我們的定位...	Our positioning...
廣告公司/製作者	Advertising agency/producer

系統提供商	System provider
解決方案商	Solution provider
播放器生產商	Player manufacturer
顯示器製造商	Display manufacturer
LCD 與觸控板	LCD and touch panel
電信商	Telecommunications provider
網路服務業者	Internet service provider
系統集成商	System integrator
安裝與維護業	Installation and maintenance industry
各行業採用電子看板客戶群	Customers in various industries that use electronic billboards
提供整體方案	Provide total solutions
高成本效益的方案	Cost-effective solution
直覺式的使用與操作	Intuitive use and operation
高效能系統	High performance system
後端管理系統	Backend management system
■ 雲端式架構，直覺使用。	■ User-friendly cloud-based architecture.
■ 彈性的內容管理與派送	■ Flexible content management and delivery
■ 高執行效能。	■ Highly efficient execution.
前端多媒體播放器產品	Front-end multimedia player products
■ 具成本效益之嵌入式系統	■ Cost-effective embedded systems
■ 基於安卓作業系統,高彈性的功能再開發與整合擴充性。	■ Highly flexible function redevelopment and integration scalability in the Android system.
■ 亮麗多媒體內容展現能力。	■ Presents multimedia content in a brilliant fashion.

Products that have been developed include the following:

(A) Android Terminal Player:

A hardware terminal based on the Android platform, equipped with advertisement broadcasting app, information broadcasting app, smart navigation app, etc. It can output HD audio and video to display screen, providing various information display services, and also digital dynamic advertisement broadcasting.

■ Multi-function Advertising Display Solution

可支持多樣化的應用情境

<p><b>單機運作型</b></p>  <p>■ <b>基本多媒體播放</b> 提供內建基本之畫面樣板 自行定義媒體檔案播放順序 依據所選定之畫面樣板進行多 媒體內容播放。</p>	<p><b>進階型</b></p>  <p>■ <b>進階播播模式</b> 基於單機運作型,加入網路 與雲端管理遠端機制,可於 聯網狀態進行播放內容管理 與排程,亦可以遠端更新軟 件。</p>
<p><b>專業型</b></p>  <p>■ <b>互動播播模式</b> 搭配觸控板模組,播放器APP 軟件提供人機互動式的增值 服務項目。</p>	<p><b>專屬客制型</b></p>  <p>■ <b>全專屬區網管理模式</b> 適配於客制化項目, 除廠配完整之電子數位看板 功能外,可支持客制化介接第 三方 資訊來源,並整合遠端顯示畫面。 如前述各交通系統案例。</p>

可支持多樣化的應用情境	Diverse application scenarios are supported.
單機運作型	Stand-alone operation type
■ 基本多媒體播放	■ Basic multimedia playback
提供內建基本之畫面樣板	Provides built-in basic screen templates

自行定義媒體檔案播放順序	Customizable playback order of media contents
依據所選定之書面樣板進行多媒體內容播放	Playback of multimedia content based on selected written template
進階型	Advanced type
■ 進階推播模式	■ Advanced push mode
基於單機運作型,加入網路與雲端管理連線機制,可於聯網狀態進行播放內容管理與排程,亦可以連網更新軟件。	Based on stand-alone operation, this model incorporates a network and cloud management connection mechanism. It can manage and schedule playback content while connected to the Internet, and its software may be updated online.
專業型	Professional type
■ 互動推播模式	■ Interactive push mode
搭配觸控框模組,播放器 APP 軟件提供人機互動式的增值服務項目。	Paired with the touch-frame module, the player APP software provides human-computer interactive value-added services.
專屬客制型	Exclusive customized type
■ 全專屬區網管理模式	■ Fully dedicated regional network management mode
適配於客制化項目,除原配置完整的電子數位看板功能外,可支持客制化介接第三方資訊來源,並整 X 進顯示畫面。如前述各交通系統案例。	This model is suitable for customized projects. In addition to the original complete electronic digital billboard function, it can also support customized interfaces with second-party information sources and integrate them into the display screen. Such as the aforementioned transportation system projects.

(B) Touchscreen Query Machine (Kiosk):

Collocated with a customized design touchscreen and stand, the aforementioned Android terminal player can be served as a smart navigator/Kiosk. Currently, it has been deployed in highway service areas and communities in the Greater Taipei area, providing interactive information such as traffic conditions, traffic information, local attraction guide, shopping malls, restaurants, bus and railway stations, and tourist hotspots.

(C) Cloud-based Smart Digital Billboard Management System:

Utilizing the expertise of HwaCom in IT and application development, the Company has developed a management system that effectively manages the deployed terminal players/kiosks across multiple locations. The system handles processes such as content distribution and production, and is designed with a cloud-based architecture. All management actions can be performed through the Internet and web browsers.

We also provide a comprehensive functionality designed for the entire process and operations for B2B2C business models, thereby enabling enterprises that use our system and service to scale up their businesses.

■ 直覺式的使用者介面, 易於操作的工作流程



■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制



■ 可部署於雲端 IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。



<p>■ 直覺式的使用者介面, 易於操作的工作流程</p>	<p>■ User-friendly interface and easy-to-operate workflow</p>
<p>■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制</p>	<p>■ A "what you see is what you get" display design editor and a convenient publishing and delivery mechanism</p>
<p>■ 可部署於雲端 IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。</p>	<p>■ The system can be deployed in cloud IDC and adopts a web browser-based back-end management system with high performance and scalability.</p>



#### (D) Function-oriented Mobile App Mode

Within the aforementioned "Smart Digital Billboard System," HwaCom offers function-oriented mobile apps to meet the demand of different customers. Those apps can be easily downloaded and deployed by frontend players in various locations, enabling quick updates and changes to information displays, billboard ad templates, advertisement content, and navigation functions. These apps include: ads broadcasting app, information broadcasting app, smart navigation apps, and more. We will continue to introduce new and innovative apps in the future.

#### (3) Smart City Management Services

With the rapid development of digital networks and the improvement of network infrastructure, coupled with the maturity of IoT technologies, a diverse range of systems, platforms, and devices have been emerged. This has enabled boundless possibilities in the applications of smart cities. Starting from basic access control systems, alarm systems, video surveillance, and environmental monitoring systems, the Company has further expanded its offering to smart image recognition, intelligent detection, and integrated systems that enable seamless collaboration among different subsystems. The goal is to provide citizens with a safer, more convenient, and comfortable living environment.

The Company specializes in the design and implementation of various network systems. In recent years, the Company has been dedicated to the field of smart city integration solutions, including the development of personalized home system as well as large-scale security control system for professional environments. The Company provides customized design and implementation solutions to address the security requirements of different industries. The overview of our security control solution is as follows:

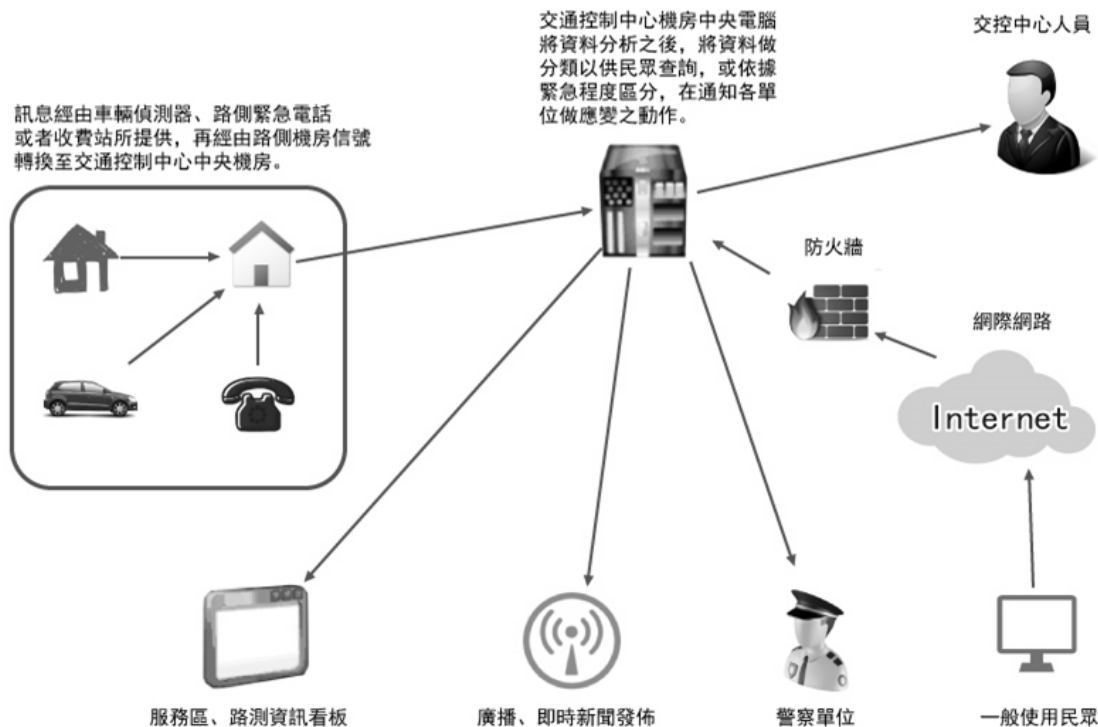


行車管理	Traffic management
測速照相	Speed cameras
電子收費	Electronic Toll Collection (ETC)
車牌辨識	Vehicle registration number recognition
停車管理	Parking management
舒緩道路堵塞和減少交通事故, 進而提高交通使用者的方便和舒適為目的。	The purpose is to relieve traffic congestion and reduce traffic accidents, thereby improving the convenience and comfort of road users.
交通類	Transportation category
華電聯網	HWACOM SYSTEMS INC.
居家類	Household category
提供安全便利、健康舒適的居家環境為訴求。	To provide a safe, convenient, healthy and comfortable home environment.
居家安全防護	Home security protection
門禁控管系統	Access control system
防盜保全系統	Anti-theft security system
家電遠端管控	Remote control of home appliances
電力管理系統	Power management system
安控類	Security control category
針對特定之環境, 做溫度、濕度、氣流速度等參數的管控, 藉以達到使用者遠端監控和機械設備運作的要求。	For specific environments, parameters such as temperature, humidity, and air flow speed are controlled to meet the user's remote monitoring and mechanical equipment operation requirements.
影像辨識	Image recognition
位移偵測	Displacement detection
災害偵測	Disaster detection

漏水偵測	Water leakage detection
溫度偵測	Temperature detection
濕度偵測	Humidity detection
氣流偵測	Airflow detection
煙霧偵測	Smoke detection
電力偵測	Power detection
監視偵測	Surveillance detection
告警發報	Alarm reporting
門禁偵測	Access detection

## A. Intelligent Traffic Control

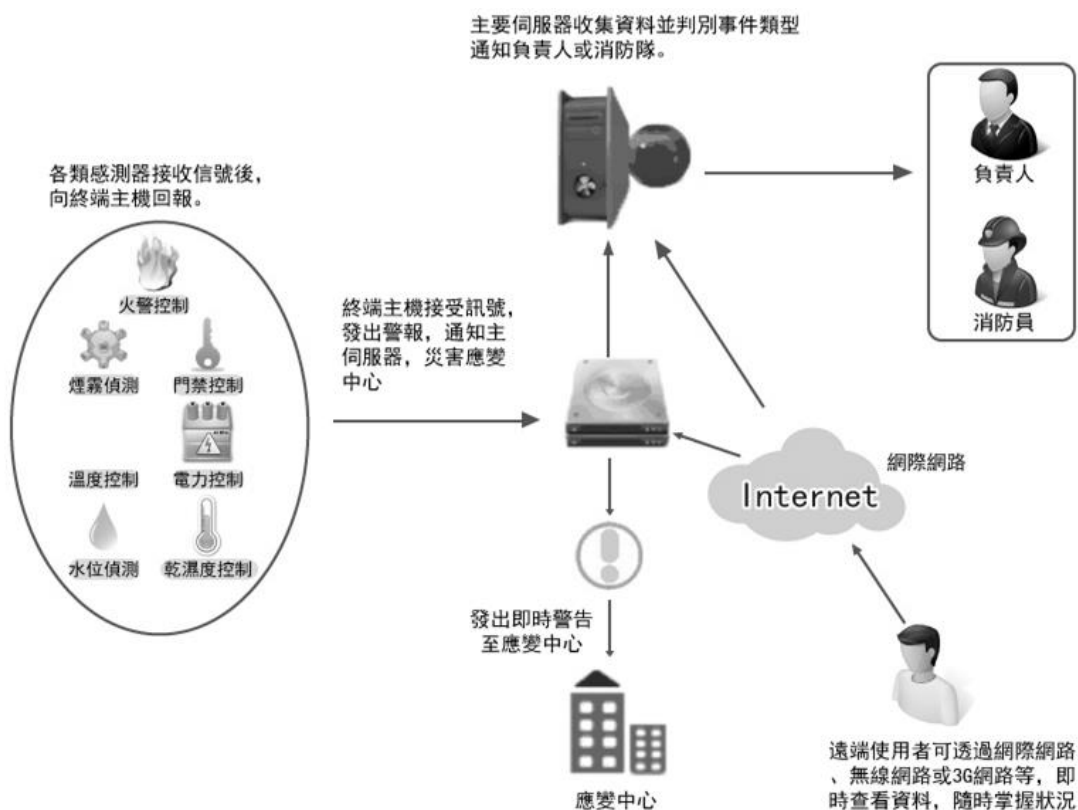
In order to automate the overall operational management of transportation and enhance the quality of transportation services (excerpted from Article 2 of "Enforcement Rules of Act for Promotion of Private Participation in Infrastructure Projects"), we integrate technologies such as information, communication, electronic, control, and management into various transportation infrastructure. This promotes higher transportation efficiency, quality, and safety, thereby realizing environmental protection and the development of green transportation.



訊息經由車輛偵測器、路側緊急電話或者收費站所提供，再經由路側機房信號轉換至交通控制中心中央機房。	The information is provided by vehicle detectors, roadside emergency telephones or toll stations, and then converted from the roadside computer room signals to the traffic operation center's central computer room.
交通控制中心機房中央電腦將資料分析之後，將資料做分類以供民眾查詢，或依據緊急程度區分，在通知各單位做應變之動作。	After analyzing the data, the central computer of the traffic control center will categorize the data for public inquiry, or prioritize it according to the degree of emergency, and then notify various units to take contingency actions.
交控中心人員	Personnel at traffic control center
服務區、路測資訊看板	Service area, roadside information bulletin
廣播、即時新聞發佈	Broadcasting, instant news release
警察單位	Police units
一般使用民眾	General public
網際網路	Internet
防火牆	Firewall

## B. Intelligent Security Management

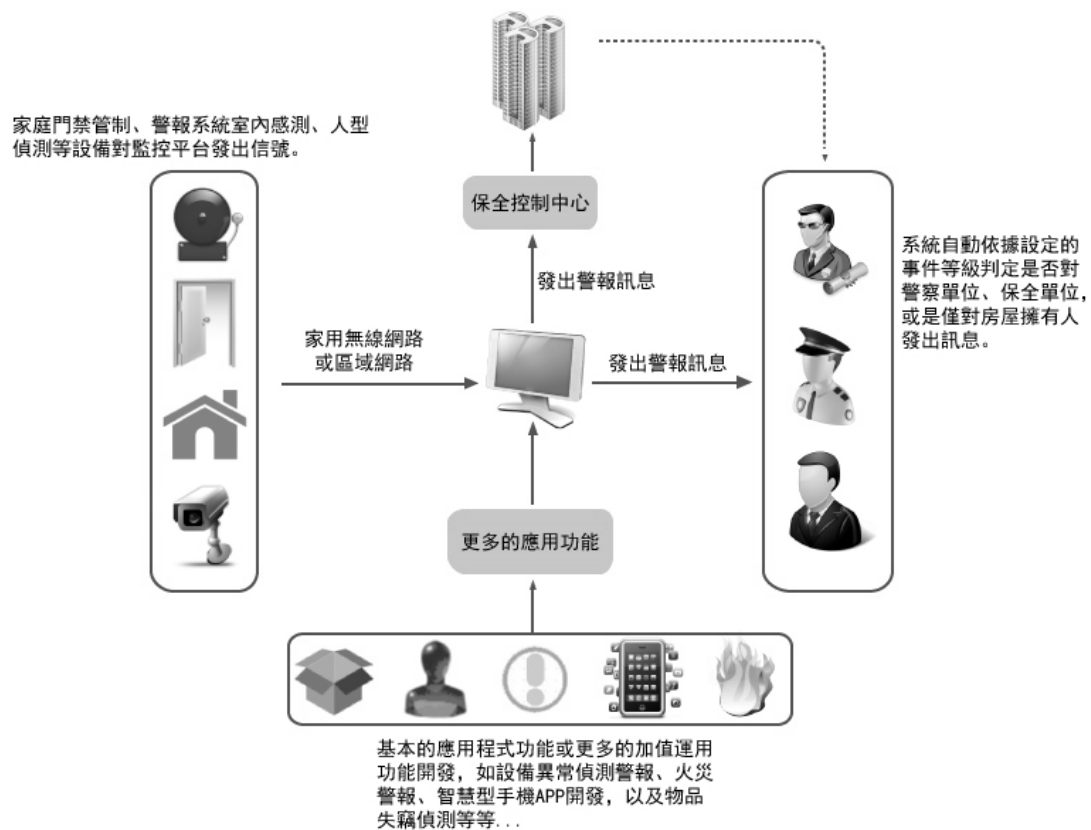
Implementing centralized monitoring and management for all equipment and environmental aspects of the data center, monitoring the operational status and parameters of different systems. In the event of any abnormal incidents, immediate notifications are sent to the administrators, facilitating remote monitoring and enabling prompt responsive measures to be taken.



各類感測器接收信號後，向終端主機回報。	After receiving signals, various sensors will report back to the terminal host.
火警控制	Fire alarm control
煙霧偵測	Smoke detection
門禁控制	Access control
溫度控制	Temperature control
電力控制	Power control
水位偵測	Water level detection
乾濕度控制	Dry and humidity control
終端主機接受訊號，發出警報，通知主伺服器，災害應變中心	The endpoint host receives the signal, issues an alarm, and notifies the main server and disaster response center
主要伺服器收集資料並判別事件類型通知負責人或消防隊。	The main server collects data and determines the type of incident to notify the person in charge or the fire department.
負責人	Responsible person
消防員	Fire department
發出即時警告至應變中心	Issues immediate warning to response center
應變中心	Response Center
遠端使用者可透過網際網路、無線網路或 3G 網路等，即時查看資料，隨時掌握狀況	Remote users can view data in real time and understand the situation at any time through the Internet, wireless network, or 3G network or more.
網際網路	Internet

### C. Smart Home

By integrating automation and intelligent technologies with safety, IT, network, and service-related industries, technology is seamlessly incorporated into the architecture, enhancing the safety, convenience, and comfort of everyday living.



家庭門禁管制、警報系統室內感測、人型偵測等設備對監控平台發出信號。	Equipment such as home access control, indoor sensor and alarm system, and human detection will send signals to the monitoring platform.
家用無線網路或區域網路	Home wireless network or local area network
發出警報訊息	Sends an alarm
保全控制中心	Security control center
發出警報訊息	Sends an alarm
系統自動依據設定的事件等級判定是否對警察單位、保全單位，或是僅對房屋擁有人發出訊息。	The system automatically determines whether to send a message to the police unit, security unit, or just the home owner based on the set event level.
基本的應用程式功能或更多的加值運用功能開發，如設備異常偵測警報、火災警報、智慧型手機 APP 開發，以及物品失竊偵測等等...	Development of basic application functions or more value-added application functions, such as equipment abnormality detection alarms, fire alarms, smartphone app development, and theft detection, etc.
更多的應用功能	More application functions

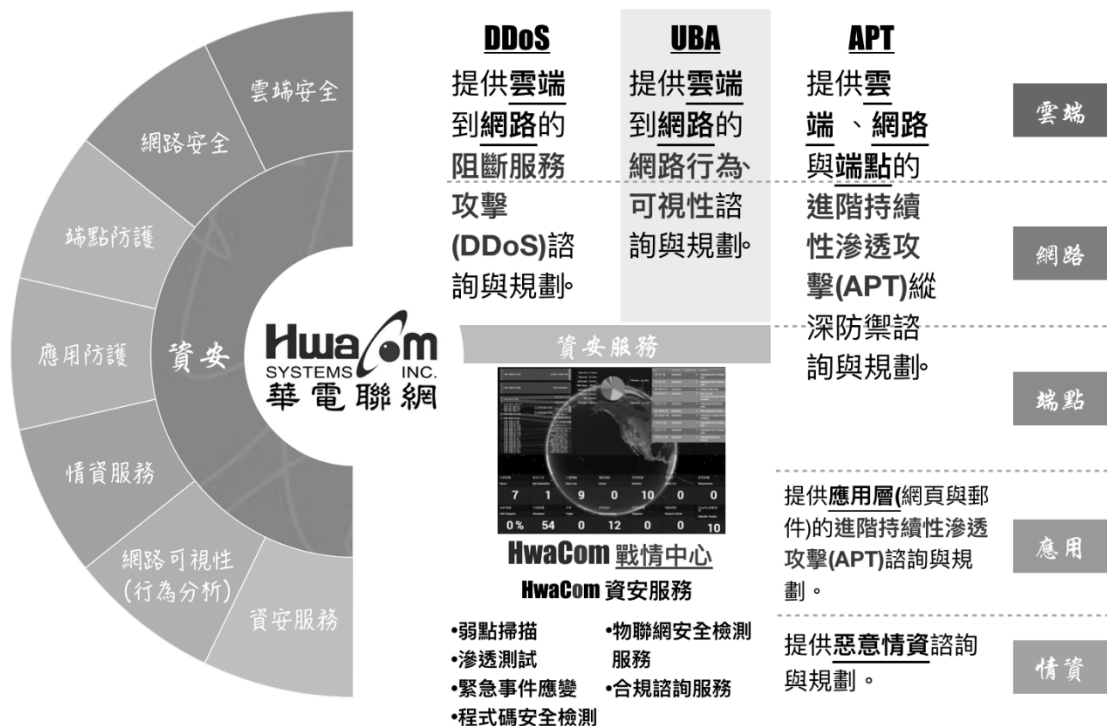
### (4) Cybersecurity Management Solution

#### A. Proactive Defense Approach to Address Cybersecurity Challenges in the Era of IoT

With the approaching IoT era, cybersecurity issues have transcended the realm of IT (MIS) and have become a "business risk," subjecting enterprises to significant losses in revenue, competitiveness, and reputation. However, effectively protecting against these threats poses immense challenges. The proliferation of IoT devices not only increases potential vulnerabilities and expands the scope of required defense, but it also presents difficulty in software/firmware updates and management, in addition to the compatibility between existing cybersecurity devices. The lack of security hinders enterprises from properly prioritizing their defense measures. In

light of the escalating vulnerabilities within IoT devices, it is crucial for enterprises to evolve their mindset on what qualifies as cybersecurity. Merely relying on traditional approaches of deploying multiple devices and developing numerous regulations without proper implementation review is no longer sufficient. Instead, enterprises should start by defining their critical assets and services and gaining a comprehensive understanding of such assets. This knowledge forms the basis for establishing effective monitoring mechanisms, enabling precise identification of normal and abnormal patterns and ultimately, helping them to refine their proactive defense capabilities. Proactive defense entails a management cycle similar to the PDCA approach. Enterprises first establish KPIs, and based on two main aspects - proactive engagement and reinforced measures - they utilize SIEM and deep packet analysis systems to detect suspicious activities. They then employ tactics such as counterattacks and slowing down the attacker's progress, effectively impeding hackers' advancements. By continuously identifying threats and allocating resources for customized defense strategies, enterprises strengthen their defensive measures through this iterative process.

## 華電聯網 資訊安全 與 資安管理服務



華電聯網 資訊安全 與 資安管理服務	Hwacom Systems Inc's Information Security and Information Security Management Services
雲端安全	Cloud security
網路安全	Network security
端點防護	Endpoint protection
應用防護	Application protection
情資服務	Intelligence services
網路可視性(行為分析)	Network visibility (behavioral analysis)
資安服務	Information security services
資安	Information security
華電聯網	HWACOM SYSTEMS INC.
提供雲端到網路的阻斷服務攻擊(DDoS)諮詢與規劃。	Supply cloudtonetworkDenial of Service attack (DDoS) consulting and planning.

提供 <u>雲端</u> 到 <u>網路</u> 的網路行為、可視性諮詢與規劃。	Supply <u>cloud to network</u> Internet behavior, visibility consulting and planning.
提供 <u>雲端</u> 、 <u>網路</u> 與 <u>端點</u> 的進階持續性滲透攻擊(APT)縱深防禦諮詢與規劃。	Supply <u>cloud, network and endpoint</u> Advanced Persistent Penetration (APT) defense-in-depth consulting and planning.
雲端	Cloud
網路	Network
資安服務	Information security services
HwaCom <u>戰情中心</u>	HwaCom <u>Security Operations Center</u>
HwaCom <u>資安服務</u>	HwaCom <u>Information Security Services</u>
• 弱點掃描	• Vulnerability scanning
• 滲透測試	• Penetration testing
• 緊急事件應變	• Emergency response
• 程式碼安全檢測	• Programming security detection
• 物聯網安全檢測服務	• IoT security detection service
• 合規諮詢服務	• Compliance consulting services
端點	Endpoint
提供 <u>應用層</u> (網頁與郵件)的進階持續性滲透攻擊(APT)諮詢與規劃。	Supply <u>Application layer</u> Advanced Persistent Penetration (APT) consulting and planning (web and email).
應用	Data application
提供 <u>惡意情資</u> 諮詢與規劃。	Supply <u>Malicious information</u> Consulting and planning.
情資	Information

#### B. AI-driven Analysis for an Advanced Defense Architecture

Cybersecurity issues are not new. They have been prevalent throughout history and have evolved significantly. Initially, protection focused on single-point solutions such as antivirus, firewalls, web, and email gateways, and one machine only had one type of defense mechanism. However, as malicious attacks advanced and the proliferation of interconnected devices in the era of IoT increased the number of possible attack entry points, relying solely on single-point defenses became inadequate. This led to the emergence of the concept of collaborative defense, where different types of gateway devices exchanged information and worked in tandem with cloud and endpoint protection mechanisms to form a unified defense network.

To address this challenge, the Company has leveraged a big data platform for value-added development, giving rise to a comprehensive Security Operations Center (SOC) that meets the needs of most enterprises and empowers organizations to integrate real-time visibility into their cybersecurity posture. In the event of an incident, alerts are immediately issued through channels such as SMS messages, app-based push notifications, or emails, enabling management personnel to stay informed about the security situation and take appropriate actions. Additionally, custom commands tailored to specific threat types and policies can be sent to relevant security devices, proactively thwarting attacks.

In the IoT era, an increasing number of devices have IP addresses and Internet connectivity. In an office environment, devices such as PCs, IP phones, printers, IP cameras, and even punch-in clocks are connected to the network, making each of them a potential entry point for malicious programs or facilitators of lateral infections. Therefore, in addition to network (vertical) protection, enterprises must also prioritize the defense of physical devices and internal network behavior by establishing a lateral defense network. The emergence of Hwacom's next-generation SOC assists businesses in resisting persistent malicious attacks and safeguarding their digital assets. In order to stay up-to-date with the evolving landscape of cybersecurity and promptly establish corresponding capabilities in cybersecurity service provision, the Company has collaborated with several AI analysis solution providers specializing



in networking and endpoints, combining their expertise with our intelligent SOC to create a robust fortress of cybersecurity defense.

## 自主研發 與 資安服務



**HwaCom 戰情中心**

- 協同式的巨量分析平台
- 集中式的中央管理
- 數據分析的能力
- 快速回應問題的能力

- 弱點掃描
- 滲透測試
- 緊急事件應變
- 程式碼安全檢測
- 物聯網安全檢測服務
- 合規諮詢服務
- 資訊安全整體規劃服務

自主研發 與 資安服務	In-house R&D and information security services
HwaCom 戰情中心	HwaCom <u>Security Operations Center</u>
• 協同式的巨量分析平台	Collaborative big data analysis platform
• 集中式的中央管理	• Centralized management
• 數據分析的能力	• Data analytical skills
• 快速回應問題的能力	• Ability to respond quickly to questions
• 弱點掃描	• Vulnerability scanning
• 滲透測試	• Penetration testing
• 緊急事件應變	• Emergency response
• 程式碼安全檢測	• Programming security detection
• 物聯網安全檢測服務	• IoT security detection service
• 合規諮詢服務	• Compliance consulting services
• 資訊安全整體規劃服務	• Total information security planning services

### (5) Home+ Smart Community Services

The outstanding services provided by our Home+ Smart Community have been adopted by the New Taipei City Government. Customized for their needs, the "New Taipei Smart Community" solution is offered to over 8,000 communities throughout New Taipei City. It facilitates seamless communications among the city government, residents, and communities, while the following functions are also enabled:

#### A. Government Announcements

Stay up to date with government policies, event information, weather updates and etc., ensuring no information is missed!

#### B. Reporting to the Government

Bridge the gap between the government and the citizen through technology. New Taipei residents can directly express their opinions to the Mayor using their mobile phones!

#### C. Building Committee Mailbox

Residents can easily contact their building committee at any time, and the committee can promptly respond to their inquiries, ensuring smooth

communications!



市府	City government
• 市府公告	• Government announcements
• 通報市府	• Reporting to the government
社區	Community
• 社區公告	• Community announcements
• 信件通知	• Mail notification
• 推播通知	• Push notification
• 瓦斯抄表	• Gas meter reading
• 公設預約	• Public facility reservation
• 意見交流	• Exchange ideas and opinions
雲端平台	Cloud-based platform
居民	Residents
平板	Tablets
手機	Smartphones
智慧看板	Smart billboards

## (II) Industry Overview

### 1. Current Trends and Outlook of the Industry

#### (1) Current industry state

The Company is a system integration provider for telecom media and network information fields, offering comprehensive broadband solutions. Our business development is closely related to that of the telecommunications industry. In recent years, with the trend of telecom liberalization in the domestic market, there has been an increased demand for broadband infrastructure, providing much more opportunities for us to realize our expertise in broadband technology integration. The following analysis focuses on the current state of the telecom industry, illustrating the industry landscape in which the Company operates.

#### A. Telecommunications system integration service

Telecom service providers have been actively promoting smartphones, value-added services, and broadband network solutions to target high-spending consumers and the home market. With the approaching 5G era, telecom operators continue to introduce competitive phone plans. In addition to enhancing their infrastructure and value-added services, they are also increasing their investments in network infrastructure. On the other hand, cable TV operators are also actively digitizing their services, as required by the competent authority, NCC. New cable TV operators are enhancing their fiber Internet and voice-command services, while being actively involved in planning the deployment of fiber networks. These developments are creating opportunities in the digital set-top box and fiber network markets.

However, the traditional telecom service market in Taiwan has reached maturity, with saturated voice market and limited growth prospects. The widespread adoption of the internet, emergence of new broadband service providers, and rise of social media services have eroded the market share of existing fixed-line and mobile communication services. As a result, revenue from fixed-line services continues to decline, and mobile revenue growth is also lower than expected. Unless new services, such as value-added services and IPTV, can effectively drive revenue, revenue growth for telecom operators will continue to be limited.

Furthermore, major telecom operators have begun extensive construction of 5G base stations since Q2 2020. With the high bandwidth and low latency characteristics of 5G, services previously offered through fixed-line and internet networks are gradually expanding into mobile networks. The development of private 5G networks is also a noteworthy area. Enterprises or organizations can establish their own 5G networks without relying on telecom operators. However, the services for private networks are still being explored worldwide, indicating their immense potential. The high bandwidth of 5G will further contribute to the trend of utilizing mobile phones as mobile offices

and entertainment platforms; in particular, the demand for image enhancer apps has created a new industry, with low entry barriers attracting numerous companies and individuals to join the market. Therefore, telecom operators must continue to introduce innovative value-added services to satisfy consumer needs. Going forward, the revenue from mobile services will increasingly replace that of fixed-line services. The emergence of internet telephony services such as Skype, Line, WeChat, etc., will also affect the volume of mobile voice calls. The growth of value-added services will be driven by multimedia audio and video applications. With the increase in mobile communication transmission speed, the proportion of non-SMS mobile data services is expected to keep rising, indicating great potential in the mobile value-added services market. In the future, the profitability of telecom operators will mostly come from value-added services and the enterprise customer market.

B. IP broadband network service

The era of broadband networks has brought new business opportunities for system integrators. Traditional system integration projects for government or related enterprises often have lower profit margins. The traditional system integration business primarily caters to the domestic market, and long-term growth prospects have been questioned due to factors such as intense bidding competition. However, in the era of broadband networks, emerging opportunities have brought significant business prospects for system integrators. For example, system integrators acting as agents for communication network equipment have witnessed substantial business growth in recent years. This is attributed to the increasing demand from Taiwanese companies for digital transformation and cloud-based solutions, as well as the extensive construction of broadband infrastructure by both public and private telecom operators.

System integration, as the name suggests, focuses on the "integration" of software, hardware, while providing consulting services. It is also where most of the Company's profit comes from. Given the enormous investment in telecom, cable TV, as well as enterprise and government infrastructure projects, there are numerous business opportunities for system integration. Since system integration in the telecom and network communication field involves the integration of information, communication, network, and software facilities, it is considered more challenging than traditional system integration, and hence, requires higher entry barriers and fosters greater customer loyalty. Consequently, the profit margin tends to be higher. In recent years, due to the significant deployment and application of WiFi (such as push notifications on smartphones), WiFi, 4G, and 5G integrations have become focal points for broadband network growth. Additionally, IoT and smart cities

are driving forces for future industry growth, and the Company continues to collaborate with international giants like Cisco and Nokia to develop solutions in these areas.

C. Media industry service

(A) IPTV/OTT Market Continues to Grow

Due to the increasing demand for online video and audio content, the OTT IPTV market presents unlimited business opportunities for both domestic and international content providers. In terms of technology, R&D units are actively engaged in developing end-to-end solutions for OTT IPTV in order to develop the OIPF OTT IPTV.

The development of IPTV can be divided into three stages. The first stage involved closed IPTV products such as IP-STB. In the second stage, with the help of open network, content became increasingly diverse. Open IPTV expanded from Internet TV, where users could access online video, to Connected TV, which allows users to control network media content through a remote control. OTT IPTV represents a convergence of the first and second stages, combining closed and open systems with related information services. It offers features such as an application store (Apps Store), cloud-based browsing across multiple devices (e.g., mobile phones, game consoles, and TVs), and personalized control over audio-visual services. Major OTT IPTV terminal device manufacturers include such as HwaCom, iKala, TiVo, Tecom, and Intel, who assist vendors in developing products, enhancing the added value of terminal devices, and expanding the scope of mobile device applications. Network providers such as Taiwan Mobile, Kbro, Homeplus, and Chunghwa Telecom aim to attract users and increase network traffic and utilization. Headend equipment providers such as Anevia, Thomson, and SeaChange facilitate the development of IPTV systems and services, as well as platform integration. Content and application service providers such as ELTA, Hsinyi, and United Daily News focus on helping businesses establish innovative OTT IPTV services, diversify content consumption channels and models, and expand content and service marketing channels. It is evident that innovative services of OTT IPTV creates opportunities for different players in the supply chain, including terminal device manufacturers, network providers, service integrators, and server equipment manufacturers.

The industry is currently facing a transformative environment characterized by "diverse contents" and "various platforms." The cable TV and content industries have entered a new era of cross-industry operation and digital convergence.

In cable TV operations, the number of operating areas has been reduced from 59 to 1 per county or city, and with cross-area operations and area-specific competition made available, each operator will compete for their respective management rights. In addition, the innovative services of OTT platforms allow traditional cable TV operators in Taiwan to position themselves as internet TV providers, promoting their transition to digital, IP-based networks, and developing cloud-based content. The Cable Broadband Institute of Taiwan (CBIT) will establish a CCTF Forum, highlighting the transformative potential and business opportunities brought by OTT services.

(B) The impact of popularity of IPTV in countries including Europe, US, and Japan

Japan was the earliest market to widely adopt high-speed broadband infrastructure, followed closely by South Korea. In recent years, European countries and the United States have also made significant progress in broadband deployment due to the rise of digital content and increasing demand for HD video. They have even reached or surpassed the early adopter countries in terms of bandwidth performance and infrastructure deployment. As a result, IPTV was initially launched in European countries and the US and has gradually expanded to Asian countries. In countries like Japan and South Korea with well-established internet infrastructure, the promotion of IPTV naturally gained momentum. China, which had planned for application of high bandwidth early on, has been gradually catching up with developed countries in terms of network infrastructure and has shown a welcoming attitude towards the promotion and deployment of IPTV. In recent years, the IPTV market in Taiwan has made remarkable progress in promoting IPTV services, successfully catching up with neighboring countries, thanks to the extensive deployment of high-bandwidth infrastructure. Besides, the market size has been gradually expanding. If internet service providers broaden their vision by further increasing bandwidth capacity, and lowering the entry barrier, various value-added services based on broadband can be successfully launched. As a result, the broadband services can achieve greater economies of scale and substantial growth.

(C) The key to the success of IPTV lies in bandwidth service quality

From the perspective of service quality control, managing streaming in IPTV networks presents significant challenges. This is because the streaming management solution must be implemented at various control levels, including: the effectiveness of individual services used by specific accounts, the load on DSL links for designated users, the total number of users supported by a designated line, and the number of buses supported by a specified upstream link. To provide services of different levels, it is essential to classify different levels of information in streaming management.

D. Innovative business applications

(A) Intelligent Transportation System (ITS) and Internet of Vehicles (IoV)

After the prosperous development of 3C industry, the 4C automotive electronics industry, is rapidly growing with the joint efforts of industry, government, and academia in Taiwan. Countries like Japan, the United States, and the European Union have been utilizing mobile communication and satellite positioning technologies to provide Telematics services. This has gradually driven the application and development of satellite positioning and wireless communication technologies. With the advancement of technologies, wireless communication technologies such as WiFi, 4G, 5G, and C-V2X, and vehicle positioning services have gradually entered the market of vehicle integration services in Taiwan.

The Taiwanese government is highly focused on the aforesaid development trend and aims to innovate the domestic ICT industry by combining the technical expertise present in the automotive electronics market and mature mobile communication environment. It actively plans and promotes the integration and application of related vehicle communication and Intelligent Transportation Systems (ITS), including: Advanced Public Transportation Systems (APTS), Commercial Vehicle Operations (CVO), Emergency Management Systems (EMS), and Electronic Toll Collection (ETC). The derived information and communication value-

added applications from these will contribute to the robust growth of the domestic intelligent transportation system (ITS) industry.

Currently, in-vehicle devices have become standard equipment for information and communication in automobiles. Through the diverse integration services of in-vehicle devices, including audio and video entertainment, gaming, communication, email, e-commerce, electronic tolling, automatic speed control, emergency assistance, vehicle condition monitoring, safety alerts, theft prevention, and navigation systems, human-machine interface of the in-vehicle devices provide an enriched digital living space for drivers, thereby driving the development of value-added applications of traffic information in Taiwan.

The IoV platform establishes real-time bi-lateral communication channel between traffic managers and road users. Road users can choose the desired intelligent transportation system services based on their location and needs. For traffic managers, the IoV platform not only sends real-time information to road users but also serves as a source of information for feeding back to the ITS. It collects data on vehicle types, speeds, locations, and travel times to provide functions such as traffic surveillance.

Taiwan possesses one of the world's most dense mobile telecom networks, and telecom companies have been progressively deploying 5G base stations and expanding their services. The Executive Yuan has also designated 5G infrastructure construction as a part of the national plan. By combining wireless communication technology to establish a platform for the development of communication infrastructure, the platform serves as a solid basis for the integration and application of ITS. It enables communication and interaction among vehicles, between vehicles and roadside stations, between the control center and roadside stations, and between vehicles and the control center. This fully utilizes the effectiveness of the IoV. Going forward, the IoV can leverage the increasingly comprehensive network facilities to act as an information platform for drivers and integrate with ITS to provide information reception and transmission services. The Company has already begun close collaborations with many leading domestic and international manufacturers in the field of ITS and IoV.

#### (B) Cloud Computing

Currently, cloud computing has become an important emerging trend in the ICT industry. It provides users with access to vast computing power through the internet. Under the trend of cloud computing, there will be a reduction in the demand for PC system software and high-end processors, which could impact the revenue of computer OEMs in Taiwan. However, it also brings new transformational opportunities, including: significant business prospects in servers, routers, storage equipment, wireless and wired broadband transmission, PCs, MID, smartphones, and more. Advanced countries such as the United States, Japan, and South Korea are actively promoting cloud computing-related initiatives, and the Taiwanese government has also launched the "Cloud Computing Industry Development Program" to urge domestic companies to master cloud and edge computing technologies in the global ICT industry's trends toward cloud computing, thereby seizing future business opportunities. In addition, the increasing demand for mobile app value-added services, driven by the widespread use of smartphones, has also created an emerging industry with unlimited

business opportunities. The entry barrier is relatively low, making it worthwhile for Taiwanese companies to invest in this field.

- a. Global market potential: According to IDC's assessment, the global market for cloud services is expected to triple over the next five years, reaching US\$42 billion.
- b. Application trends in large enterprises: Based on Gartner's analysis, 80% of the Fortune 1,000 companies are expected to purchase cloud services, with 30% also procuring cloud-related infrastructure.
- c. Domestic business opportunities in cloud computing

- In terms of "cloud" technology: Domestic companies such as Quanta, Wistron, Foxconn, Inventec, and Infortrend, collaborated with upstream component manufacturers, have established a cooperative advantage in seizing market opportunities arising from the widespread adoption of cloud computing. These opportunities include servers, large-scale storage devices, and power supply solutions.

- In terms of "terminal" devices: For desktop computers/notebooks (PC/NB), smartphones, LCD TVs, and intermediary devices between NB and smartphones, including Netbook, Smartbook, tablets (e.g., the Apple iPad), and e-Book readers, it will not be too difficult for Taiwanese manufacturers to continue to seize related opportunities by building upon their existing foundations.

- In terms of "app services": The widespread adoption of smartphones has led to an increasing demand for diverse value-added services among consumers. With low entry barriers, domestic businesses can strengthen their investment in this service sector.

- d. Future directions for domestic manufacturers

- To further seize opportunities in the "terminal" part of cloud computing, domestic businesses have already invested in the development of 5G IC modules. They are actively leveraging the technological momentum created by Google's Android platform to usher in a new era of smartphones that function as PC/NB. Furthermore, they are considering integrating simple computer functions through wall-mount or embedded modes, combined with digital remote controls, to turn TVs into smart TVs capable of direct internet access.

- The app service sector is gradually becoming a substantial industry that transcends borders. Domestic industry players should invest resources and combine their manufacturing capabilities in the domestic smartphone market to secure their market shares.

## (2) Industry Development

The Company aims to assist service providers and large enterprises in building high-tech system to enhance people's quality of life. By combining comprehensive broadband application systems with efficient broadband network infrastructure, we can cater to the needs of consumers. Therefore, our business services primarily focus on telecom system integration services, IP broadband network services, IPTV, enterprise customer services, and smart city control services. The industry development of these five services is explained as follows:

### A. Telecom system integration services



In Taiwan's telecom service and application market, the main businesses are divided into Type 1 Telecom and Type 2 Telecom services. The former includes fixed-line communication services, mobile network communication services, and cable TV operators. Type 1 telecom service providers include Chunghwa Telecom, FETnet, APTG, TstarTel, and Taiwan Mobile. Type 2 telecom service companies include Chief Telecom and eASPNNet. And cable TV operators include Kbro and Homeplus, etc., while Chunghwa Telecom is undoubtedly an industry leader in the domestic telecom industry.

Currently, the number of Taiwan's ADSL and fiber users has exceeded 16.5 million households, and the trend of broadband internet usage continues to grow. Other related deployments of telecom networks are also being planned, including IPTV, FTTX, VOIP applications, and value-added services. Chunghwa Telecom will continue to invest in building the next generation telecom network to improve service quality and market competitiveness.

#### (A) Mobile Communications

There are six major 4G mobile network operators in Taiwan. Besides competing with each other, they are also continuing to build base stations, resulting in a coverage rate exceeding 100%. With the rapid development of the internet, the demand and usage of wireless internet have also grown rapidly. With the construction of 4G and 5G networks by the six telecom operators, the available bandwidth has increased significantly. As a result, mobile internet access will become a trend. With smartphones or tablets, people can access the internet wherever they go. It is estimated that billions of people worldwide will use smartphones for internet access, with approximately four out of every ten internet users accessing the internet via mobile phones.

Currently, to access the internet on mobile phones, cooperation among ISPs, ICPs, and ASPs is usually required before online services can be offered. The services provided include online gaming, music and movie subscription, online movie ticketing, online news, stock trading, map navigation, and more. In addition, for long-distance communication on fixed-line networks, there is a need to establish a new generation of fixed-line network infrastructure to cope with the rapid development of e-commerce. Significant investments are required in four major components, namely, data and voice integration, backbone and access network integration, smart networks, and network management systems.

Furthermore, the popularity of smartphones led by the Apple iPhone and Android phones, have been gradually accepted by consumers. In response to the growing demand for e-commerce and value-added services of apps, mobile commerce has rapidly flourished, and the technology has become mature. With the rapid growth of cross-border e-commerce

transactions, there are many supporting measures (such as the establishment of cloud data centers) to assist companies in engaging in e-commerce operations successfully. In the overall ecosystem, cooperation between system integrators and providers capable for service or equipment is essential for joint promotion.

#### (B) Fixed Network Infrastructure

Currently, the three major fixed network telecommunications operators in Taiwan are Chunghwa Telecom, Taiwan Mobile (Taiwan Fixed Network), and FET Telecom (New Century InfoComm Tech). In recent years, these operators have been continuously integrating their telecom network resources, including fixed networks, mobile networks, and the internet, to meet the trend of network convergence. As the voice market reaches saturation and the market appetite reaches its limit, the shift towards the growing data services market is inevitable. Therefore, telecom operators are actively seizing the broadband internet opportunities to compete in the Taiwanese broadband market. The NCC has also allowed cable TV operators to expand their operations across regions, and both existing and new operators are actively investing in bandwidth to capture more business opportunities.

Looking ahead, the trend will be optical broadband communications. Although the telecom operators have made significant progress in telecom infrastructure, to meet the demand for fast and evolving information and broadband applications, it is expected that companies will continue to invest in optical communication networks in the coming years. Therefore, the fixed network market will offer the most business opportunities and market potential in three areas:

- Value-added/innovative services.
- Broadband network access products.
- System integrations.

#### (C) Cloud Computing

Currently, cloud computing has become an important emerging trend in the ICT industry. It provides users with access to vast computing power through the internet. Under the trend of cloud computing, there will be a reduction in the demand for PC system software and high-end processors, which could impact the revenue of computer OEMs in Taiwan. However, it also brings new transformational opportunities, including: significant business prospects in servers, routers, storage equipment, wireless and wired broadband transmission, PCs, MIDs, smartphones, and more. Advanced countries such as the United States, Japan, and South Korea are actively promoting cloud computing-related initiatives, and the Taiwanese government has launched the "Cloud Computing Industry Development

Program" to urge domestic companies to master cloud and edge computing technologies in the global ICT industry's trends toward cloud computing, thereby seizing future business opportunities.

■ Global business opportunities in cloud computing

- a. Global market potential: According to IDC's assessment, the global market for cloud services is expected to triple over the next five years, reaching US\$42 billion.
- b. Application trends in large enterprises: Gartner's analysis indicated that by 2019, 87% of the Fortune 1000 companies would have purchased cloud services, and 40% would have invested toward cloud-related infrastructure.
- c. Potential application in government sectors: According to Market Research Media, cloud investments will increase by over 40% annually.

■ Domestic business opportunities in cloud computing

- a. In terms of "cloud" technology: Domestic companies such as Quanta, Wistron, Foxconn, Inventec, and Infortrend, collaborated with upstream component manufacturers, have established a cooperative advantage in seizing market opportunities arising from the widespread adoption of cloud computing. These opportunities include servers, large-scale storage devices, and power supply solutions.
- b. In terms of "terminal" devices: For desktop computers/notebooks (PC/NB), smartphones, LCD TVs, and intermediary devices between NB and smartphones, including Netbook, Smartbook, tablets (e.g., the Apple iPad), and e-Book readers, it will not be too difficult for Taiwanese manufacturers to continue to seize related opportunities by building upon their existing foundations
- c. In terms of "app services": The widespread adoption of smartphones has led to an increasing demand for diverse value-added services among consumers. With low entry barriers, domestic businesses can strengthen their investment in this service sector.

## B. Media industry service

### TV channel media Industry

The TV channel media industry has three major categories: terrestrial TV, cable TV, and the emerging satellite TV. The TV channel media industry transmits audiovisual signals to each household TV in different ways, providing users with direct visual information. Currently, its primary content includes the following key aspects: providing TV programs, news broadcast, offering advertising services, TV shopping services, and financial information services. In the future, they will provide the following services: offering LCD TV programs, providing VOD services through Set-Top Boxes, delivering internet content, online shopping, advertising, news, and information services, and more.

Currently, the user market penetration rate for terrestrial TV has reached 98%, while the user market rate for cable TV has also reached 80%.

Almost all cable TV users no longer rely on antennas to receive terrestrial TV programs. Channel connection rates and program viewership serve as benchmarks for evaluating channel operators. However, due to government policies, the channel connection rate for Taiwan's five major terrestrial television has been kept at 100%. Under fierce competition, some operators with inherent weaknesses are either facing channel shutdown or financial problems, or even foreclosure. The future market development and conditions are as follows:

- Once LCD TV matures, CATV channels or system operators are expected to follow suit.

- As broadband networks gradually mature, forming cross-industry alliances with ISP/ICP operators or establishing their own websites to provide users with alternative viewing options will be an inevitable trend for all TV stations in response to future Internet developments.

- The rise of satellite television and OTT operators will offer the public another choice for watching TV.

Furthermore, as broadband network continues to mature, TV stations that focus on offering diverse content are poised to become sought-after cross-industry alliance partners for ISPs/ICPs. Whether through cross-industry alliances or independent website setups, offering users alternative viewing options will become an inevitable trend for all TV stations in response to future Internet developments. With the flourishing development of the internet, this trend opens up boundless opportunities.

- Integration of TV broadcasting and telecom

The development of interactive TV and Video on Demand (VOD) has expanded the role of TV broadcasting beyond providing everyday information and news. It has expanded to education, entertainment, and even guiding people in their daily lives and thus became closely connected with people's lifestyles. At the same time, the technologies and transmission networks equipped by satellite and cable TV allow for easy conversion and provision as telecom services, making them more competitive.

- Integration of media and information industries

Due to the development of the multimedia industry, the information industry has begun producing high-value-added products, including music and animation, blurring the lines between the two industries. The Company will provide a broadband multimedia integration platform that combines movies and television to offer consumers diversified audiovisual services.

### C. Enterprise customers and others

In the increasingly interconnected business environment, the development of e-commerce and cloud computing has been growing steadily. The demand for enterprise digitization and cloud adoption is also expanding. The development of e-commerce and cloud computing can be attributed to the following reasons:

#### (A) Advancement of broadband networks and innovation in various Internet-connected devices

Today, high-speed broadband Internet is prevalent, with technologies such as FTTX, xDSL, and CABLE MODEM provided by CATV system operators helping most cities to achieve full broadband access. This development of broadband networks directly contributes to the increasing number of internet users in Taiwan.

#### (B) Popularization of information appliances and smart terminal devices

In the past, accessing the internet and retrieving information was mostly limited to PCs. However, thanks to advancements in IC technology, IAs like Set-top Boxes, iPads, and smartphones have emerged, increasing the opportunities for information. This, in turn, attracts more diverse and enriched content for business activities.

#### (C) Breakthroughs in security and encryption technologies

The lack of security in internet transactions was a major concern in the past. However, breakthrough inventions have addressed this issue. Along with the transmission security similar to traditional bank ATMs (SSL), comprehensive data encryption technologies like RSA also became available, greatly enhancing the feasibility of electronic transactions.

#### (D) Maturity of cloud computing technology

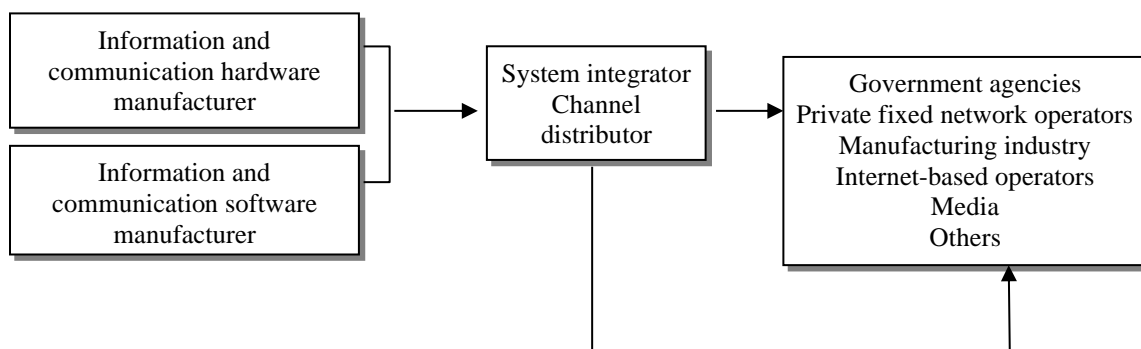
In recent years, the environment and implementation technologies of cloud computing have matured. The cost of deployment has decreased compared to the past, and there is also a wider range of options available. This assists enterprise customers in strengthening their competitiveness.

## 2. Relationships with suppliers throughout the industry supply chain

Upstream

Midstream

Downstream



The Company is a professional service provider specializing in the integration of broadband application systems. It is a part of the information service industry, as defined by the Institute for Information Industry, and specializes in: system integrations. The upstream sector of this industry primarily consists of various communication, network, and computer hardware manufacturers, as well as communication, network, and computer software suppliers. After directly selling to system integrators or selling through channel distributors in the midstream, they develop application software and complete hardware and software system integration based on the functional requirements of downstream customers. The integrated systems are then sold to telecom companies, network providers, media companies, and enterprises with electronic mobile demands. For upstream software and hardware manufacturers, the application software development by midstream information service providers enhances the added value of their products. For downstream customers, the improved functionality of the integrated systems enhances service efficiency and effectiveness. The Company plays a dual role as both a midstream channel distributor and a system integrator, providing value-added integration and distribution functions within the industry chain.

### 3. Various trends in product development:

The main products we offer are telecom system integration services, IP broadband network services, media industry services, and other communication network infrastructure and application solutions. The trends in product development are as follows:

- (1) The trend of broadband internet usage: strong demand for broadband network infrastructure.

Broadband internet services have been widely accepted by global home network users. This is partly due to telecom service providers reducing the cost of internet services to an affordable level, and also thanks to software companies continuously developing online content, increasing users' demand for broadband networks.

In terms of broadband internet technology, the number of users in our country utilizing FTTX, GPON, and XDSL has exceeded 15 million. The penetration rate of fiber networks has surpassed 80%. Commercial wireless

internet services have been introduced in many places, especially the largest scale Wifly WiFi service established by the Taipei City Government, which covers 100% of the city. Looking ahead, there is still considerable room in the demand for broadband network infrastructure in the coming years. In addition to telecom companies such as Chunghwa Telecom, Taiwan Fixed Network, and FET Sparq expanding their fiber optic networks, cable TV operators have also joined the competition by launching fiber internet services. Furthermore, the Taipei City Government's BOT operator, Taiwan Intelligent Fiber Optic Network, has extensively built fiber networks in Taipei City, offering affordable fiber internet services to citizens. The widespread adoption of broadband networks is expected to increase rapidly in the future.

The Company is a domestic leading provider specializing in broadband system integration. We have extensive experience in providing comprehensive system integration solutions for cable television systems (CATV), including copper cable, Cable Modem, ADSL, and fiber FTTX network. We have also assisted in the deployment of Chunghwa Telecom's 4G backbone networks, and 4G network for Taiwan Star, New Asia-Pacific. This year, we will actively invest in the infrastructure and application services for 5G networks.

(2) With the maturation of broadband environment, the applications in audiovisual multimedia are extensive

Online media content relying on transmission technologies are crucial for delivering stable network quality, which encourages consumers to access services online. Looking at the current development of broadband networks in Taiwan, GPON, ADSL, and cable are the primary broadband access methods, and the number of broadband users is expected to increase significantly. As the broadband environment matures, the range of broadband multimedia services diversifies, including services such as VOD (Video on Demand), PPV (Pay Per View), and PVR (Personal Video Recorder), which will gradually be adopted by every household in the future.

In terms of broadband content, broadband audiovisual multimedia, online gaming, and e-commerce are all key focus areas, with the online gaming market currently experiencing greater success. Broadband content services will highlight the differentiation of service providers and play a key role in retaining users. Diverse content also serves as a powerful tool for increasing the added-value of users.

The Company has obtained the contract for Multimedia On Demand (MOD) services of Chunghwa Telecom, which is their response to the challenges posed by fixed-line and cable operators in the broadband multimedia service market. MOD utilizes existing telephone lines and adds ADSL to provide users with simultaneous services such as making phone calls, watching the TV,

movie streaming, karaoke, and high-speed internet access in on-demand mode. The backbone network of this service adopts GPON fiber transmission technology and Internet Protocol (IP). As the first company in Taiwan to establish this type of service, the Company has set a leading benchmark in the field of broadband content service system construction, which will contribute to capturing expanding opportunities in the broadband system service market.

- (3) The boom in global enterprise digitization and cloud computing has propelled the growth of the enterprise cloud market

In recent years, with the wave of e-commerce and cloud computing, utilizing information technology to manage business and establish competitive advantage has become a general consensus among enterprises. Looking back at the development of Taiwan's project integration, it has shifted from simple tailor-made application software to emphasizing the industry know-how as well as software development capabilities of project integrators. Therefore, the continuous pursuit of optimal enterprise processes has become a major value of project integrators in assisting enterprise digitalization. Thus, looking forward, how to expand from the enterprise backend to the frontend and effectively deploy and integrate popular system software such as Enterprise Resource Planning (ERP), supply chain management (SCM), and Customer Relationship Management (CRM), and more, will become a competitive advantage for project integrators while providing customized services and helping enterprises to build digitized competitive strengths. Additionally, the establishment of cloud computing environments has also become an opportunity for system integration vendors in recent years, with private cloud and hybrid cloud configurations gaining more acceptance among enterprises.

The Icon IT Trend Index has pointed out that the key to future development in the internet-related industries lies within the enterprises themselves, while the development of e-commerce should be of secondary importance. IT expense can generate greater profits for businesses, leading them to adopt more practical business management models and enhance productivity through the B2B boom. It is expected that top-performing companies will continue to invest in B2B initiatives to save costs, increase revenue, and improve sales. Research shows that the market for internet-related projects, such as website design, will gradually shrink, while project types will become more specialized. The scope of enterprise operations will encompass areas such as big data analytics, artificial intelligence (AI) analysis, and workflow systems, as these data analysis is fairly important in business management.



#### 4. Product competition:

The Company's products are categorized based on communication network architecture, providing customers with optimized solutions from the underlying communication network infrastructure all the way to broadband applications. The competing condition of our agency products is as follows:

##### (1) Communication network infrastructure

The products the Company represents are world-class telecom and communication equipment, including Nokia, ZYxel, CISCO, Harmonic, Extreme, etc. These brands are leaders in their respective product domains, making them highly competitive. As the Company specializes in the integration of communication and information systems and is the most dedicated broadband system integrator in Taiwan, we have accumulated experiences in telecom infrastructure deployment, including GPON equipment system installation, CE IP backbone network, 4G IP backbone network, IP microwave communication, G.fast, VoLTE, and other project implementations.

##### (2) Servers and storage devices

We offer HP and DELL products as server clusters, Oracle for database systems, and NetApp, which is a global leader in enterprise network storage and backup. These products are the foundation of network systems and have a significant impact on network efficiency. With years of experience in serving major network users, we can provide customers with a wide range of configuration options that meet high requirements for application, expandability, and security.

(3) Network systems, network security, and network management

The products we sell include: Cisco, Fortinet, Symantec, Splunk, and Palo Alto, etc. Splunk, a new agency product in our portfolio, works to assist network service quality and the management of cybersecurity big data, thereby enhancing service levels. These products are essential components for improving network service efficiency and quality.

(4) Broadband applications and telecom value-added services

The products we sell include: OpenCloud, Oracle (Tekelec, Acme); Oracle is a leading global technology provider of value-added telecom service platform, with professional and scaled R&D teams making next-generation value-added telecom applications easy and feasible.

(5) Cloud computing

The Company represents products such as VMware, Citrix, Dell, and other virtualization solutions, which are integrated with network, server, and storage solutions from CISCO, NetApp, etc., to assist customers in building cloud computing environments.

(6) Intelligent Transportation Systems (ITS)

In recent years, the Company has actively entered the market of intelligent transportation services, assisting agencies such as the Directorate General of Highways, National Expressway Bureau, and Taiwan Railways in establishing intelligent transportation control and monitoring systems. The products we sell include smart sensor, CCTV, CMS, LED display board, intelligent video analysis system (IVS), and we have also developed highway traffic conditions mobile app that provides real-time traffic services to road users.

(7) Broadband system integration experience

In addition to selling globally renowned communication network products, the Company's value lies in our system integration services, providing customers with user-friendly interfaces to enhance network utilization efficiency. With our long-accumulated technical expertise and system integration capabilities, we offer total solutions that span system infrastructure to application. The services and system deployments we provide to customers are based on several core technologies, and have received widespread industry recognition.

### (III) Overview of Technology and R&D

#### 1. Technological advancements in business operations:

In recent years, with the trend of telecom liberalization in the domestic market, there has been a high demand for broadband infrastructure. This provides an opportunity for the Company to showcase our expertise in broadband technology integration. We have assisted major telecom operators such as Chunghwa Telecom, FET Sparq, Taiwan Fixed Network, and cable TV providers in building fiber-optic broadband networks as well as wireless mobile broadband networks like Wi-Fi, 4G, and 5G. Additionally, in the IPTV system domain, we have strengthened Chunghwa Telecom's Large TV MOD service system and value-added services. According to media reports, the number of users has exceeded 2.5 million households until now, making it one of the leading IPTV service platforms in Asia and unmatched by any other system integration provider in Taiwan or even the Greater China region. The Company possesses a dedicated IPTV system R&D team and leverages the extensive experience of our various departments in telecom network, cable network, the internet, digital head-end, and IT system. This gives us a competitive advantage in IPTV deployment and service promotion. Furthermore, through years of collaborating with companies like Chunghwa Telecom and other vendors, we have gained comprehensive knowledge of the IPTV market trends and technologies. We actively collaborate with research institutions for technology transfer and research projects, harnessing the collective power of industry, government, and academia to drive for technological advancements. We have a firm grasp of the entire IPTV technology development process and can meet the future market demands and trends. The technical competencies work well with our products and services, enabling us to provide total solutions and enhance competitiveness. Furthermore, we have already successfully exported these systems to overseas markets.

#### 2. Research and Development Status:

##### (1) Broadband network management system

In recent years, as telecom operators' backbone networks become increasingly complex, and heterogeneous network management has become a crucial challenge. Network management systems provided by single network equipment companies no longer meet the daily business management needs of their customers. To address this, the Company has established a dedicated project R&D team to develop a comprehensive, single-interface network management system. This system enables network administrators to easily manage network equipment and ensure the delivery of high-quality network services to end-users.

##### (2) Media industry service

###### Multimedia MOD/IPTV/STB Project

###### (A) Multimedia terminal development project

The Company has accumulated a wealth of experience and past project achievements in the Consumer Electronic Device market, specifically in IP\_STB, Hybrid STB, and OTT media players. We have successfully developed multiple HC-Xseries set-top boxes.

In addition to supplying HC-Xseries set-top boxes to major IPTV service providers, such as Chunghwa Telecom, we have also gained recognition from international networking giants such as Nokia Siemens, Ericsson, and Alcatel. This has positioned us as a strategic product suppliers for global set-top box solutions. We are actively integrating and promoting our products, aiming

to further expand into the international market.

Considering the thriving development of Connected TV and Smart TV, HwaCom Systems is committed to continuous innovation and we actively collaborate with IC platform suppliers such as Intel and Broadcom to develop the next-generation high-end set-top boxes. By porting Google's open embedded operating system, Android, the Company aims to elevate the functions and user experience of digital set-top boxes to meet the expectations and imaginations of consumers and IPTV service providers for Smart TVs. The development of Android set-top boxes and applications suitable for Smart TV scenarios is a key product for the Company.

(B) Multimedia value-added service platform:

Drawing upon our significant experiences in terminal deployment and value-added service development, HwaCom Systems Inc. will continue to focus on managing the value-added service platform and developing business promotion functionalities. This includes services such as Game Portals, E-Learning Portals, and Flash UI Portals.

(C) Media cloud service platform

With the rapid advancement of cloud technology and infrastructure in recent years, HwaCom has partnered with international technology giants to launch a cloud-based media platform. This platform will benefit enterprises and the media industry by providing efficient and cost-effective access to internal media resources and enabling the launch of media products.

(3) Innovative application services

Smart Digital Signage

Based on our years of experience in multimedia digital contents and embedded terminal devices, as well as project expertise in information display and multimedia billboards in transportation system, Hwacom foresees a significant demand for electronic billboard applications in various real-life scenarios. As a result, Hwacom is investing to develop smart digital billboard system as a new business opportunity.



我們的定位...	Our positioning...
廣告公司/製作者	Advertising agency/producer
系統提供商	System provider
解決方案商	Solution provider
播放器生產商	Player manufacturer
顯示器製造商	Display manufacturer
LCD與觸控板	LCD and touch panel
電信商	Telecommunications provider
網路服務業者	Internet service provider
系統集成商	System integrator
安裝與維護業	Installation and maintenance industry
各行業採用電子看板客戶群	Customers in various industries that use electronic billboards
提供整體方案	Provide total solutions
高成本效益的方案	Cost-effective solution
直覺式的使用與操作	Intuitive use and operation
高效能系統	High performance system
後端管理系統	Backend management system
■ 雲端式架構，直覺使用。	■ User-friendly cloud-based architecture.
■ 彈性的內容管理與派送	■ Flexible content management and delivery
■ 高執行效能。	■ Highly efficient execution.
前端多媒體播放器產品	Front-end multimedia player products
■ 具成本效益之嵌入式系統	■ Cost-effective embedded systems
■ 基於安卓作業系統,高彈性的功能再開發與整合擴充性。	■ Highly flexible function redevelopment and integration scalability in the Android system.
■ 亮麗多媒體內容展現能力。	■ Presents multimedia content in a brilliant fashion.

Products we provide include the following:

(A) Android Terminal Player:

A hardware terminal based on the Android platform, equipped with advertisement broadcasting app, information broadcasting app, smart navigation app, etc. It can output HD audio and video to display screen, providing various information display services, and also digital dynamic advertisement broadcasting.

■ Multi-function Advertising Display Solution

可支持多樣化的應用情境



可支持多樣化的應用情境	Diverse application scenarios are supported.
單機運作型	Stand-alone operation type
■ <b>基本多媒體播放</b>	■ Basic multimedia playback
提供內建基本之畫面樣板	Provides built-in basic screen templates
自行定義媒體檔案播放順序	Customizable playback order of media contents
依據所選定之畫面樣板進行多媒體內容播放	Playback of multimedia content based on selected written template
進階型	Advanced type
■ <b>進階推播模式</b>	■ Advanced push mode
基於單機運作型,加入網路與雲端管理連線機制,可於聯網狀態進行播放內容管理與排程,亦可以連網更新軟件。	Based on stand-alone operation, this model incorporates a network and cloud management connection mechanism. It can manage and schedule playback content while connected to the Internet, and its software may be updated online.
專業型	Professional type
■ <b>互動推播模式</b>	■ Interactive push mode
搭配觸控框模組,播放器 APP 軟件提供人機互動式的增值服務項目。	Paired with the touch-frame module, the player APP software provides human-computer interactive value-added services.
專屬客制型	Exclusive customized type
■ <b>全專屬區網管理模式</b>	■ Fully dedicated regional network management mode
適配於客制化項目,除原配裝完整的電子數位看板功能外,可支持客制化介接第三方資訊來源,並整合進顯示畫面,如前述各交通系統案例。	It is ideal for customized projects. In addition to the original electronic digital billboard functions, it can also support customized interfaces with second-party information sources and integrate them into the display screen, such as the aforementioned transportation system cases.

(B) Touchscreen Query Machine (Kiosk):

Paired with a customized design touchscreen and stand, the aforementioned Android terminal player can serve as a smart navigator/kiosk. Currently, it has been deployed in highway rest areas

and communities in the Central Taiwan, providing interactive information such as traffic conditions, traffic information, local attraction guide, shopping malls, restaurants, bus and railway stations, and tourist hotspots. In the future, it will continue to be expanded to the following locations: Shopping malls, restaurants, stations, and tourist spots and more, where it can provide interactive information services.

(C) Cloud-based Smart Digital Billboard Management System:

Utilizing the expertise of HwaCom in IT and application development, the Company has developed a management system that effectively manages the deployed terminal players/kiosks across multiple locations. The system handles processes such as content distribution and production, and is designed with a cloud-based architecture. All management actions can be performed through the Internet and web browsers.

We also provide a comprehensive functionality designed for the entire process and operations for B2B2C business models, thereby enabling enterprises that use our system and service to scale up their businesses.

■ 直覺式的使用者介面, 易於操作的工作流程



■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制



■ 可部署於雲端 IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。



■ 直覺式的使用者介面, 易於操作的工作流程	■ User-friendly interface and easy-to-operate workflow
■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制	■ A "what you see is what you get" display design editor and a convenient publishing and delivery mechanism
■ 可部署於雲端 IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。	■ The system can be deployed in cloud IDC and adopts a web browser-based back-end management system with high performance and scalability.

#### (4) Smart City Management Services

With the rapid development of digital networks and the improvement of network infrastructure, coupled with the maturity of IoT technologies, a diverse range of systems, platforms, and devices have been emerged. This has enabled boundless possibilities in the applications of smart cities. Starting from basic access control systems, alarm systems, video surveillance, and image surveillance, the Company has further expanded its offering to smart image recognition, intelligent detection, and integrated systems that enable seamless collaboration among different subsystems. The goal is to provide the people with a safer, more convenient, and comfortable living environment.

The Company specializes in the design and implementation of various network systems. In recent years, the Company has been dedicated to the field of smart city integration solutions, including the development of personalized home system as well as large-scale security control system for professional environments. The Company provides customized design and implementation solutions to address the security requirements of different industries. The overview of our security control solution is as follows:



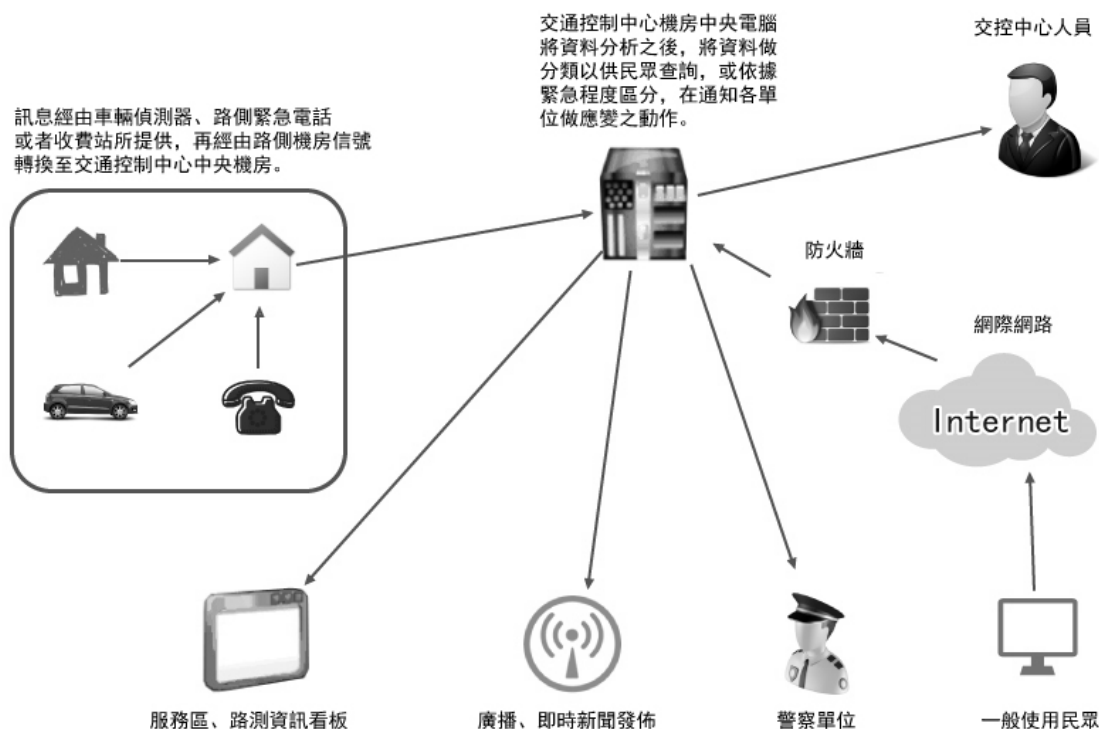
行車管理	Traffic management
測速照相	Speed cameras
電子收費	Electronic Toll Collection (ETC)
車牌辨識	Vehicle registration number recognition
停車管理	Parking management
舒緩道路堵塞和減少交通事故, 進而提高交通使用者的方便和舒適為目的。	The purpose is to relieve traffic congestion and reduce traffic accidents, thereby improving the convenience and comfort of road users.



交通類	Transportation category
華電聯網	HWACOM SYSTEMS INC.
居家類	Household category
提供安全便利、健康舒適的居家環境為訴求。	To provide a safe, convenient, healthy and comfortable home environment.
居家安全防護	Home security protection
門禁控管系統	Access control system
防盜保全系統	Anti-theft security system
家電遠端管控	Remote control of home appliances
電力管理系統	Power management system
安控類	Security control category
針對特定之環境，做溫度、濕度、氣流速度等參數的管控，藉以達到使用者遠端監控和機械設備運作的要求。	For specific environments, parameters such as temperature, humidity, and air flow speed are controlled to meet the user's remote monitoring and mechanical equipment operation requirements.
影像辨識	Image recognition
位移偵測	Displacement detection
災害偵測	Disaster detection
漏水偵測	Water leakage detection
溫度偵測	Temperature detection
濕度偵測	Humidity detection
氣流偵測	Airflow detection
煙霧偵測	Smoke detection
電力偵測	Power detection
監視偵測	Surveillance detection
告警發報	Alarm reporting
門禁偵測	Access detection

#### A. Intelligent Traffic Control

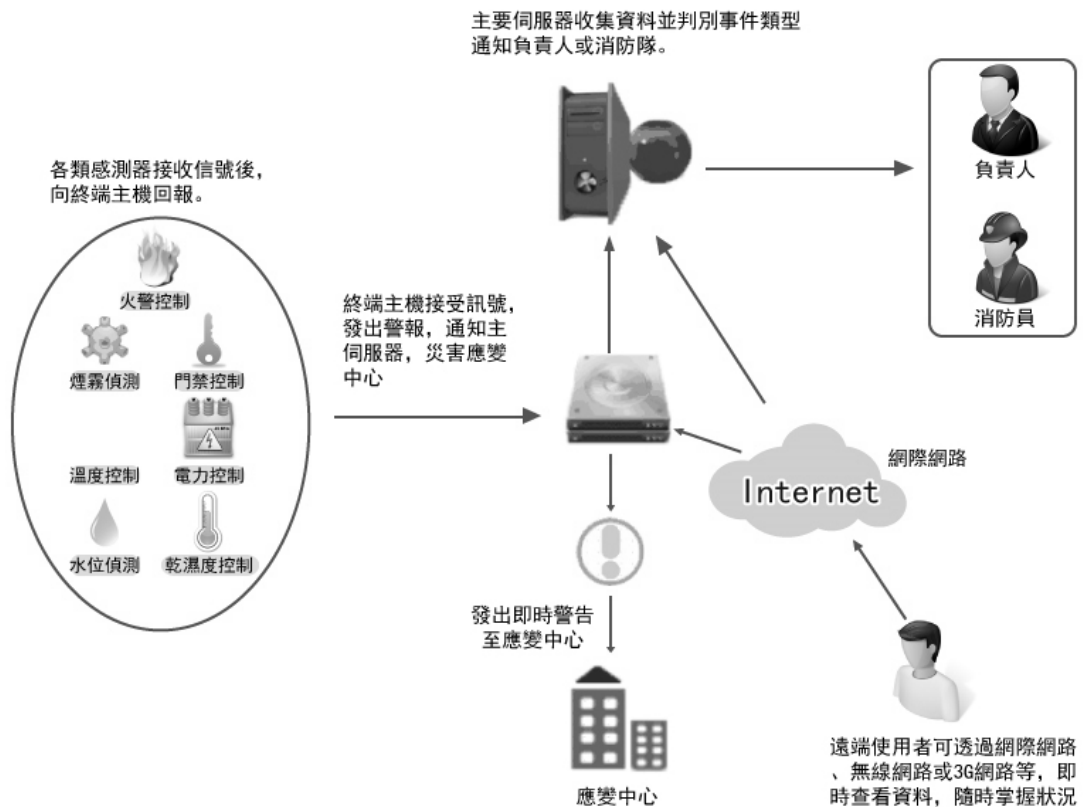
In order to automate the overall operational management of transportation and enhance the quality of transportation services (excerpted from Article 2 of "Enforcement Rules of Act for Promotion of Private Participation in Infrastructure Projects"), we integrate technologies such as information, communication, electronic, control, and management into various transportation infrastructure. This promotes higher transportation efficiency, quality, and safety, thereby realizing environmental protection and the development of green transportation.



訊息經由車輛偵測器、路側緊急電話或者收費站所提供，再經由路側機房信號轉換至交通控制中心中央機房。	The information is provided by vehicle detectors, roadside emergency telephones or toll stations, and then converted from the roadside computer room signals to the traffic operation center's central computer room.
交通控制中心機房中央電腦將資料分析之後，將資料做分類以供民眾查詢，或依據緊急程度區分，在通知各單位做應變之動作。	After analyzing the data, the central computer of the traffic control center will categorize the data for public inquiry, or prioritize it according to the degree of emergency, and then notify various units to take contingency actions.
交控中心人員	Personnel at traffic control center
服務區、路測資訊看板	Service area, roadside information bulletin
廣播、即時新聞發佈	Broadcasting, instant news release
警察單位	Police units
一般使用民眾	General public
網際網路	Internet
防火牆	Firewall

## B. Intelligent Security Management

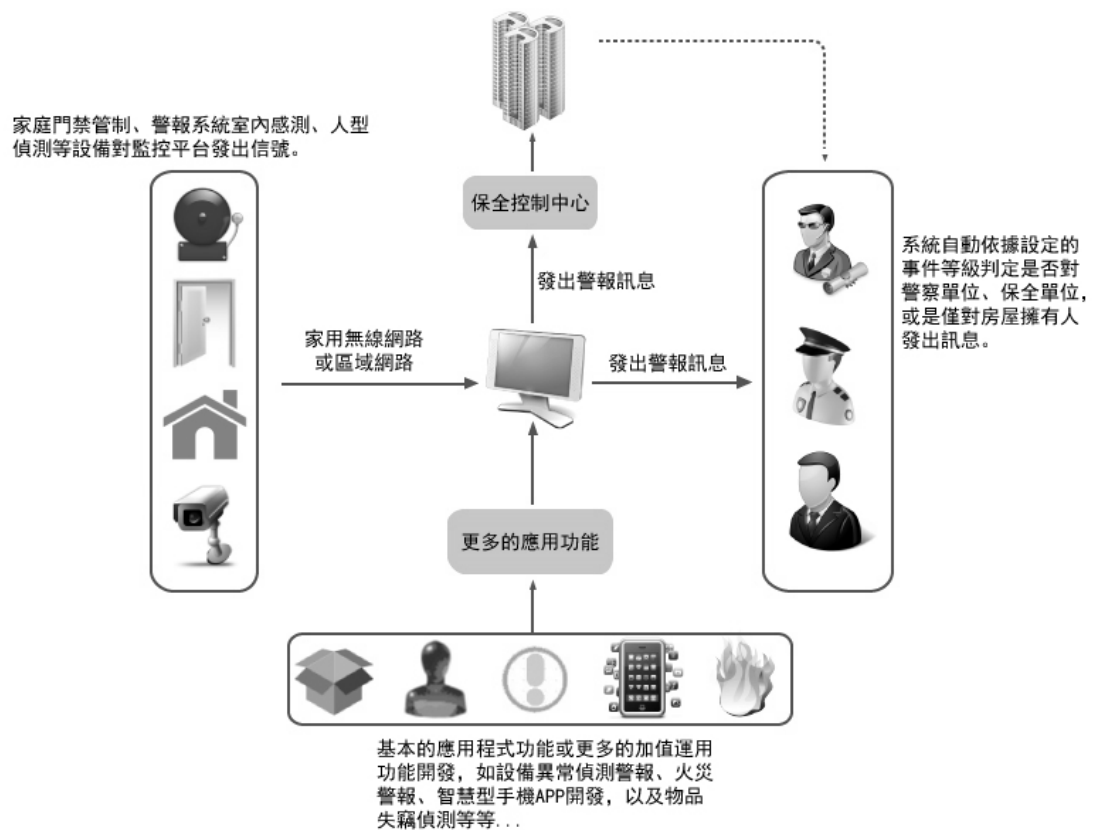
Implementing centralized monitoring and management for all equipment and environmental aspects of the data center, monitoring the operational status and parameters of different systems. In the event of any abnormal incidents, immediate notifications are sent to the administrators, facilitating remote monitoring and enabling prompt responsive measures to be taken.



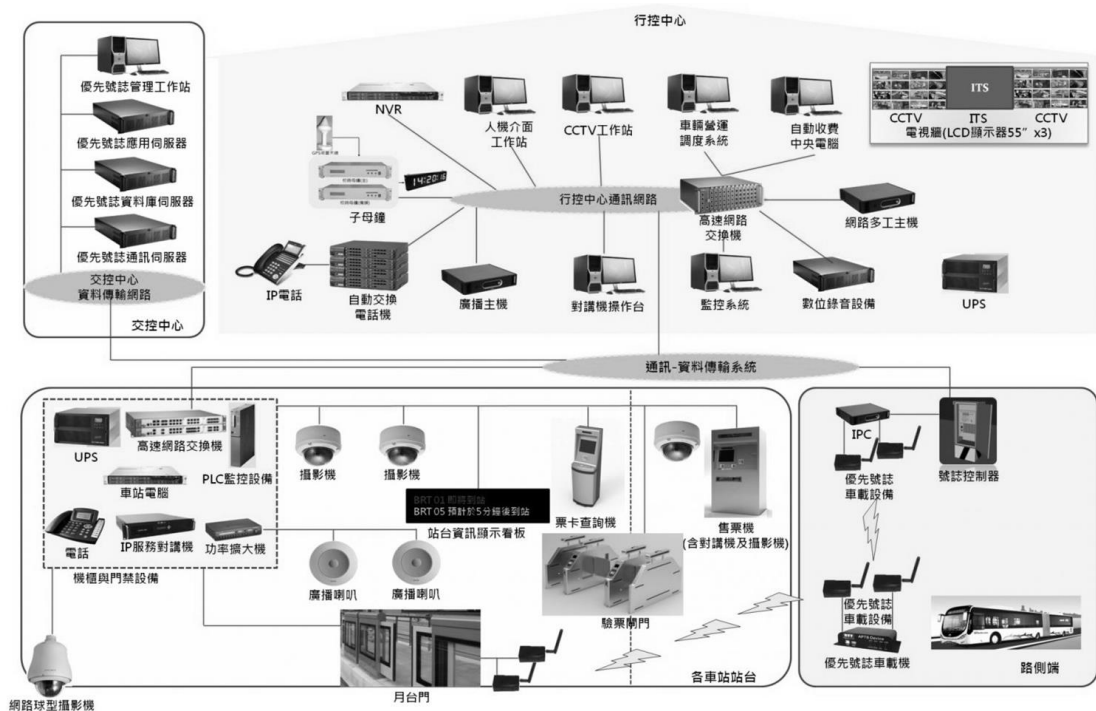
各類感測器接收信號後，向終端主機回報。	After receiving signals, various sensors will report back to the terminal host.
火警控制	Fire alarm control
煙霧偵測	Smoke detection
門禁控制	Access control
溫度控制	Temperature control
電力控制	Power control
水位偵測	Water level detection
乾濕度控制	Dry and humidity control
終端主機接受訊號，發出警報，通知主伺服器，災害應變中心	The endpoint host receives the signal, issues an alarm, and notifies the main server and disaster response center
主要伺服器收集資料並判別事件類型通知負責人或消防隊。	The main server collects data and determines the type of incident to notify the person in charge or the fire department.
負責人	Responsible person
消防員	Fire department
發出即時警告至應變中心	Issues immediate warning to response center
應變中心	Response Center
遠端使用者可透過網際網路、無線網路或 3G 網路等，即時查看資料，隨時掌握狀況	Remote users can view data in real time and understand the situation at any time through the Internet, wireless network, or 3G network or more.
網際網路	Internet

### C. Smart Home

By integrating automation and intelligent technologies with safety, IT, network, and service-related industries, technology is seamlessly incorporated into the architecture, enhancing the safety, convenience, and comfort of everyday living.



家庭門禁管制、警報系統室內感測、人型偵測等設備對監控平台發出信號。	Equipment such as home access control, indoor sensor and alarm system, and human detection will send signals to the monitoring platform.
家用無線網路或區域網路	Home wireless network or local area network
發出警報訊息	Sends an alarm
保全控制中心	Security control center
發出警報訊息	Sends an alarm
系統自動依據設定的事件等級判定是否對警察單位、保全單位，或是僅對房屋擁有人發出訊息。	The system automatically determines whether to send a message to the police unit, security unit, or just the home owner based on the set event level.
基本的應用程式功能或更多的加值運用功能開發，如設備異常偵測警報、火災警報、智慧型手機 APP 開發，以及物品失竊偵測等等...	Development of basic application functions or more value-added application functions, such as equipment abnormality detection alarms, fire alarms, smartphone app development, and theft detection, etc.
更多的應用功能	More application functions

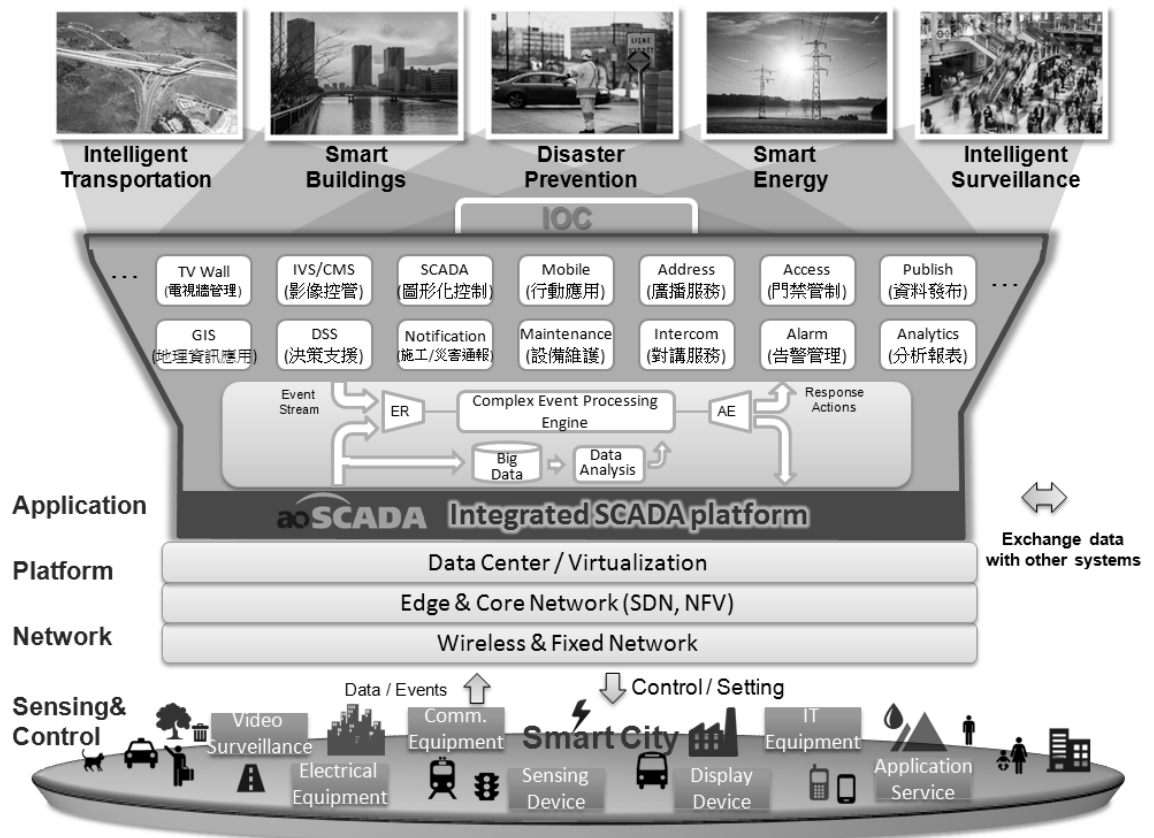


優先號誌管理工作站	Priority signal management workstation
優先號誌應用伺服器	Priority signal application server
優先號誌資料庫伺服器	Priority signal database server
優先號誌通訊伺服器	Priority signal communication server
交控中心資料傳輸網路	Data transmission network at traffic control center
交控中心	Traffic control center
行控中心	Mobile control center
行控中心通訊網路	Communication network at mobile control center
人機介面工作站	Human-computer interface workstation
CCTV 工作站	CCTV work station
車輛營運調度系統	Vehicle operation dispatching system
自動收費中央電腦	Central computer for ETC
子母鐘	Primary-secondary clocks
IP 電話	IP phone
自動交換電話機	Automatic switching telephone
廣播主機	Broadcasting panel
對講機操作台	Intercom console
高速網路交換機	High-speed network switch
監控系統	Surveillance system
數位錄音設備	Digital recording equipment
網路多工主機	Multiplexer
電視牆(LCD 顯示器 55" x3)	Video wall (LCD monitor 55" x3)
通訊-資料傳輸系統	Telecom - information transmission system
高速網路交換機	High-speed network switch
車站電腦	Bus/railway station computer
PLC 監控設備	PLC monitoring equipment
電話	Telephone
IP 服務對講機	IP service intercom
功率擴大機	Power amplifier
機櫃與門禁設備	Cabinets and access control equipment
網路球型攝影機	IP dome-shaped camera
攝影機	Camera
攝影機	Camera
站台資訊顯示看板	Platform information display

票卡查詢機	Ticket inquiry machine
售票機(含對講機及攝影機)	Ticket vending machine (Including microphone and cameras)
廣播喇叭	Broadcasting speakers
月台門	Platform screen door
驗票閘門	Ticket gate
各車站站台	Each station platform
優先號誌車載設備	Priority signal automotive equipment
號誌控制器	Signal controller
優先號誌車載設備	Priority signal automotive equipment
優先號誌車載機	Priority signal vehicle-mounted machine
路側端	Roadside

#### D. Surveillance system

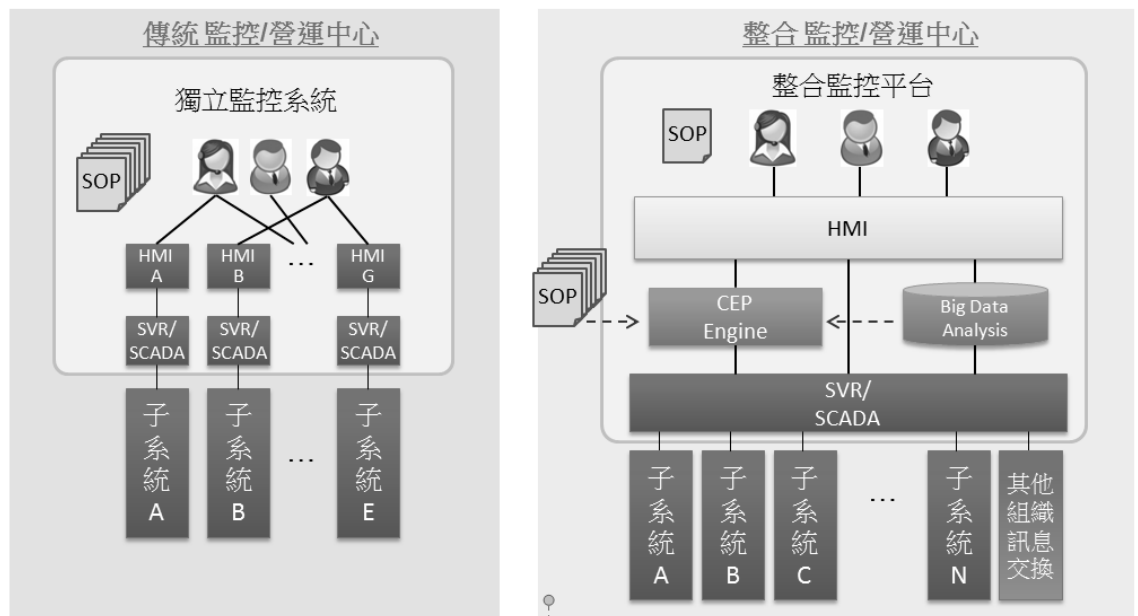
The Company developed an integrated monitoring platform known as aoSCADA (aspect oriented SCADA) for the operation center of smart cities, which will facilitate various smart monitoring and management services in an IoT environment.



#### (A) Integrated monitoring platform

Traditional monitoring/operation centers operated independently from each system, requiring administrators to deal with separate interfaces provided by each system at the same time. Furthermore, the information and operations of these systems could not be laterally integrated. The integrated monitoring platform consolidates various systems in smart cities and incorporates complex event processing and big data analytics capabilities. It possesses the following features:

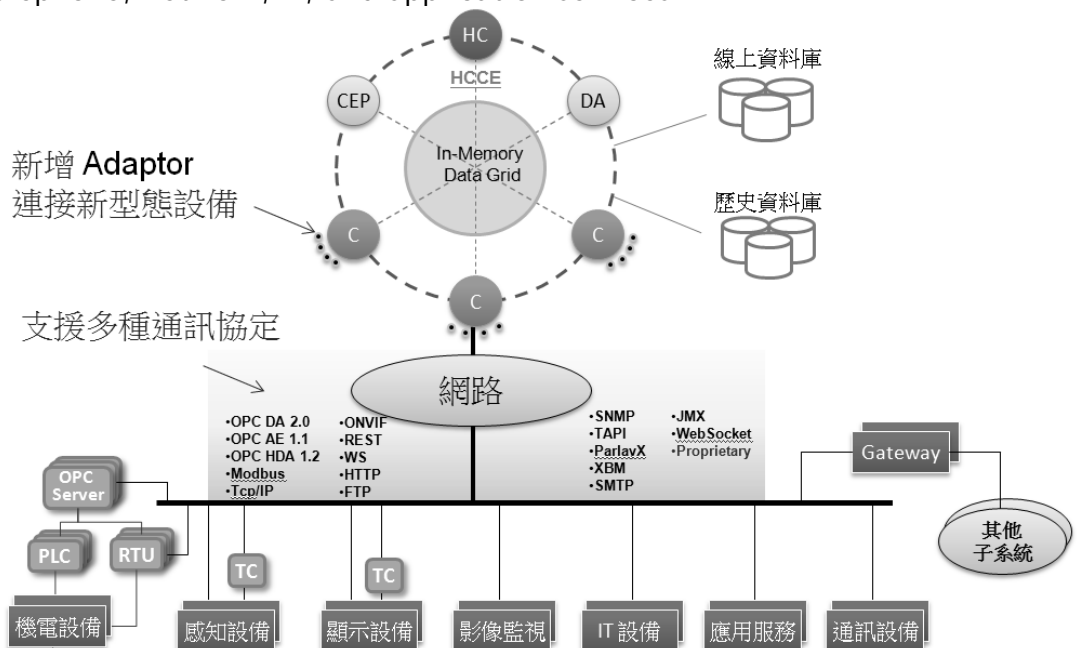
- Unified collection of information to reduce event latency
- Rapid decision-making and response to enhance processing efficiency
- Prediction of potential issues to prevent disasters from occurring



傳統監控/營運中心	Traditional monitoring/operation center
獨立監控系統	Individual monitoring system
子系統 A	Subsystem A
子系統 B	Subsystem B
子系統 E	Subsystem E
整合監控/營運中心	Integrated monitoring/operation center
整合監控平台	Integrated monitoring platform
子系統 A	Subsystem A
子系統 B	Subsystem B
子系統 C	Subsystem C
子系統 N	Subsystem N
其他組織訊息交換	Information exchange with other organizations

## (B) Multi-domain equipment monitoring

Supports multiple communication protocols and adaptors can be added to connect with new types of equipment. It is capable of monitoring facilities in six major domains: mechanical and electrical, sensing, display, surveillance, telephone, network, IT, and application services.

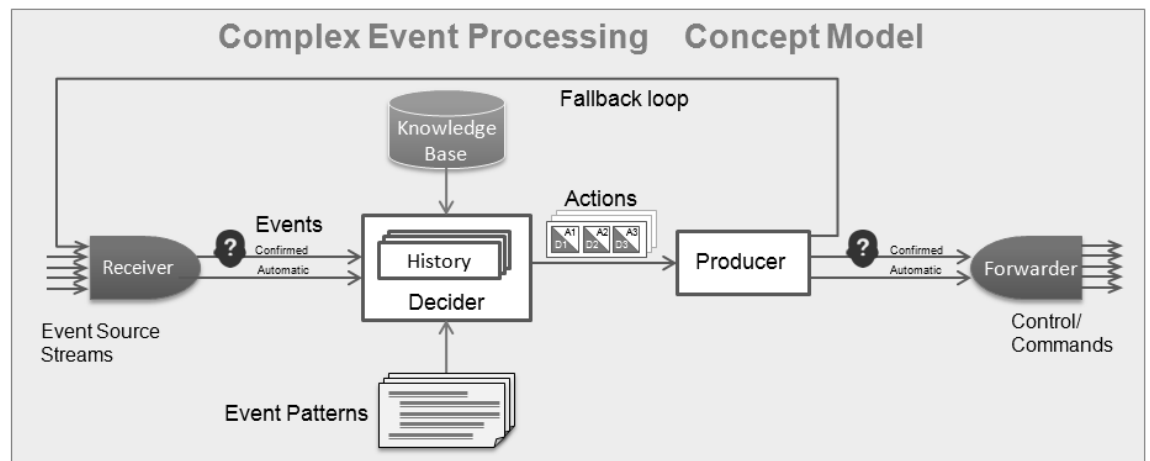


新增 Adaptor 連接新型態設備	Adaptor can be added to connect new types of devices
線上資料庫	Online database

歷史資料庫	Historical database
網路	Network
支援多種通訊協定	Supports multiple communication protocols
機電設備	Machinery and electrical equipment
感知設備	Sensor equipment
顯示設備	Display equipment
影像監視	Image monitoring
IT 設備	IT equipment
應用服務	application services
通訊設備	Telecommunication equipment
其他子系統	Other subsystems

(C) Complex event detection

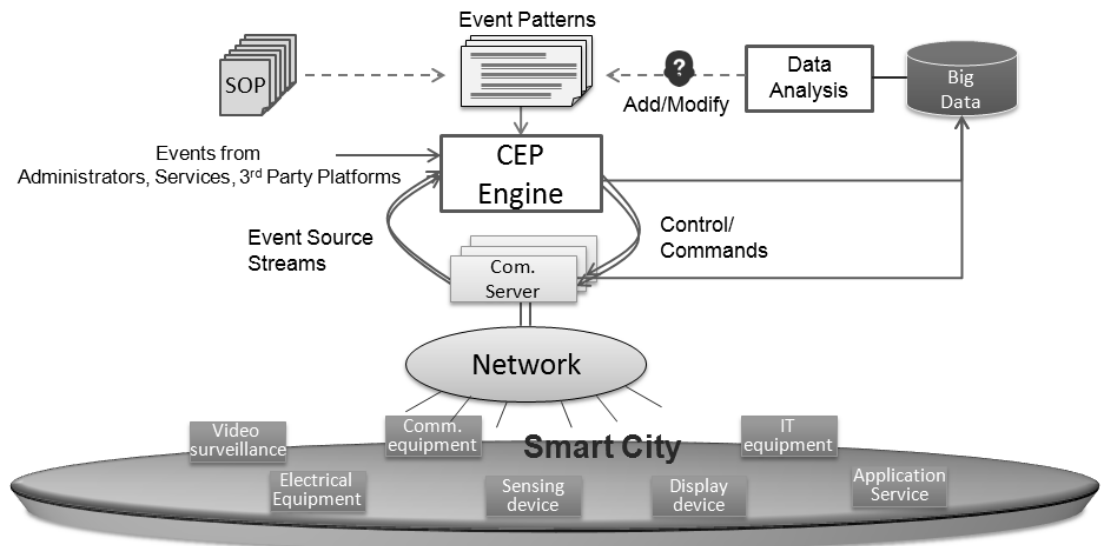
By utilizing Complex Event Processing (CEP) technology, the system can process a large volume of event streams generated by smart city services/monitoring systems in real-time. It detects complex events and accurately triggers response plans, enhancing the automation and intelligent management capabilities of the operation center.





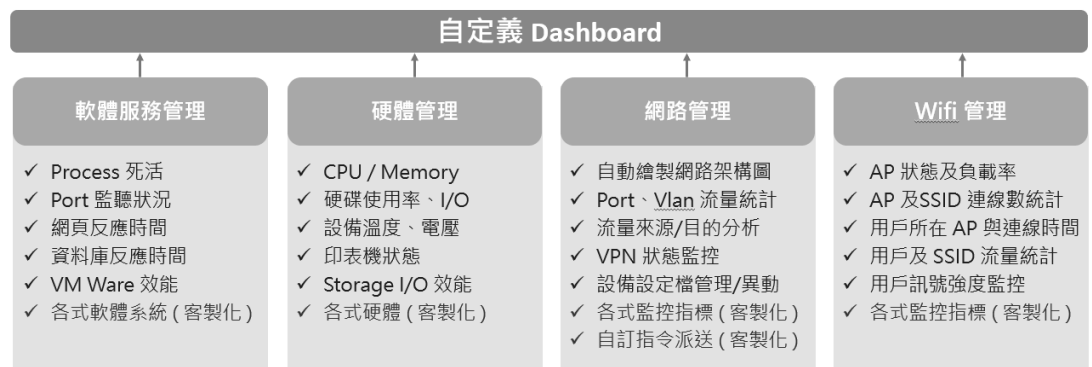
#### (D) Response plan

The "Event Handling SOP" is transformed into event-triggering conditions and actions to be taken using an event processing language, thereby forming a response plan. The integrated monitoring platform consolidates all event streams from subsystems, services, and administrators, accurately driving the response plans. The system continuously collects data from all systems and utilizes big data analytics techniques to identify conditions that may lead to potential issues, enabling early warnings and preventions.



#### E. Smart network management system

(A) We offer a wide range of management capabilities, including wired/wireless networks, various hardware, various software systems, and virtual environments (cloud platforms), unlimited management authorization, and lateral expansion server support. Going forward, we will gradually expand our offerings in this aspect and help customers to achieve comprehensive management using a single system.



自定義 Dashboard	Customized dashboard
軟體服務管理	Software service management
✓ Process 死活	✓ Process status
✓ Port 監聽狀況	✓ Port monitoring status
✓ 網頁反應時間	✓ Web page response time
✓ 資料庫反應時間	✓ Database response time
✓ VM Ware 效能	✓ VMware performance
✓ 各式軟體系統(客製化)	✓ Various software systems (customizable)
硬體管理	Software management

✓ 硬碟使用率、I/O	✓ Hard disk usage ratio, I/O
✓ 設備溫度、電壓	✓ Equipment temperature, voltage
✓ 印表機狀態	✓ Printer status
✓ Storage I/O 效能	✓ Storage I/O performance
✓ 各式硬體(客製化)	✓ Various hardware (customizable)
網路管理	Network management
✓ 自動繪製網路架構圖	✓ Automatically prepare network architecture diagrams
✓ Port、Vlan 流量統計	✓ Port and Vlan traffic statistics
✓ 流量來源/目的分析	✓ Traffic source/purpose analysis
✓ VPN 狀態監控	✓ VPN status monitoring
✓ 設備設定檔管理/異動	✓ Device profile management/changes
✓ 各式監控指標(客製化)	✓ Various monitoring indicators (customizable)
✓ 自訂指令派送(客製化)	✓ Customized command delivery (customizable)
Wifi 管理	WiFi management
✓ AP 狀態及負載率	✓ AP status and load rate
✓ AP 及 SSID 連線數統計	✓ AP and SSID connection statistics
✓ 用戶所在 AP 與連線時間	✓ User's current AP and connection time
✓ 用戶及 SSID 流量統計	✓ User and SSID traffic statistics
✓ 用戶訊號強度監控	✓ User signal strength monitoring
✓ 各式監控指標(客製化)	✓ Various monitoring indicators (customizable)

(B) Traditional Chinese UI and instructions

We provide the Web GUI UI and support traditional Chinese translation. All relevant network management settings are equipped with Chinese instructions to make it easier for users to get started.

(C) Early warning of abnormal changes

Automatic analysis of historical trends enables the detection of sudden increases or decreases in data, triggering proactive notifications to inform operators of significant environmental changes. Users can also define custom threshold values.

(D) Real-time error notification and correlation analysis

In addition to email notifications, for more immediate alerts when an error occurs, the system also supports push notifications through mobile app, accompanied by distinctive sound effects. In addition, correlation analysis assists users in quickly identifying the root cause of the error.

(E) Real-time monitoring of configuration changes in network devices

The system offers automatic backup of configuration files and real-time change logs, allowing users to promptly understand who made changes, when changes were made, and which devices were affected. The version comparison feature also helps users verify the content of the changes.

(F) Diversified API for flexible integration

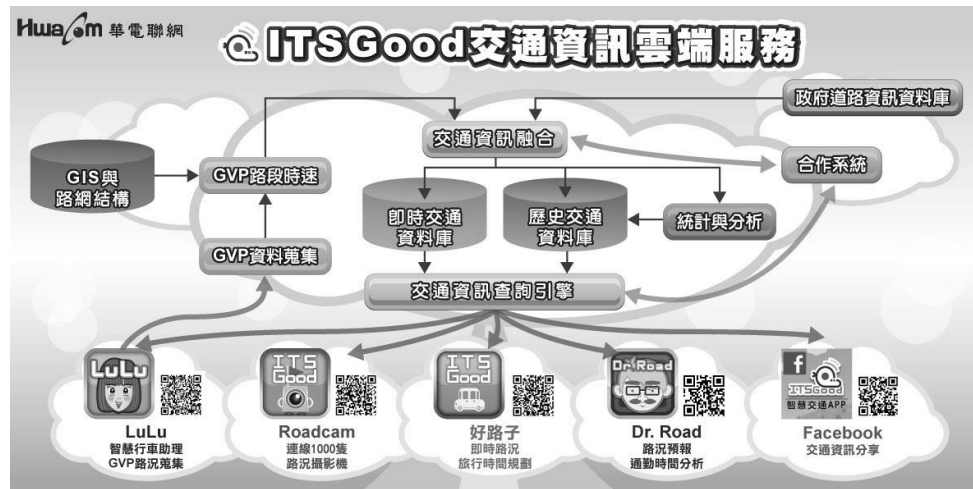
PRTG comes with a built-in, comprehensive REST API that allows third-party systems to access real-time data, historical data, network management settings, and more. It also generates shared web links, enabling third-party systems to directly retrieve graphical data such as dashboards or network topology maps.

F. Mobile app services

(A) The "ITSGood" traffic information service

The Company has established the "ITSGood Traffic Information Cloud Service," which combines government open data traffic information with vehicle movement data collected through ITSGood GVP (GPS-Based Vehicle Probe) technology. This service provides more real-time and accurate traffic

information.



華電聯網	HWACOM SYSTEMS INC.
ITSGood 交通資訊雲端服務	ITSGood Traffic Information Service
GIS 與路網結構	GIS and road network structure
GVP 路段時速	GVP driving speed
GVP 資料蒐集	GVP data collection
交通資訊融合	Integrating with traffic database
即時交通資料庫	Real-time traffic database
歷史交通資料庫	Historical traffic database
交通資訊查詢引擎	Traffic information query engine
統計與分析	Statistics and analysis
合作系統	Collaborative system
政府道路資訊資料庫	Government's Road Information Database
LuLu 智慧行車助理 GVP 路況蒐集	LuLu Smart driving assistant GVP road condition collection
Roadcam 連線 1000 隻路況攝影機	Roadcam Connects to 1,000 traffic cameras
好路子 即時路況旅行時間規劃	Dr. Road Plans real-time travel time based on traffic conditions
Dr. Road 路況預報通勤時間分析	Dr. Road Traffic forecast and commute time analysis
Facebook 交通資訊分享	Facebook Traffic information sharing

Currently, the ITSGood app has been downloaded over 1.2 million times, and it has more than 30,000 followers on Facebook. The integrated traffic surveillance camera system comprises approximately 5,000 cameras.

(B) Disaster monitoring video app

- Provides approximately 1,000 real-time cameras in six categories: rivers, harbors, landslides, air quality, national parks, and ecological environments and allows users to view the current field conditions.
- Offers a "Map Mode" that allows users to view real-time images of specific areas, enabling quick overview of the surroundings.
- Includes a "Popular Cameras" feature, where users can access real-time cameras in areas of public interest.
- Provides a "Favorites" function for users to save the locations of frequently viewed cameras.



(C) Construction site entry notification and monitoring app

- Provides user interfaces and functions for construction companies, engineering sections/traffic control centers, and National Highway Police.
- Construction companies can select a construction reporting form and instantly submit construction information, including location coordinates, time, company name, form number, construction type, and entry/exit status.
- Engineering sections/traffic control centers can perform queries on construction companies' current locations and display their construction sites on a map.
- The app generates construction QR codes, which can be scanned by National Highway Police for verification.



施工通報單查詢	Query construction reporting form
通報單明細	Details available on the reporting form

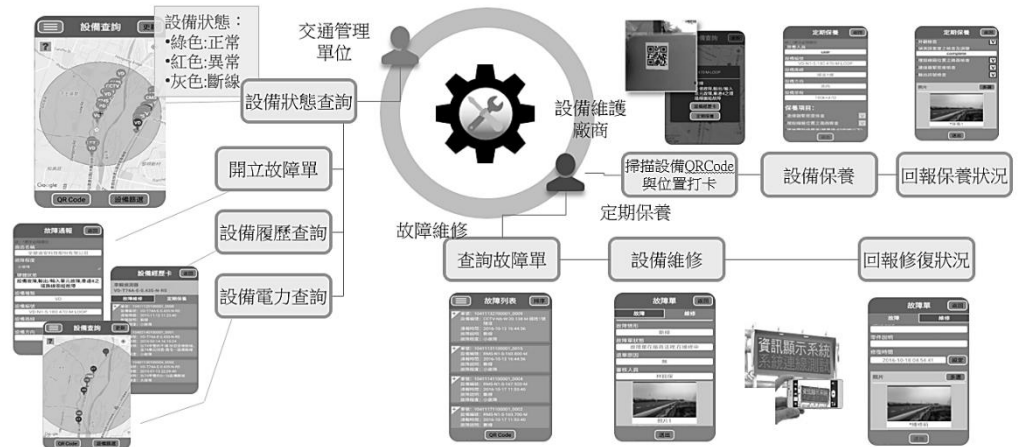
進場通報	Reporting on arrival time
離場通報	Reporting on departure
施工廠商	Construction vendors
通報單審核	Review the reporting form
施工監控	Construction monitoring
通報單明細	Details available on the reporting form
CCTV 影像	CCTV images
施工車輛 GPS 位置	Use GPS to monitor location of the construction vehicles
工務段/交控中心	Engineering sections/traffic control center
通報單明細	Details available on the reporting form
公警隊	National Highway Police
高速公路施工進廠通報及施工車輛監控	Report on entry/exit from highway construction site via notification and construction vehicle monitoring
帳號	Account number
密碼	Password
登入	Login
交通部臺灣區國道高速公路局	Freeway Bureau, MOTC
施工監控	Construction monitoring
更新	Updates
列表模式	Menu
設定	Settings
施工通報查詢	Query construction reporting
更新	Updates
進場施工中_AM10:20_北上國 1_300.6	Entering construction site_AM10:20_North Highway 1_300.6
通報單號	Reporting form No.
工程名稱	Name of construction project
國到中區交控系統提升改善工程	Central District Highway Traffic Control System Upgrading and Improvement Project
施工地點	Construction site
國道一號雙向 131.1L~159.1K	National Highway 1, two-way 131.1L~159.1K
施工位置	Construction site location
外側路肩，第 1 車道	Shoulder lane, Lane 1
預計施工時間	Estimated construction time
詳細資訊	Details
已離場_AM10:20	Exited site_AM10:20
通報單號	Reporting form No.
工程名稱	Name of construction project
帳號資訊	Account information
使用者:語音	User: Voice command
帳號:VENDOR	Account number: VENDOR
定位狀態:已訂位	Positioning status: Already booked
目前座標:	Current coordinates:
字體大小: 中	Font size: Medium

(D) Equipment monitoring and maintenance management app

- Malfunction reporting: Traffic control centers can use the app to query equipment, view equipment status on a map, and generate equipment malfunction reports.
- Equipment maintenance: Maintenance vendors receive real-time malfunction reports through the app, and can immediately access the location and status of the faulty equipment and proceed with repairs. After completing the repairs, they can promptly provide feedback on the repair status.
- Scheduled maintenance: Maintenance vendors use the app to scan equipment QR codes to access maintenance schedules. They perform maintenance tasks according to the schedule and record the results. After completing the maintenance, they promptly submit the maintenance report.
- Equipment history: Users can retrieve the maintenance and repair history of equipment through the app.



## 設備監視維護 App

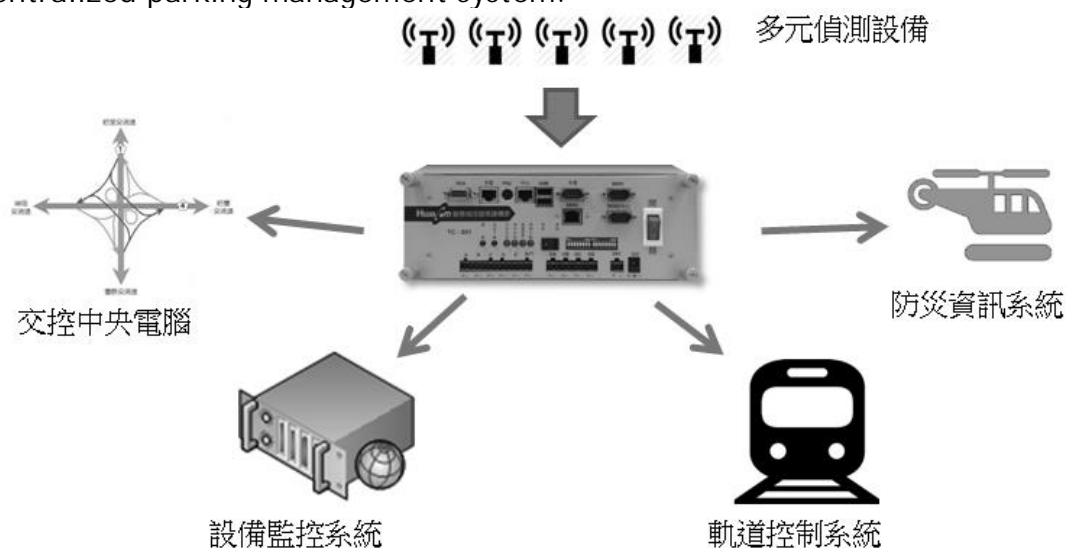


設備查詢	Check the equipment status
更新	Updates
設備篩選	Select equipment
設備狀態：•綠色:正常 •紅色:異常 •灰色:斷線	Equipment status: •Green: Normal •Red: Abnormal •Grey: Offline
交通管理單位	Traffic management unit
設備狀態查詢	Check equipment status
開立故障單	Write up a service ticket
故障通報	Malfunction reporting
設備履歷查詢	Look up the equipment history
設備經歷卡	Equipment History
設備電力查詢	Look up the equipment's power status
設備查詢	Check the equipment status
設備維護廠商	Equipment maintenance vendor
定期保養	Scheduled maintenance
保養項目：	Maintenance items:
送出	Send to vendor
定期保養	Scheduled maintenance
送出	Send to vendor
掃描設備 QRCode 與位置打卡	Scan device QRCode and check its location
設備保養	Equipment maintenance
回報保養狀況	Feedback on maintenance status
故障維修	Malfunction repair

查詢故障單	Query service tickets
故障列表	List of malfunctions
排序	Rank in order
定期保養	Scheduled maintenance
設備維修	Equipment repair
故障單	Service ticket
返回	Return
故障	Malfunction
維修	Repair
故障情形	Malfunctioning conditions
新增	Addition
故障單狀態	Ticket status
故障單在廠商這裡在維修中	The ticket is with the vendor and equipment is under repair
故障原因	Reason for malfunction
審核人員	Reviewer
林能保	Nengbao Lin
相片 #	Photo#
送出	Submit
資訊顯示系統 系統連線測試	Information display system connectivity test
回報修復狀況	Provide feedback on repair status
故障單	Service ticket
返回	Return
故障	Malfunction
維修	Repair
零件說明	Component description
修復時間	Repair time
設定	Settings
照片	Photo
多選	Select multiple
送出	Submit

#### G. Endpoint control devices

The Company has developed a multifunctional endpoint controller that offers flexible integration with various detection devices and central system. It supports systems such as highway traffic control system, county/city government traffic control system, disaster prevention system, equipment monitoring system, and centralized parking management system.



多元偵測設備	Multiple detection equipment
交控中央電腦	Central computer at traffic control center
設備監控系統	Equipment monitoring system
軌道控制系統	Rail control system
防災資訊系統	Disaster prevention information system

(A) Integration of various peripheral detection devices

The integrated detection devices include: eTag, microwave side-mounted VD, video-based VD, Magnetometer VD, wind sensors, dense fog detectors, congestion detectors, and more.

(B) Integration of multiple central management systems

The integrated central management systems include: the highway traffic control systems for northern and central Taiwan and Pinglin, the urban traffic control systems for Taipei City, Miaoli County, and Chiayi City, as well as the traffic control systems for the four construction engineering offices of the Directorate General of Highways.

H. AI application services

Artificial intelligence (AI) technology and resources have nearly reached maturity, and organizations can derive business values by making the right investment and development in AI. HwaCom System adopts the following AI development strategies:

- By utilizing AI technology to innovate and enhance existing application areas, we can further improve the efficiency in building service systems for customers.
- By assisting customers in leveraging existing equipment and accumulated data, we can help them to create added values.

(A) License Plate Recognition

LPR Engine is a license plate recognition software that utilizes AI-based image recognition technology. It is capable of recognizing all types of license plates in Taiwan, including those used for bus, sedan, heavy/light truck, scooters, motorcycles, electric vehicles, as well as military, foreign, and diplomatic vehicles, including a wide range of plate styles both old and new. LPR Engine can instantly identify license plates within video footage, whether from stationary or moving cameras, and is designed to operate in both daytime and nighttime scenarios. It can accurately recognize plates even when the plates are captured at different angles or when the photo is blurry, achieving an accuracy rate of over 90%. LPR Engine is available in the following versions:

- Standard version: It can recognize license plates for 1-2 lanes and is suitable for scenarios such as entrances, exits, ramps, and other specific areas where middle/short-range video footage is captured.



- Professional version: It can recognize license plates for 1-4 lanes and is



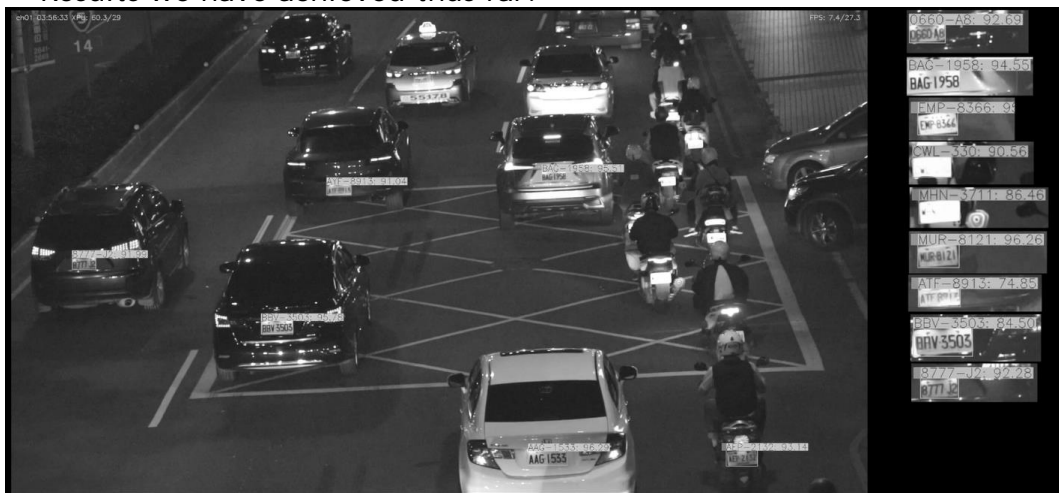
suitable for scenarios with free-flowing traffic, plazas, and other wide-angle, long-range video footage situations.



Our planned testing scenarios include:

- Parking lots, characterized by: slow movement and few vehicles
- Roadside cameras, characterized by: medium-speed movement and capturing footage at an angle.
- On-the-go recording, characterized by: capturing footage from various angles and expecting camera shake
- Dashcams: capturing footage at medium to high speeds with a wide-angle view
- Tollgate cameras: capturing footage at high speeds in congested areas, and from a high angle

Results we have achieved thus far:



Planned application fields:

- Entry/exit management
- Traffic management
- Traffic enforcement cameras

#### (B) Multiple Object Tracking

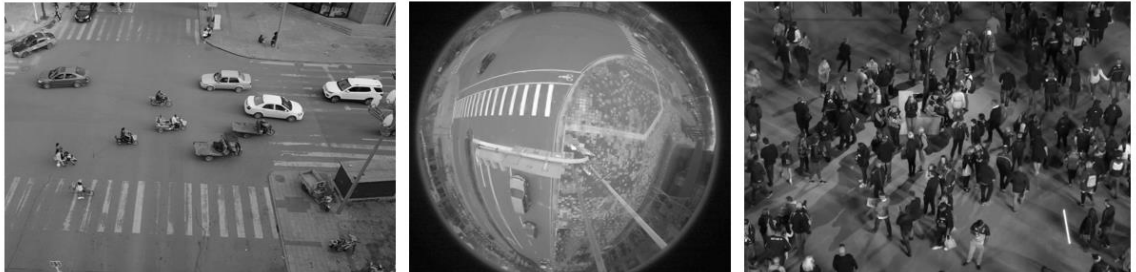
MOT Engine is an AI-based image recognition software for multi-class multi-object tracking. It can instantly recognize objects in video footage from wide-angle cameras, fisheye cameras, and camera drones. The software is designed to simultaneously recognize and track the following types of objects:

- Pedestrians
- Bicycles
- Tricycles
- Motorcycles
- Cars
- Vans
- Trucks

- Buses
- Trailers

The planned application scenarios for MOT Engine include:

- People counting in crowded areas or plazas
- Traffic flow monitoring at intersections and highways
- Detection of violations such as intrusions, overtaking, jaywalking, lingering, and wrong-way driving
- Detection of congestion, accidents, and abnormal events



#### I. Energy storage management services

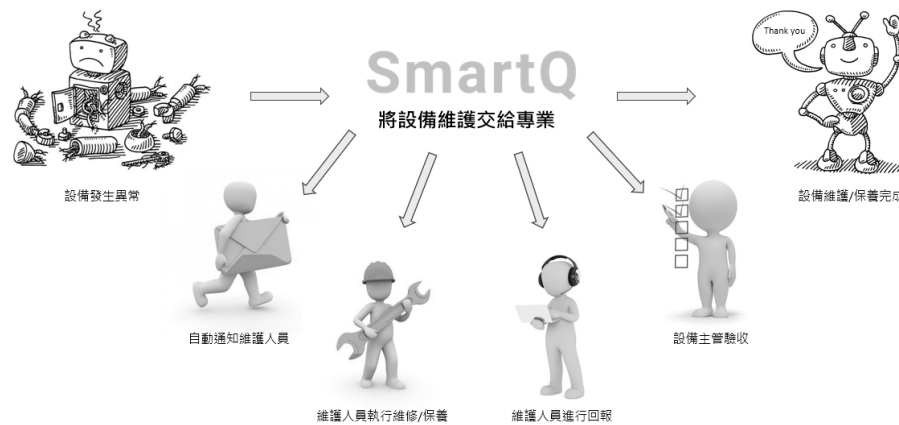
- With the government's active development of renewable energy, the high ratio of green energy has had an impact on the stability of the power grid. Auxiliary services are needed to ensure a stable power supply, and energy storage is one of the important solutions.
- Energy storage is one of the four options under the government's regulations for energy-heavy industries.
- Renewable energy sources such as solar and wind power are limited by sunlight hours, wind intensity, and unpredictable wind direction, making it challenging to generate power consistently. In the future, Taiwan Power Company (TaiPower) will require energy plants to ensure stability in their power generation, and energy storage is the optimal solution.
- To enable timely regulation of power supply and demand, comprehensive monitoring over the entire power grid is necessary, thereby requiring grid intelligentization.
- The liberalization of the electricity generation market and the establishment of open electricity trading platforms have enabled innovative power operation models, which require support from energy management systems.

In response to the opportunities presented by the energy transition and smart grids, HwaCom has planned to collaborate with energy equipment manufacturer, Advantech, and existing market partners and to utilize our own experience in ICT and transportation, as well as telecom engineering management to develop new business ventures to enter the energy market, initially focusing on the energy storage market and automation of substations.

#### (A) SmartQ equipment maintenance management system

Distributed energy facilities require management of numerous and various devices, which are often deployed in dispersed locations. Device owners often lack the capability to manage these devices themselves. After outsourcing the maintenance work to external vendors, effective management and follow-up of the maintenance processes become crucial. SmartQ provides a comprehensive

equipment maintenance and repair lifecycle management system, allowing organizations to track the current maintenance status of their equipment and monitor vendor repairs and efficiency, ensuring that the equipment remains in great condition.



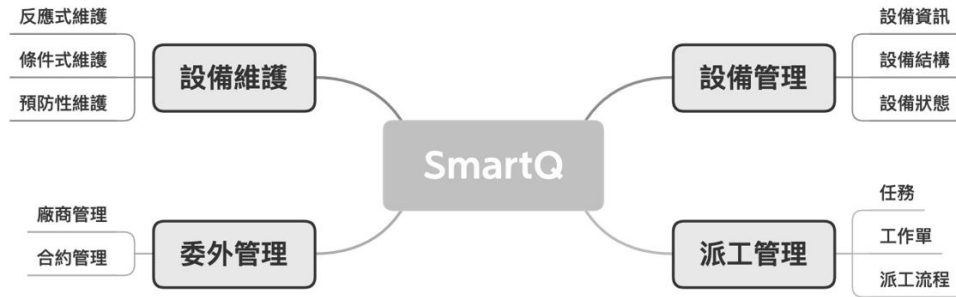
設備發生異常	Equipment experiences abnormality
SmartQ 將設備維護交給專業	SmartQ leaves equipment maintenance to the pros
自動通知維護人員	Automatically notify maintenance personnel
維護人員執行維修/保養	Maintenance personnel perform repairs/maintenance
維護人員進行回報	Maintenance personnel provide feedback
設備主管驗收	Equipment supervisor perform equipment inspection and acceptance
設備維護/保養完成	Equipment repair/maintenance is completed

## SmartQ 為您解決的問題

發現無預警停機	設備故障後快速反應	降低營運成本	強化企業競爭力
主動檢查設備狀態，可發現設備無預警的故障或停機，讓設備管理員能對設備異常快速實施反應計畫。	設備發生故障時，以最快時間發出工作單，並提供維護人員工作 SOP 以提升工作效、減少工安意外，使設備能於最短時間內恢復正常工作狀態。	透過定期維護機制自動化，可依條件自動建立工作單，簡化以往較複雜的作業流程，降低成本，提升作業效率。	幫企業減少年度維修成本、設備檢查成本、減少停機時間，並大幅提升設備妥善率與稼動率，強化企業競爭力。

SmartQ 為您解決的問題	SmartQ solves the problems for you
<b>發現無預警停機</b> 主動檢查設備狀態，可發現設備無預警的故障或停機，讓設備管理員能對設備異常快速實施反應計畫。	<b>Shutdown without warning is detected</b> Proactively checks the status of equipment, when an unexpected equipment failure or shutdown occurs, it will be quickly discovered, allowing equipment administrators to quickly implement response plans for equipment abnormalities.
<b>設備故障後快速反應</b> 設備發生故障時，以最快時間發出工作單，並提供維護人員工作 SOP 以提升工作效、減少工安意外，使設備能於最短時間內恢復正常工作狀態。	<b>Quick response after equipment failure</b> When an equipment fails, a work order is issued as quickly as possible and maintenance personnel are provided with SOPs to improve work efficiency, reduce work-related safety incidents, and enable equipment to return to normal working condition in the shortest possible time.
<b>降低營運成本</b> 透過定期維護機制自動化，可依條件自動建立工作單，簡化以往較複雜的作業流程，降低成本，提升作業效率。	<b>Reduces operating costs</b> By automating the regular maintenance mechanism, work orders can be automatically created according to equipment conditions, simplifying the more complex operating procedures in the past, reducing costs and improving operating efficiency.
<b>強化企業競爭力</b> 幫企業減少年度維修成本、設備檢查成本、減少停機時間，並大幅提升設備妥善率與稼動率，強化企業競爭力。	<b>Strengthens corporate competitiveness</b> Helps enterprises reduce annual maintenance costs, equipment inspection costs, reduces downtime, and significantly improves equipment availability and utilization rates, thus strengthening corporate competitiveness.

The functions of SmartQ product are as follows:



<b>設備維護</b>	Equipment maintenance
反應式維護	Reactive maintenance
條件式維護	Conditional maintenance
預防性維護	Preventive maintenance
<b>設備管理</b>	Equipment management
設備資訊	Equipment information
設備結構	Equipment structure
設備狀態	Equipment status
<b>委外管理</b>	Outsourced management
廠商管理	Vendor management
合約管理	Contract management
<b>派工管理</b>	Dispatch management
任務	Task
工作單	Work order
派工流程	Dispatching process

SmartQ adopts a Microservice architecture and utilizes Kubernetes for container management. It can be deployed on Advantech's WISE-PaaS as well as Google's GKE platform. The system architecture is as follows:



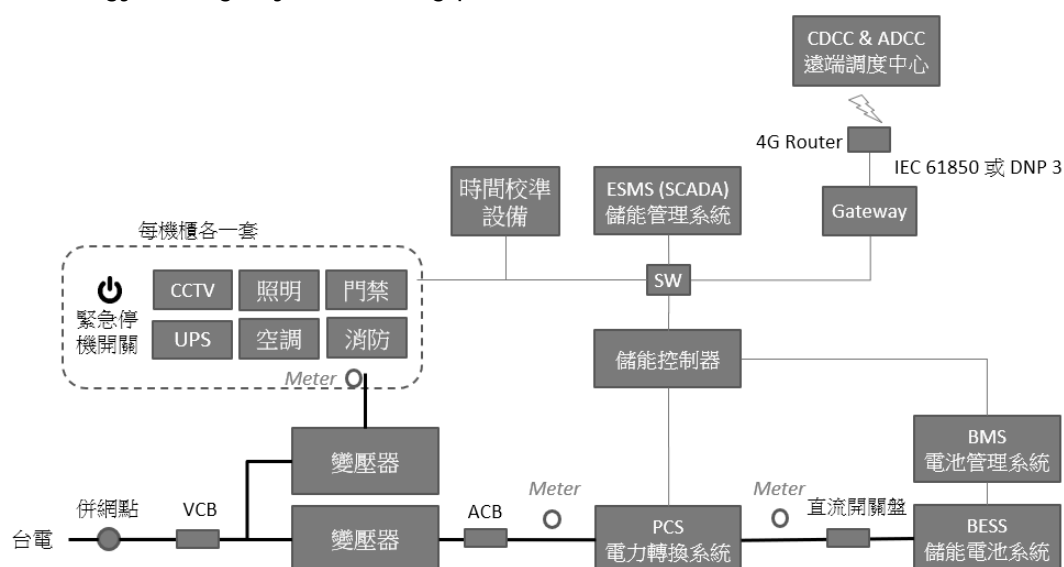
基於 WISE-PaaS/APM 快速掌握全場域設備狀況	Based on WISE-PaaS/APM, it can quickly grasp the status of equipment in the entire site
維護團隊	Maintenance team
場域業主	Site owner
故障保養管理	Malfunction repair management
廠商管理	Vendor management
工作提醒單	Work reminders
合約管理	Contract management
設備管理	Equipment management

妥善率管理	Availability management
設備狀況資訊	Equipment status information
基於 Commercial Service 快速建立可被租用、可創造營收的服務	Based on Commercial Service, it quickly create services that can be rented and generate revenue
具有微服务框架的可扩展数据平台	A scalable data platform with a microservices framework

## (B) AFC energy storage service

In line with Taiwan's energy policy goals of reaching 27GW in the installed capacity of renewable energy devices by 2025, with renewable energy generation accounting for 20% of the total power, traditional power systems will face the challenge of instability caused by the sheer number of renewable energy being integrated into the power grid. To address this issue, it is necessary to introduce new technologies to help stabilize the power supply from power grids. One such emerging technology is Automatic Frequency Control (AFC) for energy storage, which offers fast charging and discharging capabilities. By actively adjusting the charging and discharging actions to regulate the power system frequency, AFC can help mitigate frequency deviations caused by load fluctuations, making it an ideal solution for ensuring system stability in the presence of a high proportion of renewable energy.

The Company plans to deploy a 1 MW AFC energy storage system to engage in Taiwan Power Company's auxiliary services. In addition to earning service revenue, this initiative aims to build experience, develop software capability for energy storage management and control, and paves the way to future energy system integration and application development. The diagram below illustrates the energy storage system being planned:



每機櫃各一套	One set for each cabinet
緊急停機開關	Emergency shutdown switch
照明	Lighting
門禁	Access control
空調	Air conditioner
消防	Fire extinguisher
時間校準設備	Time calibration equipment
ESMS (SCADA) 儲能管理系統	ESMS (SCADA) energy storage management system

CDCC & ADCC 遠端調度中心	CDCC & ADCC remote dispatch center
IEC 61850 或 DNP 3	IEC 61850 or DNP 3
儲能控制器	Energy storage controller
台電	Taipower
併網點	Grid connection point
變壓器	Transformer
變壓器	Transformer
PCS 電力轉換系統	Power conversion system (PCS)
直流開關盤	DC switch panel
BMS 電池管理系統	Battery management system (BMS)
BESS 儲能電池系統	BESS energy storage battery system

3. R&D expenses of the most recent year, up to the print date of the Annual Report:

Unit: NT\$ thousand

Item \ Year	2022	May 2, 2023
R&D expenditure	58,957	12,464

4. Successfully developed technologies and products for the most recent year, up to the publication date of the Annual Report:

- (1) Integrated Monitoring System aoSCADA V2.0
- (2) Traffic Control Central Computer System NGTMS V2.0
- (3) Free Traffic Flow License Plate Recognition System FT-LRP V1.0
- (4) Environmental Monitoring Management System
- (5) Family+ Internet access control
- (6) SmartQ equipment maintenance management system

(IV) Long- and Short-Term Business Development Plans:

The Company's operating policy is as follows:

1. HWACOM will continue to focus on the business field of "Broadband Application Service Integrator". In addition, we will also strengthen our R&D capabilities in AI, big data technology, and application system integration.
2. Development of innovative services: Optimistic about the diversified development of IoT, ICT, and mobile markets, the Company will focus on developing five fields, namely, telecom application and integration service, information network service, IPTV, information security application and integration service, and smart city management services, etc. HWACOM aims to gradually evolve into a value-added innovative and integration service provider to meet customers' needs and to build our core business values.
3. Drive digital transformation by consolidating internal organization and aligning them with external resources. Through enhancing technological integration and software development competencies and promoting for digitization of service platforms and project management, we can become an integrated service provider of total solutions.
4. Fulfilling our responsibility as a corporate citizen: Guided by the spirit of giving back to society, the Company will collaborate with partners and customers to actively participate in charity and welfare in order to contribute to and to care for the society.

1. Short-term business plan:

(1) Business strategy

- A. Focus on target markets and integrate niche products.
- B. Implement responsibility performance system and carry out objective management through implementing responsibility centers.
- C. Continue to develop broadband technology field and innovate value-added services.
- D. Actively participate in social welfare activities and fulfill social responsibility as a corporate citizen.

(2) Product and service strategy

A. Focus on both product sales and R&D of own-brand products

In addition to providing integrated services to customers by representing multiple product brands, we continue to invest in R&D to develop related products such as set-top boxes, intelligent transportation service systems, cloud computing services, and broadband network management service systems so as to strengthen our technical capabilities and competitiveness in broadband network and IoT cloud service applications.

B. Enhance technical service capabilities

The Company adopts a customer-oriented approach in developing business solutions. As a total system integrator, we need to have well-rounded knowledge, expertise, and accountability. Therefore, we spare no effort in cultivating professional knowledge for all employees, actively pursuing various professional certifications and developing new technologies to enhance technical capabilities. Our objectives include:

- (A) Strengthen management competencies over large-scale projects; reduce fines due to project delays.
- (B) Enhance broadband technology capabilities such as FTTX, VDSL, GPON, NGN, etc.
- (C) Innovative services for broadband applications such as video services, intelligent transportation service systems, etc.
- (D) Digital multimedia-related services for IPTV.
- (E) Provide differentiated services for VIP and strategic customers.
- (F) Strengthen the customer service platform and improve the customer service mechanisms to enhance satisfaction.
- (G) Proactively propose suggestions for customer system optimization to create business opportunities.

(3) Marketing strategy

- A. Establish the Company's brand positioning as a "broadband service application integrator."
- B. Actively participate in marketing activities from related industries to

establish a professional brand.

- C. Attract upstream and downstream strategic manufacturers and effectively use marketing resources.
- D. Strengthen interactive relationships with the media.

(4) Sales strategy

- A. Committed to enhancing profitability and focusing on high-profit projects; enhancing sales capabilities in salespersons and shift from Product Sales orientation to a business solution-oriented solution sales.
- B. Strengthen ties with industry chain partners and use strategic alliances with foreign giants such as Intel, BroadCom, Cisco, VMware, NetApp, Nokia, DELL, etc., to improve the Company's marketing capabilities in the Asia-Pacific market.
- C. Comprehensively promote the work plan to have all employees act as sales reps.
- D. Continue to invest in R&D of own-brand products and establish effective marketing and sales plans.
- E. Continuously develop innovative broadband application business models.

(5) Financial strategy - Improving accounts receivable turnover ratio and inventory turnover

The products sold by the Company are mainly products of Cisco, VMware, NetApp, Nokia, and DELL, and are primarily purchased by major privately-owned telecom companies, government agencies, high-tech, and media service providers. Most of these purchases are for large-scale or specialized projects, which require a longer acceptance period and involve high-priced equipment that our customers often need to loan for testing purposes. As a result, the Company's accounts receivable turnover ratio and inventory turnover ratio are slightly lower than those of our peers. To address this issue and improve these ratios, we will enhance the professional training we provide to customers and strengthen our after-sales service capabilities. We hope to increase customer satisfaction, earn their trust and recognition in our professional expertise, so as to shorten the acceptance period and reduce the need to borrow equipment for testing, thereby making the Company's financial management more flexible.

2. Long-term business plan:

The key areas of the Company's long-term operations are as follows:

Continue to develop broadband application services, strengthening our in-house R&D capabilities, realizing the vision of "Any Service, Any Device, AnyWhere", strengthening our operational structure, focusing on niche markets, implementing a responsibility center, and then implementing profit centers, expanding into overseas markets, and promoting the Hwacom brand.

(1) Product and service strategy - Providing professional consulting services



By using our experience in customer planning and service, Hwacom can provide high-value professional consulting services to offer technical and professional consulting to more customers.

(2) Marketing strategy - expanding to overseas markets

The prosperous development of the telecom market, coupled with the rise of IoT and rapid advancements in information technology, have paved the way to the integration of telecom, media, and networks. The Company has a professional technical team and total system integration experiences, which helps us to offer existing broadband service management software as bundles and market them abroad, thus scaling our business by expanding to the overseas market.

(3) Operational strategy - Providing comprehensive maintenance services

In terms of system services, the rise of the Internet has promoted professional division of labor. Our maintenance system provides major customers with 24/7 professional maintenance services and system integration. We hope to improve the quality of service to meet customer needs through utilizing our professional technical capabilities, increasing customer satisfaction and loyalty.

(4) Financial strategy - Establishing profit centers

As the Company grows to a considerable size, the organization will inevitably expand, and even the business strategies will tend to diversify. At this time, management work will become more complex and carry more weight. Therefore, we will adopt a profit center system, where individual profit center managers will be responsible for their own business decisions, and their performance is evaluated by the headquarters to measure the profitability of each profit center. This can make the goals clearer, achieve a clearer division of labor, and help us control expenses while creating profits.

## II. Market, Production, and Sales Overview

### (I) Market Analysis

1. Areas in which core products (services) are sold (provided): Currently, Hwacom's main products are primarily sold domestically, with no major transactions with overseas clients.
2. Market share:

The Company's main products all hold considerable market shares in their respective markets. And in terms of our infrastructure and network critical hardware product lines, the three major types of product include backbone equipment, host equipment, and peripheral devices:

- (1) Backbone and Last-Mile network demands have significantly increased, and the Company has introduced renowned brands such as Cisco (the No.1 network share) and Nokia, which are both leaders in their respective fields.

Zyxel caters to last-mile network solutions, Cisco, Ruckus for wireless LAN access points, and other providers offer comprehensive and unique solutions for customer environments.

- (2) Host equipment: Since network computing and fault-tolerant systems have become increasingly popular, the Company partners with leading companies such as HP and Dell.
- (3) Peripheral equipment: Due to the proliferation of internet data, there has been a significant rise in demand for internet storage devices, with Network Appliance being the top brand (holding the largest market share for network-attached storage).

In terms of software, the market trend calls for databases, multimedia management systems, network and system management software, and e-commerce. In addition to self-developing Multimedia-On-Demand software, the Company is also a co-marketing partner for leading database software brand, Oracle (No.1 market share) that offers internet server and management software. In response to the rise of cloud computing, the Company has collaborated with renowned virtual management software providers such as VMWARE, Citrix, and BMC to provide planning and deployment services.

In terms of system services, the rise of the internet has led to many specializations. Hwacom provides 24/7 professional maintenance services and system integration for our main clients. The Company is also an authorized maintenance provider for major manufacturers such as Cisco, Network Appliance, HP, Dell, and Nokia. We are also primed to establish a professional operation and maintenance company in the future.

### 3. Future market supply, demand, and future growth:

The liberalization of telecommunications in Taiwan has led many mobile communication providers to enter various telecommunications value-added services, in addition to traditional communication services. In response to the coming of the broadband era, demand for value-added services in various broadband services is expected to increase significantly with the opening of 5G network operations this year. It is expected that these telecom operators will invest heavily in network and information equipment construction costs in the future. In addition, the Chunghwa Telecom Interactive Television System (MOD), built on the basis of broadband networks, has been widely promoted by Chunghwa Telecom with high-definition (4K) broadcasting, which has started a trend. MOD has successively launched high-definition content such as Major League Baseball and National Geographic channels, which is expected to start a market trend and increase service activation rates. At present, MOD has reached a scale of 2 million users this year. In addition to the platform construction, service development, and Set-Top-Box procurement opportunities arising from this, the expansion of various

types of network exchange equipment on the operation network will also be a business opportunity for the Company's future business expansion.

4. Competitive niches
  - ❖ In terms of the industry: Hwacom is the only company possessing professional knowledge and technical capabilities for multiple cross-industry integrations in communication, network, broadband multimedia, and cloud IoT.
  - ❖ In terms of systems: Hwacom possesses integration technology and subsequent service capabilities for network systems, computer platforms, network and system management, and even professional software systems.
  - ❖ In terms of the market: We are focusing on the rapid growth of system integration in internet and broadband technologies alongside target industries.
  - ❖ In terms of products: Products that the Company represents are synchronized with the needs of the target industry and all products have reached economies of scale. We can also stay ahead of the market demand to anticipate the next rising-star product.
  - ❖ In terms of technology: The Company has professionally technical engineers with high value-added core technology R&D capabilities, providing telecom-grade engineering design services.
  - ❖ In terms of management: Hwacom's management team consists of professional managers with international perspectives from both local and foreign backgrounds, allowing the Company to have greater room for growth.
5. Favorable and adverse factors for long-term development and response measures:
  - (1) Favorable factors:
    - A. In terms of the industry: Hwacom is the only company possessing professional knowledge and technical capabilities for multiple cross-industry integrations in communication, network, broadband multimedia, and cloud IoT.
    - B. In terms of systems: Hwacom possesses integration technology and subsequent service capabilities for network systems, computer platforms, network and system management, and even professional software systems.
    - C. In terms of the market: We are focusing on the rapid growth of system integration in internet and broadband technologies alongside target industries.
    - D. In terms of products: Products that the Company represents are synchronized with the needs of the target industry and all products have reached economies of scale. We can also stay ahead of the market demand to anticipate the next rising-star product.
    - E. In terms of technology: The Company has professionally technical engineers with high value-added core technology R&D capabilities, providing telecom-grade engineering design services.
    - F. In terms of management: Hwacom's management team consists of professional managers with international perspectives from both local and foreign backgrounds, allowing the Company to have greater room for growth.
  - (2) Adverse factors and countermeasures:
    - A. Many domestic telecom equipment manufacturers and other system integrators have begun to pay attention to this market and may invest in production, increasing industry competition and shrinking profits.

※ Countermeasures:

To deal with the highly competitive business environment, apart from expanding and introducing various renowned global brands' products to maintain a complete product line to meet customers' one-stop shopping needs, the Company has also established strong strategic alliances with the original manufacturers and actively combines products from different brands to create the optimal efficient combinations, which allows us to provide customers with total solutions. This will increase the added value of products and strengthen customer service; enhance the Company's value-added service through high-reliability products, superb network integration technology, and comprehensive after-sales and maintenance services, thus avoiding price wars.

Additionally, the Company actively invests in R&D to develop own-brand products, build our own technical team, and improve competitiveness and barriers to entry, while also establishing good operating and management systems to build the foundation for sustainable management.

- B. With the rapid development of telecom networks, and the continuous launch of various standards and protocols, as well as new generation products, there continues to be a shortage in the supply of professional talents despite the development of telecom technologies.

※ Countermeasures:

The Company actively recruits outstanding talent and conducts intensive internal and external education and training to cultivate a professional technical consulting team. Meanwhile, the Company encourages employees to obtain professional certification to enhance their professional abilities and technological competencies. In addition, the Company also offers employee stock options and dividends to increase employee cohesion, on top of strengthening the employee performance evaluation system and strive to create a fair and transparent reward system to improve employee quality.

(II) Major applications of core products: (Manufacturing processes of products: None).

Product name	Major applications
Telecom system integration services	PRBT system, the next-generation UMS super mailbox system, the multifunctional SMS service system, the regional message notification platform, the EAP-SIM authentication platform, remote backup storage system, mobile voice access platform, 4G LTE/5G network core system, mobile payment service, video multimedia terminal equipment, and more.
IP broadband network service	The Company collaborated with fiber broadband equipment manufacturers such as Nokia (Alcatel Lucent), Cisco, ZyXel, etc. to provide broadband network infrastructure solutions to service providers. The solutions cover VDSL, MSAN, GPON access solutions for both copper and fiber cables, as well as IP networks including Metro Ethernet and IP Transport. As to transmission systems, the Company offer NG-SDH, PTN, OTN, etc. In addition, the Company provides a wide range of broadband solutions for home networks, including STB, Home Gateway (GW), Meshed WiFi Routers, Small Cell Gateway, etc. Over the past few years, the Company has assisted telecom and cable TV service providers in deploying countless broadband solutions to meet customers' various needs for broadband network infrastructure.
Media industry service	Digital conversion systems for SD/HD and 4K2K content, Transcoder for multi-format audio and video, equipment for filming, broadcasting, master and sub-control systems, digital cable TV head-end systems, cable TV VoD systems, high-definition multimedia video set-top boxes and servers including OTT set-top boxes, fiber or telecom equipment, data terminal systems, network application services, 3D games, and

	interactive multimedia services such as MOD.
Enterprise customers	Centralized system for general enterprise data centers, enterprise virtualization, cloud computing projects, VDI desktop cloud, cybersecurity system services, big data analysis, EMC bidding, SWRD NETAPP expansion, MTK new data center relocation projects, and more.
Intelligent transportation service (ITS)	Real-time traffic information service is an important part of ITS. This service uses smartphones to provide users with real-time traffic information services, and utilizes Facebook to expand the service coverage to more users. Meanwhile, it also plays the role of a GPS-Base Vehicle Probe, providing position, direction, and speed information through GPS/4G and receiving and calculating the average speed of road sections on the cloud, thereby enriching the database and expanding traffic information. This extends the traffic data from "real-time" to "analysis and prediction" and further establishes B2B or B2C business models, creating a more comprehensive and sophisticated ITS.
Integrated monitoring platform of Intelligent Operation Center (IOC)	The integrated monitoring platform, aoSCADA, is designed for the IOC of a smart city. It provides diverse intelligent monitoring and management services within an IoT environment.
Innovative business applications	Based on the professional expertise, experience, and resources accumulated in the aforementioned six application domains, the Company plans to develop a wide range of innovative applications and services, including intelligent transportation, smart digital billboard system, and WiFi O2O service application platforms. These will serve as the Company's development direction in the next decade.

(III) Supply of main raw materials:

Raw material	Supplier	Supply status
Information and telecom equipment	ALU, CISCO, DELL, Extreme, Fortinet, F5, HP, Juniper, NetAPP, OVT, Palo Alto, QNAP, SuperMicro, Sumitomo, Synology, Zyxel, Advantech, Acer, Pegatron, Midat, Zero One, Unicom, Netfos, Lumax, Unitech, BestCom, Genuine, Synnex, Compuware, JJnet, Dawning Tech, Lealea, Quanta Cloud Tech	Sufficient supply
Software	CheckPoint, Dialogic, HP, Innovative, Metaswitch, Oracle, Paessler, Splunk, Utimaco, Verimatrix, VMware, Axiomtek, Zero One, BestCom	Sufficient supply
Smart city management services	AXIS, Vocom, Panasonic, Lmico, Sinli, Vipin, Jing Yee, Glory, Lilin, Hipower, Boeing, Ablere, Evertop, Ares, 24erplus, YUAN SHUO, BrightLed, Kuang Lin, Dacom, Kaite, Ting Kai, UFOC, Tmedia, Shanxing, Jin Yuan Tong, S-Link Systems	Sufficient supply

(IV) Names of customers who accounted for more than 10% of the purchases/sales in any of the last two years, and purchases/sales amount and percentage:

1. Major customers accounting for above 10% of net sales in the most recent 2 years:

Unit: NT\$ thousand

Item	2022				2023			
	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Chunghwa Telecom	1,348,271	22.12	None	Chunghwa Telecom	1,084,073	20.64	None
2	National Chung-Shan Institute of Science & Technology	855,981	14.05	None	Freeway Bureau, MOTC	517,398	9.85	None
3	Freeway Bureau, MOTC	413,159	6.78	None	MOTC TRA	366,256	6.97	None
	Others	3,477,038	57.05	None	Others	3,285,005	62.54	None
	Net Sales	6,094,449	100.00		Net Sales	5,252,732	100.00	

Major reasons of the changes: The Company's revenue is mainly recognized from the completion of bidding projects. Due to the large number of completed projects and the diverse nature of each projects, it is difficult to conduct comparative analysis.

2. Major suppliers accounting for above 10% of net purchases in the most recent 2 years:

Unit: NT\$ thousand

Item	2022				2023			
	Name	Amount	Percentage of net purchases %	Relationship with issuer	Name	Amount	Percentage of net purchases %	Relationship with issuer
1	Zero One Technology	982,415	23.68	None	Zero One Technology	797,370	20.63	None
2	Taiwan International Standard Electronics Ltd.	289,499	6.98	None	Taiwan International Standard Electronics Ltd.	203,010	5.25	None
	Others	2,877,266	69.34	None	Others	2,864,068	74.12	None
	Net purchases	4,149,180	100.00		Net purchases	3,864,448	100.00	

Major reasons of the changes: The Company's purchases are based on the progress of the ongoing projects. Due to a large number of completed projects and the diverse nature of each project, it is difficult to conduct comparative analysis.

(V) Output volume and value for the last two years: Not applicable as the Company is not a manufacturing company.

(VI) Sales volume for the last two years:

Unit: NT\$ thousand

Sales volume and amount Main product		2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Telecom system integration services		-	1,721,484	-	1,311	-	1,516,969	-	55,598
IP broadband network service		-	370,287	-	0	-	314,806	-	0
Media industry service		-	318,377	-	120,016	-	468,996	-	0
Enterprise customers and others		-	2,828,190	-	93,394	-	1,643,263	-	10
Smart city application service		-	641,390	-	0	-	1,253,090	-	0
Total		-	5,879,728	-	214,721	-	5,197,124	-	55,608

※ Analysis of changes: Since the Company has completed a large number of tender projects, due to the diverse nature of each project, it is difficult to conduct comparative analysis.

III. Employee Information for the Most Recent Two Years up to the Date of Publication of the Annual Report:

Year		2022	2023	January 25, 2024
Number of employees	Business personnel	61	65	63
	Technical personnel	510	507	515
	Administrative personnel	124	141	144
	R&D personnel	56	58	59
	Total	751	771	781

Average age		40.59	41.15	41.21
Average years of service		5.67	5.79	5.69
Education background distribution	PhD	0.93%	0.93%	0.90%
	Master's	20.24%	19.58%	19.59%
	University/College	75.77%	76.65%	76.70%
	High school	2.93%	2.72%	2.69%
	Below high school	0.13%	0.13%	0.13%

#### IV. Information on Environmental Protection Expenditure

- (I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the date of this Annual Report:

No pollution issues have occurred during the assembly process of the Company's information system, communication system, and internet service.

- (II) Due to the nature of the industry, the Company is not subject to the European Union's Restriction of Hazardous Substances Directive (RoHS).

#### V. Cyber Security Management

- (I) Cyber Security Risk Management Framework

##### 1. Corporate cyber security governance structure

To enhance the overall information and personal data security of HwaCom System Inc., its subsidiaries, and affiliated companies (referred to as the "Group"), and to integrate organizational and internal control, the Company established the "Cyber Security and Personal Data Protection Committee" (referred to as the "Committee") in July 2020. This demonstrates the Group's emphasis on and support for cyber security and personal data protection, enabling continuous improvement of the security management system.

- Committee: Composed as work groups, it includes one Chief Information Security Officer-cum- Personal Data Protection Officer (hereinafter referred to as the CISO, or Chief Information Security Officer), with the President serving as the CISO, and top-ranking managers from various departments within the Group serving as committee members.
- Chief Information Security Officer: Appointed by the President or authorized personnel.
- Committee members: Top-ranking managers from various departments within the Group serving as committee members.
- Management representative: Appointed by the CISO, a designated top-ranking manager.
- Management System Team: Composed of personnel assigned by the management representative.

- Risk Management Team: Composed of personnel assigned by the management representative.
- Incident Response and Business Continuity Response Team: Composed of personnel assigned by the management representative.
- Audit Team: Composed of personnel with auditing functions assigned by the Committee.
- Dedicated Cyber security personnel in each department: Composed of personnel assigned by each department.



## 2. Organizational Framework of the Cyber Security Organization

<b>資訊安全暨個人資料保護委員會</b>	Information Security and Personal Data Protection Committee
(1) 確認政策與目標一致性。	(1) Confirm that the policy aligns with the goal.
(2) 滿足資訊安全暨個人資料保護相關要求的承諾。	(2) Commitment to meet information security and personal data protection related requirements.
(3) 持續改善資訊安全暨個人資料保護系統的承諾。	(3) Commitment to continuously improve information security and personal data protection systems.
<b>稽核小組</b>	Audit Team
(1) 擬定資安與個資內部稽核計畫。	(1) Develop information security and personal data internal audit plans.
(2) 執行資安與個資內部稽核活動。	(2) Perform information security and personal data internal audit activities.



(3) 產出資安與個資內部稽核報告。	(3) Prepare information security and personal data internal audit reports.
(4) 追蹤不符合事項之改善執行情形。	(4) Follow-up on the improvement of any deficiencies.
<b>資訊安全長 (個資保護長)</b>	Chief Information Security Officer (Personal Data Protection Officer)
(1) 統籌資安與個資保護所需資源。	(1) Coordinate resources required for data security and personal data protection.
(2) 落實資安與個資保護政策，監督管理制度實施情形。	(2) Implement information security and personal information protection policies, and supervise the implementation of management systems.
(3) 發生重大資安與個資侵害事件時擔任應變處理與營運持續小組指揮官。	(3) Serve as the commander of the Incident Response and Business Continuity Response Team when major information security and personal data breach incidents occur.
<b>委員會委員</b>	Committee members
(1) 參與資安與個資相關會議。	(1) Participate in information security and personal information related meetings.
(2) 協助資安長進行資安與個資管理審查作業。	(2) Assist the CISO in conducting information security and personal information management reviews.
(3) 資安與個資相關議題之提案、討論。	(3) Proposals and discussions on issues related to information security and personal information.
(4) 溝通並協調相關部門資安與個資事宜。	(4) Communicate and coordinate information security and personal information matters of relevant departments.
(5) 督導所屬部門配合資安與個資管理規定的施行。	(5) Supervise their own department to cooperate with the implementation of information security and personal information management regulations.
<b>資安暨個資管理代表</b>	Information security and personal information management representative
負責組成與督導「管理制度小組」、「風險管理小組」及「事件應變暨營運持續小組」運作，並依據資安長指示推動委員會之會議決議事項。	Responsible for forming and supervising the operation of the "Management System Team", "Risk Management Team" and "Incident Response and Business Continuity Response Team", and promoting committee meeting resolutions in accordance with the instructions of the Chief Information Security Officer.
<b>管理制度小組</b>	Management System Team
(1) 制定資安與個資保護相關規範。	(1) Formulate regulations related to information security and personal information protection.
(2) 管理資安與個資制度文件與紀錄。	(2) Manage information security and personal information system documents and records.
(3) 推動資安與個資保護管理制度。	(3) Promote information security and personal information protection management systems.
(4) 辦理資安與個資保護相關宣導及教育訓練。	(4) Organize advocacy and training related to information security and personal data protection.
(5) 執行委員會決議事項。	(5) Perform resolutions from the Committee.
(6) 識別資安與個資保護的相關法令、法規及標準，列示於「外來文件一覽表」，並定期檢視更新該列表。	(6) Identify relevant laws, regulations and standards for information security and personal data protection and list them in the "External Document List", and review and update the list regularly.
(7) 負責維護更新「溝通傳達事項表」。	(7) Responsible for maintaining and updating the "Communication List".
<b>風險管理小組</b>	Risk Management Team
(1) 規劃與執行每年資訊資產盤點及風險評鑑作業。	(1) Plan and execute annual information asset inventory and risk assessment operations.
(2) 產出年度風險評鑑報告與風險處理計畫予委員會審查。	(2) Produce an annual risk assessment report and risk treatment plan for review by the committee.
(3) 追蹤風險處理計畫成效。	(3) Follow-up on the effectiveness of risk treatment plans.
(4) 協助準備個資與資安管理審查相關資料。	(4) Assist in preparing relevant materials for personal information and information security management review.

<b>事件應變與營運持續小組</b>	Incident Response and Business Continuity Response Team:
(1) 負責資安與個資事件接收及通報。	(1) Responsible for receiving and reporting information security and personal information incidents.
(2) 執行資安與個資事件緊急應變、處理及復原工作。	(2) Carry out emergency response, processing and recovery of information security and personal data incidents.
(3) 負責資安與個資侵害事件相關證據蒐集。	(3) In charge of collecting evidence related to information security and personal information infringement incidents.
(4) 規劃與執行業務持續運作及演練事宜。	(4) Plan and carry out business continuity operations and drills.
(5) 彙整營運持續運作計畫及其演練紀錄。	(5) Compile business continuity plans and drill records.
(6) 負責維護更新「外部單位聯絡清單」。	(6) Responsible for maintaining and updating the "External Contact List".
<b>各單位資安人</b>	Cyber security personnel in each department:
(1) 受理個資當事人之請求相關事宜。	(1) Handle matters related to requests from personal data parties.
(2) 提供個資當事人申訴與救濟之處理窗口服務。	(2) Act as a point of contact for handling complaints and grievances of personal data parties.
(3) 協助資安與個資事件通報予權責單位，重大個人資料外洩事件之民眾聯繫單一窗口。	(3) Assist in reporting information security and personal data incidents to the responsible units, and provide a single point of contact for the public in case of major personal data leakage incidents.
(4) 協助彙整單位資訊資產清冊、個資清冊及風險評鑑作業。	(4) Assist in compiling the unit's information asset inventory, personal information inventory and risk assessment operations.
(5) 協助及參與資安與個資相關內外部稽核事宜。	(5) Assist and participate in internal and external audit matters related to information security and personal data.
(6) 配合宣導資安與個資規範要求，協助資安與個資相關推動工作事宜。	(6) Cooperate with the advocacy of information security and personal information regulatory requirements, and assist in the promotion of information security and personal information related matters.
(7) 其他資安與個資相關聯繫事宜。	(7) Other matters related to communicating information security and personal information.

## (II) Cyber Security Policy

### 1. Enterprise Cyber Security Management Strategy and Framework

HwaCom System Co., Ltd., its subsidiaries, and affiliated companies (hereinafter referred to as "the Group") are committed to strengthening cyber security and personal data protection management. This is to ensure the confidentiality, integrity, availability, and compliance of information assets (including personal data) related to the Group, customers, and other stakeholders. The objective is to provide an information environment that supports the continuous operation of the Group's businesses and meets the requirements about customer contracts regarding cyber security and personal data protection in laws and regulations. This is to protect against intentional or accidental threats from internal and external sources. As a result, the "Cyber Security and Personal Data Protection Policy" has been established.

Personal data and information are valuable assets of the Group. To

emphasize the Group's commitment to personal data protection and the implementation of effective cyber security management, a policy statement has been formulated based on the principles of simplicity, easy to remember, and alignment with cyber security and personal data management objectives: "It is everyone's responsibility to enforce cyber security and personal data protection."

HwaCom System Co., Ltd. (hereinafter referred to as "the Company") has developed, maintained, and continuously improved its cyber security management system in a "Plan-Do-Check-Act" cycle to ensure the confidentiality, integrity, availability, and compliance of critical information assets. In line with this, the "Cyber Security Maintenance Plan" and the "Personal Data Security Maintenance Plan" have been established.



## 2. Risk Management and Continuous Improvement Framework of Enterprise Cyber Security

<b>檢討與持續改善</b>	<b>Review and make continuous improvement</b>
▶ 不符合事項矯正與持續改善管理體系	▶ Correction of non-conformities and continuously improve the management system
▶ 資訊安全措施檢討改善	▶ Review and improvement of information security measures
▶ 資訊安全威脅及技術掌握	▶ Comprehend information security threats and technology
▶ 資訊安全違規及處置	▶ Information security violations and handling
<b>行動</b>	<b>Action</b>
<b>規劃</b>	<b>Plan</b>
<b>資訊安全/個資政策與目標管理</b>	<b>Information Security/Personal Information Policy and Objective Management</b>
▶ 制定資訊安全政策、目標、組織	▶ Develop information security policies, goals, and organizations
▶ 制定個資政策、目標、組織	▶ Develop personal information policies, goals, and organization

▶ 遵循資安國際標準	▶Follow international standards for information security
▶ 遵循資通安全管理法及其子法	▶Comply with the Cyber Security Management Act and its bylaws
▶ 遵循 A 級公務機關應辦事項要求	▶Comply with the requirements made by A-level public agencies
<b>監控資安管理成效</b>	<b>Monitor information security management effectiveness</b>
▶ 資訊安全監督量測	▶Supervise and measure information security
▶ 資訊安全內部稽核	▶Information security internal audit
▶ 資訊安全管理審查	▶Cyber security management review
▶ 資訊安全健診、弱點掃描、滲透測試檢測	▶Information security health diagnosis, vulnerability scanning, penetration testing and detection
▶ 通過資安國際標準驗證	▶Passed information security international standard verification
<b>查核</b>	Do
<b>執行</b>	Act
<b>資安風險管理與多層次防護</b>	<b>Information security risk management and multi-level protection</b>
▶ 資訊資產盤點	▶Information asset inventory
▶ 個資檔案盤點	▶Personal information file inventory
▶ 風險評鑑與風險處理	▶Risk assessment and risk treatment
▶ 制訂管理制度文件	▶Develop management system documents
▶ 營運持續運作計畫	▶Business continuity plan
▶ 教育訓練及宣導	▶Education and training and advocacy
▶ 雲端安全	▶Cloud security
▶ 網路安全	▶Network security
▶ 端點裝置安全	▶Endpoint device security
▶ 應用程式安全	▶Application security
▶ 人員與實體安全	▶Personnel and physical security
▶ 帳號與權限管理	▶Account and permission management
▶ 資安監控與維運	▶Information security monitoring and maintenance

### (III) Specific Management Plans and Allocation of Resources for Cyber Security Management

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
From a management aspect	Classification and protection standards of information and communication systems	The systems developed internally or outsourced by the Company are classified into high, medium, and general levels based on the "Information System Classification" in Attachment 9 of the Regulations Governing the Implementation of the Personal Data Protection Act (PDPA). The Company conducts audits and implements improvements in accordance with Attachment 10, "Checklist for Information System Security Standards".
	Implementation of information security management system and verification by an independent third party	The entire organization has achieved ISO/IEC 27001 (TAF) and ISO/IEC 27701 certifications, and continues to improve to maintain the effectiveness of the certifications. The renewal certificate will continue to be valid after the verification is completed in 2023. The current validity period of the certificate is from August 27, 2023 to October 31, 2025.
	Dedicated information security personnel	In 2023, the Group set up one dedicated information security supervisor, one dedicated information security manpower, and 21 internal audit seed teams. A total of 56 dedicated information security

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
		personnel will be assigned to each unit.
	Internal information security audit	Completed 3 office safety spot checks in 2023. Conducted two internal information security and personal data security audits in 2023 and implemented continuous improvement.
	Business continuity simulation drill	Conducted business continuity drill for all core systems according to annual schedule in 2023 and implemented continuous improvement.
Technical aspect	Security testing - vulnerability scanning	Conducted two vulnerability scanning for host systems and web applications in 2023, and we are continuing to patch identified vulnerabilities.
	Security testing - penetration testing	Performed one penetration testing for core systems in 2023, and are continuously patching identified vulnerabilities.
	Cyber Security Diagnostics <ul style="list-style-type: none"> <li>- Network architecture review</li> <li>- Network malicious activity monitoring</li> <li>- User computer malicious activity monitoring</li> <li>- Server host malicious activity monitoring</li> <li>- Directory server configuration and</li> <li>- Firewall connection settings review</li> </ul>	The cyber security diagnostics was completed in 2023 and implemented continuous improvement.
	Endpoint detection and response mechanism	Upgraded endpoint protection software to EDR Professional Version across the entire organization in 2023 to prevent attacks such as malware and ransomware. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - antivirus software	Upgraded endpoint protection software to EDR Professional Version across the entire organization in 2023 to prevent attacks such as malware and ransomware. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - network firewall	Deployed next-generation firewalls at network boundaries and enabled advanced persistent threat detection. Implement network segmentation based on business and regional attributes and control access through the firewall. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - email filtering mechanism	Activated email filtering mechanism for the email services throughout the Group to detect and alert against spam emails, phishing emails, and external incoming emails. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - intrusion detection and defense mechanism	Deployed next-generation intrusion detection and defense at network boundaries and enable advanced persistent threat detection. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - web application firewall (WAF)	Deployed web application firewall (WAF) for core information communication systems serving external services, enhancing core system protection capabilities. Cyber security personnel engage in real

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
		time monitoring and response.
	Cyber security protection - advanced persistent threat defense measures	Integrated cloud, network, endpoint, threat intelligence, and abnormal behavior detection in the internal network to build an advanced persistent threat defense network. Cyber security personnel engage in real time monitoring and response.
Awareness and Training	Cybersecurity Education	In 2023, all employees received annual cybersecurity and personal data education training for a minimum of 3 hours.
	Professional certifications in cyber security	We continuously invest in training and maintaining the validity of cyber security certifications for relevant personnel. Information security classes were opened in 2023 (such as ISO27001:2022 version update; New version of ISO27001:2022 ISO27017, and ISO27018) and overseas training (such as CEH, OSCP, etc.) Currently, there are approximately 320 certificates and licenses (management and technical) related to information security across the Group.

#### (IV) Cyber Security Risk and Countermeasures

HwaCom System Inc. has implemented overall network and computer security measures; however, it cannot guarantee the complete prevention of network attacks from any third party that may disrupt critical business functions, including company operation and accounting. These network attacks involve illegal intrusion into the internal network systems of HwaCom System, resulting in activities that damage the Company's operations and reputation. In the event of a severe network attack, the Company's systems may lose important data, and operational activities may grind to a halt. HwaCom stem Inc. continuously reviews and assesses its cyber security regulations and procedures to ensure their adequacy and effectiveness. However, it cannot guarantee that the Company will remain unaffected by evolving risks and attacks in the rapidly changing landscape of cyber security threats. Network attacks may also attempt to steal the Company's business secrets and other confidential information, including proprietary information of customers or other stakeholders, as well as personal information of HwaCom System employees.

Malicious hackers may also attempt to introduce computer viruses, destructive software, or ransomware into HwaCom System's network systems to disrupt company operations, extort or blackmail the Company, gain control of computer systems, or access sensitive information. These attacks may result in the Company compensating customers for losses due to delayed or interrupted orders, incurring significant costs for remediation and improvement measures to strengthen the Company's network security systems, or facing major legal liabilities arising from legal cases or regulatory investigations related to the data breach concerning the company's employees, customers, or third parties with whom the Company has confidentiality obligations.

HwaCom System Inc. acknowledges the potential for future attacks, despite not having experienced any attacks in the past. To prevent and mitigate the damage caused by such attacks, the Company implements relevant improvement measures and continuously enhances its security practices. These measures include strengthening network firewalls and controls to prevent the spread of computer viruses across endpoints and offices, implementing endpoint protection measures based on computer types, deploying advanced solutions for detecting and handling malicious software, adopting new technologies to enhance data protection, enhancing phishing email detection, establishing an integrated security operations platform, and regularly conducting employee awareness testing and engaging internal/external experts for security risk assessments. Despite these ongoing efforts to enhance cyber security, HwaCom System Inc. cannot guarantee immunity from malware and hacker attacks.

In addition, HwaCom System Inc. needs to share highly sensitive and confidential information with certain third-party vendors who provide services to the Company, its subsidiaries, and affiliates to facilitate their service provision. While the Company requires these third-party service providers to comply with confidentiality and/or network security provisions in the service contracts, it cannot guarantee that every third-party service provider will strictly adhere to these obligations. The intranet system and/or external cloud network (such as servers) maintained by the above service providers and/or their contractors are also at risk of relevant cyberattacks. If HwaCom System Inc. or its service providers cannot promptly address the technical issues caused by such network attacks, ensure the integrity and availability of data for HwaCom System Inc. (and its customers or other third parties), or maintain control over the Company's or its service providers' computer systems, it may significantly jeopardize the company's commitments to customers and other stakeholders. Consequently, the company's business performance, financial position, prospects, and reputation may be adversely affected.

(V) Significant Information Security Incidents

HwaCom System Inc., has established a risk management mechanism and SOP for handling cyber security incidents. The procedures clearly define the relevant processes and measures, including the incident reporting procedure, assigning responsible personnel to handle significant cyber security incidents, evaluating the incurred losses, implementing necessary response measures, assessing the potential impact of risks on the Company's finances and operations, and implementing corresponding measures.

From 2023 up until the publication date of the Annual Report, HwaCom System Inc., has not experienced any significant cyber security incidents, nor has any financial losses, operational impacts or response measures resulting from such incidents.



## VI. Employer-employee Relations:

(I) The Company's employee benefit measures, continuing education, training, retirement system, and actual state of implementation

### 1. Employee behavior and Code of Conduct

#### (1) Implementation of hierarchical responsibility

A. Authorization criteria and decision-making rights: Accelerates operation process and enhances hierarchical management to effectively regulate the job authority of each level.

B. Implements job authorization and proxy management to ensure smooth functioning of business operations.

C. Organization and job title management: Establishes a rational job title management system in line with organizational development to provide employees with appropriate career development paths.

#### (2) Establishment of Code of Conduct for Employees

Clearly define the rights and obligations of both labor and management to foster unity and collaboration among all employees for the advancement of the Company's business.

#### (3) Division of labor within departments

Based on departmental functions, clearly define the job responsibilities and organizational functions of each unit to ensure specialization and strengthen the company's core competencies.

#### (4) Clear rewards and penalties system

We clearly defined reward and penalty regulations to promptly recognize employees who have made special contributions and to prevent individual actions that may harm the Company.

#### (5) Implementation of employee performance management

Supervisors provide appropriate feedback and assistance to employees based on their job performance, and use it as a basis for planning their subordinates' future development.

#### (6) Prevention and handling measures for sexual harassment

To prevent sexual harassment and ensure gender equality in the workplace, regulations on sexual harassment prevention are established, and relevant provisions and complaint channels are posted on the Company's internal website to regulate employees' behavior in the workplace.

#### (7) Code of Ethics

To guide the behavior of the Company's directors, managers, and employees to conform to ethical standards and to enhance stakeholders' understanding of the company's ethical standards, a Code of Ethics is established for compliance.

### 2. Employee welfare:

To encourage morale, improve work efficiency, foster employee loyalty, and establish a stable working environment, the Company has implemented various welfare measures to address their needs. We aim to cultivate a sense of co-



prosperity between employees and the Company, and to create a harmonious employer-employee relationship. In addition to providing labor insurance and health insurance, we also provide the following welfare measures:

- ※ Bonuses: Year-end bonuses, performance bonuses
- ※ Self-improvement activities: The Employee Welfare Committee organizes periodic domestic and overseas travel, leisure activities, and cultural events.
- ※ Subscription of new shares issued for capital increase: We encourage employees to participate in cash capital increases, sharing in the benefits of growth, and fostering employee loyalty.
- ※ Allowances for weddings, funerals, and celebrations: The Employee Welfare Committee has established relevant guidelines to provide support and boost morale.
- ※ Education and training: Empowering employees to acquire new skills and enhance personal growth.
- ※ Insurance: Life insurance, accident insurance, and accidental medical coverage.

### 3. Employee Training and Development Implementation:

In response to the rapid change of technology in the industry and to ensure the competence and career development of employees meet company objective, the Company has made employee learning and development a key focus of our human resources management. Founded on core competencies, these talent training programs are aligned with the Company's operational strategies and professional skill training, and are also integrated with knowledge management systems. We have also established guidelines for education and training. Employees have the opportunity to proactively request or be assigned by their supervisors to participate in various education and training programs to enhance their skills and capabilities. The details are as follows:

- (1) New employee training: Encourage new employees to familiarize with the Company's development history, management rules, and concepts of safety and quality assurance.
- (2) On-the-job training and continuing education:
  - A. The Company organizes periodic education and training sessions based on the actual needs of employees.
  - B. Employees are encouraged to proactively propose or be periodically assigned by their supervisors to attend external training programs based on business needs.
- (3) In 2023, the Company's total hours of actual education and training was approximately 23,463 hours (including both internal and external training). The expenditure for education and training was approximately NT\$262 thousand.

Course number	Course session	Number of participants	Total hours	Total fees
General Education	66	5,969	10,836	NT\$262 thousands

course				
Technology course	23	35	358	
Product course	7	192	511	
New Employee training	203	2,315	2,645	
Certification	298	492	10,252	

#### 4. Employee Retirement System and Implementation Status:

- ❖ The Company has established a Supervisory Committees of Labor Retirement Reserve, and employee retirement is carried out according to the Company's Employee Retirement Policy.
- ❖ The Company deposits 2% of employees' monthly salaries into a dedicated account for Labor Retirement Reserve Account at the Bank of Taiwan. For those who choose the new pension scheme, the Company contributes 6% of monthly salaries to the Labor Insurance Bureau's dedicated retirement account.
- ❖ For other information related to employee retirement benefits, please refer to pages 152 and 160.

#### 5. Labor Safety and Health Policy:

The Company aims to provide a safe, healthy, and comfortable working environment by promoting health and safety management to instill proper awareness and maintaining physical and mental well-being among employees. The following measures are implemented:

- ❖ Compliance with environmental protection, safety, and health-related laws and regulations in addition to other requirements.
- ❖ Reducing potential hazards in the work environment.
- ❖ Enhancing health education and implementing health check-up to ensure effective health management.
- ❖ Encouraging energy conservation and reducing resource wastage.
- ❖ Implementing access control systems in major equipment rooms and office areas to ensure security of personnel and property.
- ❖ Implementing energy conservation and carbon reduction initiatives to address global warming.

#### 6. Employer-employee agreements and protection of employee rights and interests:

With the belief in a mutually beneficial relationship between employees and the management, the Company adheres to the Labor Standards Act and related regulations. We respect our employees and value their welfare and treatment. Through joint participation and effective communication between employees and the management, a harmonious employer-employee relationship has been formed.

- (II) For the recent year, and up to the publication date of the Annual Report, the Company has incurred losses due to labor disputes, and the current and future estimated amounts of such losses, corresponding measures are as follows:

##### 1. There has not been any losses caused by labor dispute since the Company's

establishment, mostly because the Company values employee welfare and maintains open communications with our employees. We maintain a harmonious employer-employee relationship. Therefore, we cannot reasonably estimate any potential future losses. However, the Company will continue to enhance communication and coordination between employees and management, and strive to improve welfare measures to promote a harmonious relationship within the Company, aiming to prevent any potential labor disputes.

2. As a system integrator, our employees do not have concerns about occupational injuries caused by the work environment. Additionally, the Company also provides group insurance coverage (life insurance, accident insurance, and accident medical insurance) for our employees. We also have filed for commercial fire insurance of workplace and equipment to ensure a safe work environment for employees.

## VII. Important Contracts:

Nature of contract	Contracting parties	Commencement and expiration date	Major contents	Restrictive clauses
Sales Contract	National Chung-Shan Institute of Science & Technology	2023/08/24-2027/12/31	18 smart police surveillance and 27 items including installation of mechanical and electrical equipment and pipeline layout	None
Maintenance Contract	Southern Region Branch Office, Freeway Bureau, MOTC	From the date Party A notifies the start of construction to September 30, 2024	Maintenance of traffic control facilities in the Southern Region Branch Office, Freeway Bureau, in 2022-2023	None
Maintenance Contract	Central Region Branch Office, Freeway Bureau, MOTC	February 1, 2023 - July 31, 2024	Maintenance of traffic control facilities in the Central Region Branch Office, Freeway Bureau	None
Sales Contract	Fifth District Maintenance Engineering of the Highway, MOTC	Construction will start within 5 days from the date of notification by the agency and be completed within 720 calendar days from the date of commencement of construction	The project of updating and upgrading the expressway traffic control system in the area under the jurisdiction of the Fifth District Maintenance Engineering Off	None
Warranty contract	Second District Maintenance Engineering of the Highway, MOTC	2023/06/14-2024/09/30(From the date of receipt of notice from Party A, construction should be completed before September 30, 2024)	Warranty The project of updating and upgrading the expressway traffic control system in the area under the jurisdiction of the Second District Maintenance Engineering Off	None

## Chapter 6. Financial Overview

### I. Condensed balance sheets and statements of comprehensive income for the most recent five fiscal years

#### (I) Condensed Consolidated Balance Sheet for the Most Recent Five Years - Based on IFRS

Unit: NT\$ thousand

<div>Year</div> <div>Item</div>		Financial information for the most recent five years (Note 1)				
		2023	2022	2021	2020	2019
Current assets		4,223,822	4,514,434	4,691,974	3,847,547	3,820,012
Property, plant and equipment		266,903	230,620	238,356	235,718	218,745
Intangible assets		41,811	23,142	20,607	12,120	7,546
Other assets		656,465	560,228	601,953	566,141	324,740
Total assets		5,189,001	5,328,424	5,552,890	4,661,526	4,371,043
Current liabilities	Before distribution	2,599,483	2,762,342	3,062,762	2,624,853	2,402,070
	After distribution (Note 2)	Note 3	2,804,160	3,102,870	2,624,853	2,451,223
Non-current liabilities		176,570	301,201	328,541	216,397	175,004
Total liabilities	Before distribution	2,776,053	3,063,543	3,391,303	2,841,250	2,577,074
	After distribution (Note 2)	Note 3	3,105,361	3,431,411	2,841,250	2,626,227
Equity attributable to owners of the parent		2,412,948	2,264,881	2,161,587	1,820,276	1,793,969
Share capital		1,410,502	1,337,776	1,336,934	1,228,817	1,228,817
Capital surplus		402,974	359,937	356,799	281,630	281,630
Retained earnings	Before distribution	541,877	515,572	410,493	238,826	290,131
	After distribution (Note 2)	Note 3	473,754	370,385	238,826	240,978
Other equity interest		70,842	64,843	117,158	130,801	(6,609)
Treasury stocks		(13,247)	(13,247)	(59,797)	(59,797)	0
Non-controlling interests		0	0	0	0	0
Equity Total amount	Before distribution	2,412,948	2,264,881	2,161,587	1,820,276	1,793,969
	After distribution (Note 2)	Note 3	2,223,063	2,121,479	1,820,276	1,744,816

Note 1: Financial data from 2019 through 2023 has been audited and certified by CPAs.

Financial data for 2024 Q1 has been reviewed by CPAs.

Note 2: The distribution of earnings from 2019 to 2022 was determined by resolutions passed during the Shareholders' Meetings.

Note 3: The distribution of retained earnings for 2023 has not yet been determined by resolution from the Shareholders' Meeting.

## (II) Individual Condensed Balance Sheet for the Most Recent Five Years - Based on IFRS

Unit: NT\$ thousand

<div> <div>Year</div> <div>Item</div> </div>		Financial information for the most recent five years (Note 1)				
		2023	2022	2021	2020	2019
Current assets		4,107,372	4,466,391	4,641,346	3,801,289	3,764,081
Property, plant and equipment		265,230	228,922	236,440	232,181	216,374
Intangible assets		40,573	23,038	20,570	12,049	7,498
Other assets		747,566	602,022	645,682	595,466	375,235
Total assets		5,160,741	5,320,373	5,544,038	4,640,985	4,363,188
Current liabilities	Before distribution	2,573,666	2,754,937	3,054,005	2,605,717	2,395,722
	After distribution (Note 2)	Note 3	2,796,755	3,094,113	2,605,717	2,444,875
Non-current liabilities		174,127	300,555	328,446	214,991	173,497
Total liabilities	Before distribution	2,747,793	3,055,492	3,382,451	2,820,708	2,569,219
	After distribution (Note 2)	Note 3	3,097,310	3,422,559	2,820,708	2,618,372
Equity attributable to owners of the parent		2,412,948	2,264,881	2,161,587	1,820,276	1,793,969
Share capital		1,410,502	1,337,776	1,336,934	1,228,817	1,228,817
Capital surplus		402,974	359,937	356,799	281,630	281,630
Retained earnings	Before distribution	541,877	515,572	410,493	238,826	290,131
	After distribution (Note 2)	Note 3	473,754	370,385	238,826	240,978
Other equity interest		70,842	64,843	117,158	130,801	(6,609)
Treasury stocks		(13,247)	(13,247)	(59,797)	(59,797)	0
Non-controlling interests		0	0	0	0	0
Equity Total amount	Before distribution	2,412,948	2,264,881	2,161,587	1,820,276	1,793,969
	After distribution (Note 2)	Note 3	2,223,063	2,121,479	1,820,276	1,744,816

Note 1: Financial data from 2019 through 2023 has been audited and certified by CPAs.

Note 2: The distribution of earnings from 2019 to 2022 was determined by resolutions passed during the Shareholders' Meetings.

Note 3: The distribution of retained earnings for 2023 has not yet been determined by resolution from the Shareholders' Meeting.

(III) Condensed Consolidated Statement of Comprehensive Income For the Past Five Years - Based on IFRS

Unit: NT\$ thousand (Except for earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)				
	2023	2022	2021	2020	2019
Net revenue	5,252,732	6,094,449	6,192,732	4,482,295	4,528,267
Gross profit	1,070,027	1,224,102	1,371,855	968,617	1,007,404
Operating income (loss)	13,688	117,540	210,937	(1,613)	117,719
Non-operating income and expenses	57,452	46,080	9,918	9,281	(3,042)
Net income before income tax	71,140	163,620	220,855	7,668	114,677
Net income from continuing operations	57,620	138,097	171,524	2,551	83,006
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	57,620	138,097	171,524	2,551	83,006
Other comprehensive income (Net income after tax)	16,503	(45,225)	(13,501)	132,707	(20,611)
Total comprehensive income (loss)	74,123	92,872	158,023	135,258	62,395
Net income attributable to owners of the parent company	57,620	138,097	171,524	2,551	83,006
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	74,123	92,872	158,023	135,258	62,395
Total comprehensive income attributable to owners of the non-controlling interests	0	0	0	0	0
Earnings per share	0.42	1.06	1.43	0.02	0.75

Note 1: Financial data from 2019 through 2023 has been audited and certified by CPAs.  
Financial data for 2024 Q1 has been reviewed by CPAs.

(I) Individual Condensed Statement of Comprehensive Income for the Past Five Years - Based on IFRS

Unit: NT\$ thousand (Except for earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)				
	2023	2022	2021	2020	2019
Net revenue	5,211,993	6,077,095	6,170,285	4,481,402	4,530,249
Gross profit	1,039,011	1,216,161	1,366,468	967,208	1,004,102
Gross profit, Net	12,511	132,304	228,725	20,349	134,396
Non-operating income and expenses	58,332	31,316	(7,870)	(12,680)	(19,719)
Net income before income tax	70,843	163,620	220,855	7,668	114,677
Net income from continuing operations	57,620	138,097	171,524	2,551	83,006
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	57,620	138,097	171,524	2,551	83,006
Other comprehensive income (Net income after tax)	16,503	(45,225)	(13,501)	132,707	(20,611)
Total comprehensive income (loss)	74,123	92,872	158,023	135,258	62,395
Net income attributable to owners of the parent company	57,620	138,097	171,524	2,551	83,006
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	74,123	92,872	158,023	135,258	62,395
Total comprehensive income attributable to owners of the non-controlling interests	0	0	0	0	0
Earnings per share	0.42	1.06	1.43	0.02	0.75

Note 1: Financial data from 2019 through 2023 has been audited and certified by CPAs.

(V) Names of auditing CPAs of the last five years and their audit opinions:

Year	CPAs	Audit Opinion
2019	Shu-Cheng Chang and Ke-Yi Liu	Unqualified opinion
2020	Ke-Yi Liu and Winner Hsu	Unqualified opinion
2021	Ke-Yi Liu and Winner Hsu	Unqualified opinion
2022	Shu-Cheng Chang and Winner Hsu	Unqualified opinion
2023	Shu-Cheng Chang and Winner Hsu	Unqualified opinion

## II. Financial Analysis for the Most Recent Five Years

### (I) Consolidated Financial Analysis - IFRS

<div> <div>Year (Note 1)</div> <div>Analysis item (Note 2)</div> </div>		Financial analysis for the most recent five years				
		2023	2022	2021	2020	2019
Financial structure (%)	Debt-to-asset ratio	53.50	57.49	61.07	60.95	58.96
	Long-term fund to property, plant and equipment ratio	970.21	1112.69	1044.71	864.03	900.12
Solvency (%)	Current ratio	162.49	163.43	153.19	146.58	159.03
	Quick ratio	113.40	111.99	84.85	82.62	108.16
	Interest protection multiples	675.75	1263.40	1599.25	156.61	1017.20
Operating ability	Receivable turnover (times)	3.12	3.54	4.74	3.16	2.76
	Average collection days	116.98	103.10	77	116	132.24
	Inventory turnover (times)	3.51	3.07	2.72	2.81	3.82
	Payables turnover (times)	3.75	5.29	5.47	3.75	4.08
	Average inventory turnover days	103.98	118.89	134.19	131	95.54
	Property, plant and equipment turnover (times)	21.12	25.99	26.13	19.73	20.80
	Total assets turnover (times)	1.00	1.12	1.21	0.99	1.14
Profitability	Return on assets (ROA) (%)	1.28	2.75	3.59	0.30	2.35
	Return on equity (ROE) (%)	2.46	6.24	8.62	0.14	5.04
	Pre-tax income to paid-in capital ratio (%) (Note 6)	5.04	12.23	16.52	0.62	9.33
	Net profit margin (%)	1.10	2.27	2.77	0.06	1.83
	Earnings per share (NT\$)	0.42	1.06	1.43	0.02	0.75
Cash flows	Cash flow ratio (%)	34.58	0.00	14.24	7.44	0.00
	Cash flow adequacy ratio (%)	86.67	37.75	34.34	(11.90)	50.66
	Cash reinvestment ratio (%)	31.65	0.00	16.87	6.93	0.00
Leverage	Degree of operating leverage	74.27	10.08	6.34	(580.89)	8.24
	Financial leverage	10.28	1.14	1.08	0.11	1.12



(II) Analysis of changes exceed 20% in financial ratios for the most recent two fiscal years

Increase (decreases) and reason Analysis item		Increase/ decrease (%)	Note
Financial structure (%)	Debt-to-asset ratio	(6.95)	
	Long-term fund to property, plant and equipment ratio	(12.80)	
Solvency (%)	Current ratio	(0.58)	
	Quick ratio	1.26	
	Interest protection multiples	(46.51)	Result from decrease in pre-tax income
Operating ability	Receivable turnover (times)	(11.86)	
	Average collection days	13.46	
	Inventory turnover (times)	14.45	
	Payables turnover (times)	(29.25)	Result from decrease in cost of goods sold
	Average inventory turnover days	(12.54)	
	Property, plant and equipment turnover (times)	(18.76)	
	Total assets turnover (times)	(10.83)	
Profitability	Return on assets (ROA) (%)	(53.24)	Result from decrease in net income after tax
	Return on equity (ROE) (%)	(60.52)	Result from decrease in net income after tax and the average shareholders' equity increased
	Pre-tax income to paid-in capital ratio (%)	(58.76)	Result from decrease in net income after tax and the average shareholders' equity increased
	Net profit margin (%)	(51.59)	Result from decrease in net income after tax and revenue.
	Earnings per share (NT\$)	(60.65)	Result from decrease in net income after tax.
Cash flows	Cash flow ratio (%)	30673.74	Result from increase in net cash inflow.
	Cash flow adequacy ratio (%)	129.60	Result from increase in net cash inflow and lower increases capital expenditures and inventory
	Cash reinvestment ratio (%)	100.00	Result from increase in net cash inflow
Leverage	Degree of operating leverage	636.62	Result from decrease in revenue and net operating income.
	Financial leverage	804.67	Result from decrease in net operating income.

(III) Individual Financial Analysis - IFRS

Year (Note 1)		Financial analysis for the most recent five years				
Analysis item (Note 2)		2023	2022	2021	2020	2019
Financial structure (%)	Debt-to-asset ratio	53.24	57.43	61.01	60.78	58.88
	Long-term fund to property, plant and equipment ratio	975.41	1120.66	1053.14	876.59	910.72
Solvency	Current ratio	159.59	162.12	151.98	145.88	157.12

(%)	Quick ratio	110.31	110.71	83.69	81.94	106.43
	Interest protection multiples	676.19	1264.72	1599.25	156.61	1017.20
Operating ability	Receivable turnover (times)	3.10	3.53	4.72	3.16	2.76
	Average collection days	117.74	103	77	116	132.08
	Inventory turnover (times)	3.53	3.07	2.72	2.81	3.84
	Payables turnover (times)	3.75	5.27	5.46	3.75	4.08
	Average inventory turnover days	103.34	118.84	134.35	129.98	95.16
	Property, plant and equipment turnover (times)	21.09	26.12	26.33	20.00	20.95
	Total assets turnover (times)	0.99	1.12	1.21	1.00	1.15
Profitability	Return on assets (ROA) (%)	1.29	2.75	3.60	0.30	2.36
	Return on equity (ROE) (%)	2.46	6.24	8.62	0.14	5.04
	Pre-tax income to paid-in capital ratio (%) (Note 6)	5.02	12.23	16.52	0.62	9.33
	Net profit margin (%)	1.11	2.27	2.78	0.06	1.83
	Earnings per share (NT\$)	0.41	1.06	1.43	0.02	0.75
Cash flows	Cash flow ratio (%)	34.34	0.61	14.96	8.11	0.00
	Cash flow adequacy ratio (%)	89.06	40.86	36.41	(7.84)	49.44
	Cash reinvestment ratio (%)	31.15	0.00	17.37	7.71	0.00
Leverage	Degree of operating leverage	79.58	8.90	5.82	45.89	7.20
	Financial leverage	57.92	1.12	1.07	2.99	1.10

## (IV) Analysis of changes exceed 20% in financial ratios for the most recent two fiscal years

Analysis item \ Increase (decreases) and reason		Increase/ decrease (%)	Note
Financial structure (%)	Debt-to-asset ratio	(7.29)	
	Long-term fund to property, plant and equipment ratio	(12.96)	
Solvency (%)	Current ratio	(1.56)	
	Quick ratio	(0.36)	
	Interest protection multiples	(46.53)	Result from decrease in cost of goods sold
Operating ability	Receivable turnover (times)	(12.30)	
	Average collection days	14.03	
	Inventory turnover (times)	14.99	
	Payables turnover (times)	(28.82)	Result from decrease in cost of goods sold
	Average inventory turnover days	(13.04)	
	Property, plant and equipment turnover (times)	(19.23)	
	Total assets turnover (times)	(11.10)	
Profitability	Return on assets (ROA) (%)	(53.18)	Result from decrease in net income after tax
	Return on equity (ROE) (%)	(60.52)	Result from decrease in net income after tax and the average shareholders' equity increased
	Pre-tax income to paid-in capital ratio (%)	(58.94)	Result from decrease in net income after tax and the average shareholders' equity increased
	Net profit margin (%)	(51.35)	Result from decrease in net income after tax and revenue.
	Earnings per share (NT\$)	(61.29)	Result from decrease in net income after tax.
Cash flows	Cash flow ratio (%)	5212.00	Result from increase in net cash inflow.
	Cash flow adequacy ratio (%)	117.66	Result from increase in net cash inflow and lower increases capital expenditures and inventory
	Cash reinvestment ratio (%)	(3823.83)	Result from increase in net cash inflow
Leverage	Degree of operating leverage	794.45	Result from decrease in revenue and net operating income.
	Financial leverage	5077.12	Result from decrease in net operating income.

Note 1: Financial data from 2019 through 2023 has been audited and certified by CPAs. Financial data for 2024 Q1 has been reviewed by CPAs.

Note 2: The calculation formula for the preceding analysis is stated below:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.

(3) Interest protection multiples = net income before income tax and interest expense / current interest expense.

3. Operating ability

- (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
- (2) Average collection period = 365 / receivables turnover.
- (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
- (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
- (7) Total assets turnover = net sales / total average assets.

#### 4. Profitability

- (1) Return on assets = [profit and loss after tax + interest expenses \* (1 - tax rate)] / total average assets.
- (2) Return on equity = net income/net average equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share (EPS) = (income belonging to owner of the parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 4)

#### 5. Cash flows

- (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

#### 6. Leverage:

- (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit (Note 6).
- (2) Financial leverage = operating profit/(operating profit - interest expense).

Note 3: Special attention should be paid to the following when calculating earnings per share (EPS) using the preceding formula:

1. The weighted average number of outstanding common shares shall be used as the basis, not the number of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods of these shares into account when calculating the weighted average number of outstanding shares.
3. If there is any capital increase by retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax, and no adjustment is required in case there is loss.

Note 4: Special attention should be paid to the following when calculating the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common shares and preferred shares.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 5: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 6: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

### III. Supervisor's Review Report of the Most Recent Annual Financial Report

#### HwaCom Systems Inc. Audit Committee Review Report

The Board of Directors has prepared and submitted the 2023 financial statements (including individual and consolidated financial statements), and has appointed BDO Taiwan to audit and certify the statements. The audit has been completed and an audit report has been issued. The aforementioned statements and reports submitted by the Board of Directors are in compliance and no discrepancies have been found. Therefore, in accordance with Article 219 of the Company Act, we have hereby issued the following report.

Please verify.

To

2024 General Shareholders' Meeting

Independent Director: Jason Lee

Independent Director: Li Ming-juinn

Independent Director: Chorng-Shyong Ong

Independent Director: Cllin Lin

March 7, 2024

- IV. Financial statements of the most recent year: Please refer to Page 176.
- V. Most recent individual financial statement audited and certified by CPA. Please refer to Page 246.
- VI. The impact of any instances of financial difficulties experienced by the Company and its affiliates on the financial position of the Company in the most recent year and up to the publication date of this Annual Report: None.

# Chapter 7 Discussion and analysis of the Company's financial status, financial performance, and risks

## I. Financial Status:

### (I) Analysis of assets, liabilities and equity in the last two years:

Unit: NT\$ thousand

Item \ Year	2023	2022	Difference		
			Amount	%	Note
Current assets	4,223,822	4,514,434	(290,612)	(6.44)	
Property, plant and equipment	266,903	230,620	(36,283)	(15.73)	
Financial assets in other comprehensive income measured at fair value through profit and loss - Non-current	140,798	133,295	(7,503)	(5.63)	
Other assets	557,478	450,075	107,403	23.86	1
Total assets	5,189,001	5,328,424	(139,423)	(2.62)	
Current liabilities	2,599,483	2,762,342	(162,859)	(5.90)	
Non-current liabilities	176,570	301,201	(124,631)	(41.38)	2
Total liabilities	2,776,053	3,063,543	(287,490)	(9.38)	
Share capital	1,410,502	1,337,776	72,726	5.44	
Capital surplus	402,974	359,937	43,037	11.96	
Retained earnings	541,877	515,572	26,305	5.10	
Other equity interest	70,842	64,843	5,999	9.25	
Treasury stocks	(13,247)	(13,247)	0	0	
Total shareholders' equity	2,412,948	2,264,881	148,067	6.54	
Explanation for significant changes exceeding 20% and amounting to NT\$10,000,000 or more is as follows:					
1. Other assets : Result from acquisition of intangible assets and increase in refundable deposits.					
2. Non-current liability : Result from Maturity of corporate bonds.					

(II) Major reasons for significant changes and future response plan: Not applicable.

## II. Financial Performance

- (I) Analysis of operating revenue, net profit, and pre-tax profit in the most recent two years:

Unit: NT\$1,000

Item \ Year	2023	2022	Difference		
	Amount	Amount	Amount	%	Note
Net revenue	5,252,732	6,094,449	(841,717)	(13.81)	
Costs of revenue	4,182,705	4,870,347	(687,642)	(14.12)	
Gross profit	1,070,027	1,224,102	(154,075)	(12.59)	
Operating expenses	1,056,339	1,106,562	(50,223)	(4.54)	
Operating income	13,688	117,540	(103,852)	(88.35)	1
Non-operating income and expenses	57,452	46,080	11,372	24.68	
Income before income tax	71,140	163,620	(92,480)	(56.52)	2
Net income (loss)	57,620	138,097	(80,477)	(58.28)	3
Other comprehensive income	16,503	(45,225)	61,728	136.49	
Total comprehensive income	74,123	92,872	(18,749)	(20.19)	4
For significant changes exceeding 20% and amounting to NT\$10,000 thousand or more, please provide an explanation:					
1. Net operating income : Result from decrease in revenue.					
2. Net income before income tax : Result from decrease in revenue.					
3.					

- (II) Expected sales volume and its basis, the possible impact on the company's future financial business and the response plan: Not applicable.



### III. Cash Flows

#### (I) Analysis on changes of the cash flow of the current year

Item \ Year	2023	2022	Increase (Decrease)	
			Amount	Percentage (%)
Operating activities	898,900	3,104	895,796	28859.41
Investing activities	(317,182)	(103,512)	(213,670)	(206.42)
Financing activities	(176,073)	(121,729)	(54,344)	(44.64)
Analysis on changes in the cash flow:				
(1) Operating activities : Result from increase in accounts receivable in 2022.				
(2) Investing activities : Result from increase in refundable deposits.				
(3) Financing activities : Result from employees purchased treasury shares in 2021				

#### (II) Remedy for cash deficit: Not applicable.

#### (III) Cash flow analysis for the coming year

Unit: NT\$1,000

Cash balance at the beginning of the period (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash outflow (3)	Expected cash surplus (deficit) (1)+(2)+(3)	Remedial measures for expected cash deficit	
				Investment plans	Financing plans
1,077,603	173,448	(51,237)	1,199,814	0	0
1. Analysis on changes in the cash flow:					
(1) Operating activities: Expected net cash inflow, due to estimated future sales orders being fulfilled and accepted on schedule, and the receivable being received within the designated timeframe without any bad debt issues, so that ensures sufficient funds to support vendor payments and daily operation.					
(2) Investing activities: Expected net cash outflow, primarily due to an increase in the amount of guarantee bond paid for project bids. Additionally, there is a slight increase in expenses for the acquisition of fixed assets and intangible assets to meet operational requirements.					
(3) Financing activities: Expected net cash outflow, due to cash dividend payments, share buybacks, and increased project loans and working capital to meet the future funding requirements of projects.					
2. Remedial Actions for Cash deficit and Liquidity Shortfall: Not applicable.					

#### IV. The effects that major capital expenditures have on the Company's financial operations in the recent year: None.

#### V. Investment policy in the past year and its profit/loss analysis, improvement plan, and investment plan for the coming year: None.

#### VI. Risk analysis and evaluation during the most recent fiscal year and as of the date of publication of this Annual Report:

##### (I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

##### 1. The effect of interest rate fluctuations on earnings and losses of the Company and response measures:

The Company primarily engages in system integration services in the fields of telecommunication, broadband network, media, enterprise users, and smart city control application. The business model revolves around project acquisition, with project sizes varying. However, to meet the demands of large-scale projects, the Company typically obtains project financing from financial institutions to support the funding needs during the construction period. The cost of project financing directly impacts the profits and losses of these projects. The Company implements stringent process controls for large-scale projects and strives to secure favorable financing terms from partner banks to lower the cost of funds. Regarding the short-term idle funds, the Company primarily invests in bonds or commercial papers, with the impact of interest rate fluctuations on the income statement being minimal.

2. The effect of exchange rate fluctuations on earnings and losses of the Company and response measures:

Some of the Company's cash inflows and outflows include transactions denoted in foreign currencies, which provide a natural hedging effect to some extent. The management of exchange rate risk is primarily aimed at hedging rather than profit generation. In 2017, the net gains from foreign currency exchange accounted for a very minimal proportion of net operating income, indicating minimal impact on revenue. To mitigate the impact of exchange rate fluctuations on profitability, the Company has implemented the following specific measures:

- (1) Regularly review the net positions of foreign currency assets and liabilities (primarily in USD and JPY) and manage the risks in those positions. The choice of hedging instruments is based on considerations of hedging costs and periods, and currently borrowing in foreign currencies is our primary method to hedge exchange rate risk. When the foreign currency liability position is exposed to exchange rate risk, the Company often converts foreign currency borrowings into NTD borrowings at favorable exchange rates. Overall, significant exchange rate risk is not expected to arise.
- (2) Continuously gather information on exchange rate fluctuations to have a thorough understanding of exchange rate trends, and to make timely decisions on foreign currency conversion or retention to manage the risks arising from exchange rate movements.
- (3) Based on market exchange rate trends, the Company conducts "hedging-oriented" foreign currency operations, taking into account the advice of banks, exchange rate differentials, and interest rate factors to reduce exchange risk.
- (4) Use mostly TWD as the pricing benchmark when making procurements.
- (5) Maintain close communications with banks to obtain preferential interest rates and monitor exchange rate fluctuations. When quoting for orders, the sales departments consider the potential impact of future exchange rate fluctuations and appropriately incorporate them into the pricing to ensure reasonable profit margins.

3. Impact of inflation on Company's profit and response measures:

According to the statistical data released by the Directorate-General of Budget, Accounting, and Statistics of the Executive Yuan, the annual growth rate of the Consumer Price Index (CPI) for the 2020 increased by 0.06%. Meanwhile, the annual growth rate of the Wholesale Price Index (WPI) declined by 5.10%. The decrease in the overall Wholesale Price Index was primarily attributed to the decline in prices of petroleum and natural gas, chemical materials and products, and pharmaceuticals. This situation does not currently have any inflationary impact on the Company. We will

continue to monitor the inflationary situation and maintain good interaction with suppliers and customers to prevent any adverse effects from inflation.

As the Company's revenue mainly comes from tender projects, we will develop high-value solutions to cope with inflation. Additionally, prior to bidding for each project, we will accurately assess the prices of our suppliers and appropriately adjust our bidding prices. We are also devising various cost reduction measures for other related management and sales expenses as part of our response.

(II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

1. In the most recent year, the Company has not engaged in high-risk, high-leverage investments, loaned funds to others, endorsed guarantees, nor engaged in derivative transactions. If such activities are to be undertaken in the future, they will be conducted in accordance with the "Regulations Governing Making of Endorsements/Guarantees" and the "Procedures for the Acquisition or Disposal of Assets", which have been approved through resolution by the Shareholders' Meeting.
2. To manage funds effectively and reduce financial risks, the Company has established "Regulations Governing Loaning of Funds", "Procedures for Endorsements and Guarantees," and "Procedures for the Acquisition or Disposal of Assets" in compliance with Article 36-1 of the Securities and Exchange Act, as amended according to regulatory requirements.

(III) Future R&D Plans and Expected R&D Investment

Over the next decade, ITS will focus on integration and service-oriented approach, while Telematics will bring intelligence to vehicle interiors and offer diverse services. By combining these areas through cloud technology, they form the foundation of the "Internet of Vehicles", which is a pioneer for IoT. To enhance the Company's capabilities and seize opportunities as a hybrid cloud and IoT service provider, we will continue investing in the development of smart monitoring systems and emphasize on integrated IoT service models. HwaCom will be as a provider of service integration.

Plan for the current year	Current progress	R&D expenditure	Estimated finish time	Future key factors for successful R&D
Energy storage application services	The equipment maintenance and dispatch system for energy storage O&M has been completed. The development of O&M field monitoring and AFC energy storage management is in progress.	15 million	2023 Q1	The security of AFC energy storage control

(IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures: None.

(V) Impact of recent technological and market changes on the Company's finance and business, and response measures: None.

(VI) Impact of corporate image change on risk management and response measures: None.

(VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: None.

(VIII) Expected benefits and possible risks of factory expansions as well as the response measures: None.

(IX) Risks associated with over-concentration in purchase or sale and response measures:

1. Purchases: The Company typically collaborates with original equipment suppliers for large-scale projects under contracts such as V2, SVG, and MSAN, which are carried out in partnership with Zyxel. For the X86 project, we work with Dell, while for GPON, with Nokia-ALU. Highways and Transportation Bureau projects are supplied by multiple vendors, ensuring a diversified risk profile without excessive concentration.
  2. Sales: In 2020, our top three customers each accounted for less than 50% of our total sales revenue. Each sales project is independent and subject to competitive bidding from multiple companies. The outcome of each bidding process is beyond our control. Therefore, there is no issue of excessive concentration. As of the publication date of the Annual Report, our receivables remain within the normal range.
- (X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: None.
- (XI) The effects that change in management has on the Company as well as risk and responding measures: None.

(XII) If the Company, the Company's director, supervisor, President, de facto responsible person, major shareholders possessing over 10 percent of outstanding shares, and the affiliations is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the publication date of the Annual Report, which could have a great impact on shareholders' equity or share prices, the factual argument, value of target object, starting date of the lawsuit, involved parties, and treatment at present should be revealed: None.

(XIII) Other significant risks and countermeasures:

1. Cyber security risk assessment and analysis:

The Company's cyber security strategy is committed to implementing information security management and regulatory compliance, while following international standards certification such as ISO 27001 and ISO 27701. This allows us to effectively protect the security of all financial and confidential data, thereby reducing the possibility of unauthorized or illegal use. By supplementing additional control requirements, we establish, implement, maintain, and continuously improve Privacy Information Management within the scope of the ISMS to mitigate the risks faced by privacy information.

To comprehensively enhance our cyber security defense capability, the Company has established a Cyber Security Committee in addition to adhering to information security development guidelines. We have also appointed cyber security personnel in each department. We conduct regular cyber security assessments and periodically announce cyber security awareness materials to ensure the effective implementation of cyber security management.

From 2023 and up to the date of publication the Annual Report, the Company has not identified any significant cyber security threats or incidents that could impact our business activities, nor legal cases or investigations related to cyber security.

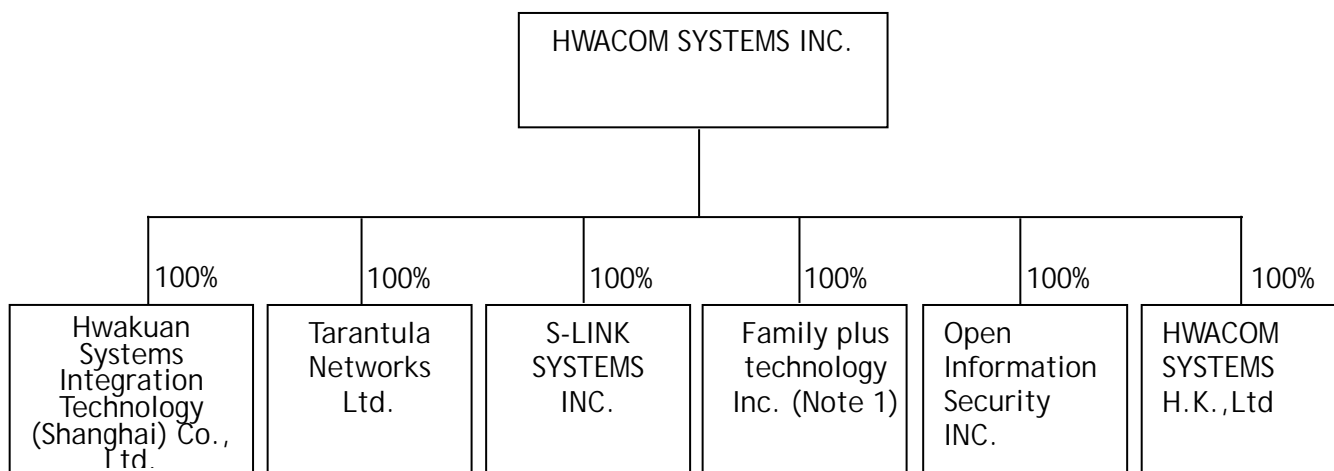
VII. Other Important Matters None.

## Chapter 8 Special Disclosures

### I. Information on Affiliates:

#### (I) Consolidated Affiliate Business Report:

##### 1. Organizational diagram of affiliates



##### 2. Basic information of affiliates

December 31, 2023 Unit: thousand shares/NT\$ thousand

Name of affiliate	Relationship with the Company	Shareholding by the Company			Shares held in Hwacom Systems Inc.
		Number of shares	Shareholding ratio (%)	Actual investment amount	
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Subsidiary of the Company		100%	15,713	-
TARANTULA NETWORKS LTD.	Subsidiary of the Company	2,000	100%	19,980	-
S-LINK SYSTEMS INC.	Subsidiary of the Company	4,500	100%	45,000	-
Family plus technology Inc.	Subsidiary of the Company	1,600	100%	16,000	-
Open Information Security INC.	Subsidiary of the Company	5,100	100%	51,000	-
HWACOM SYSTEMS H.K., Ltd	Subsidiary of the Company	100	100%	414	-

##### 3. Information of common shareholders who are presumed to have a relationship of control and subordination: None.

##### 4. The industries covered by the businesses operated by affiliates, and a description of the transactions and the division of work among such affiliates:

- (1) Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.: Mainly focuses on information processing/information provision industry.
- (2) Tarantula Networks Ltd.: Information software and communication industry, etc.
- (3) S-LINK SYSTEMS Inc.: Information software and communication industry, etc.
- (4) Family plus technology Inc.: Information software and service industry, etc.

5. Information on directors, supervisors and president of affiliates

December 31, 2023 Unit: shares

Name of enterprise	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio (%)
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Director	HwaCom Systems Inc. Representative: Gary Chen	-	100%
TARANTULA NETWORKS LTD.	Director	HwaCom Systems Inc. Representative: Gary Chen	2,000,000	100%
S-LINK SYSTEMS INC.	Director	HwaCom Systems Inc. Representative: Gary Chen	4,500,000	100%
Family plus technology Inc.	Director	HwaCom Systems Inc. Representative: Gary Chen	1,600,000	100%
Open Information Security INC.	Director	HwaCom Systems Inc. Representative: Gary Chen	5,100,000	100%
HWACOM SYSTEMS H.K., Ltd	Director	HwaCom Systems Inc. Representative: Gary Chen	100,000	100%

6. Business overview of affiliates

December 31, 2023 Unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net asset value	Operating revenue	Operating profit	Profit or loss for the current period (after tax)	Earnings per share (NT\$) (after tax)
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	15,713	7,739	119	7,620	0	-291	135	-
TARANTULA NETWORKS LTD.	20,000	10,670	30	10,640	0	-62	-13	-0.07
Family plus technology Inc.	16,000	17,003	987	16,016	18,772	7,826	7,910	4.94
S-LINK SYSTEMS INC.	45,000	30,992	14,689	16,303	25,318	-6,411	-6,292	-1.40
Open Information Security INC.	51,000	71,632	19,448	52,184	22,703	1,383	1,184	0.23
HWACOM SYSTEMS H.K., Ltd	414	264	0	264	0	-132	-133	-1.33

(II) Consolidated financial statement of affiliates: Please refer to Page 124.

(III) Affiliation Report

1. A summary of relationship between the subsidiary company and the controlling company:

December 31, 2023 Unit: NT\$ 1,000

Name of controlling company	Reason for control	Shares held by the controlling company and status of pledged shares			Controlling company's appointment of directors, supervisors or managerial officers	
		Number of shares held	Shareholding ratio (%)	Number of shares pledged	Title	Name
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	The Representative of corporate director is the Company's	-	100%	-	Director	HwaCom Systems Inc. Representative: Gary

Name of controlling company	Reason for control	Shares held by the controlling company and status of pledged shares			Controlling company's appointment of directors, supervisors or managerial officers	
		Number of shares held	Shareholding ratio (%)	Number of shares pledged	Title	Name
	Chairman and President.					Chen
TARANTULA NETWORKS LTD.	The Representative of corporate director is the Company's Chairman and President.	2,000,000	100%	-	Director	HwaCom Systems Inc. Representative: Gary Chen
Family plus technology Inc.	The Representative of corporate director is the Company's Chairman and President.	1,600,000	100%	-	Director	HwaCom Systems Inc. Representative: Gary Chen
S-LINK SYSTEMS INC.	The Representative of corporate director is the Company's Chairman and President.	4,500,000	100%	-	Director	HwaCom Systems Inc. Representative: Gary Chen
Open Information Security INC.	The Representative of corporate director is the Company's Chairman and President.	5,100,000	100%		Director	HwaCom Systems Inc. Representative: Gary Chen
HWACOM SYSTEMS H.K., Ltd	The Representative of corporate director is the Company's Chairman and President.	100,000	100%		Director	HwaCom Systems Inc. Representative: Gary Chen



## 2. Transaction status:

- (1) Procurement and sales transaction status: Regular trading terms apply, and there is no difference between general transaction terms and transaction terms with the controlling company.

December 31, 2023 Unit: NT\$ 1000; %

No. (Note 1)	Name of transactive counterparty	Counterparty	Relationship with counterparty (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	HwaCom Systems Inc.	S-LINK SYSTEMS Inc.	1	Accounts payable	\$2,995	The same as general trading	0.06%
0	HwaCom Systems Inc.	S-LINK SYSTEMS Inc.	1	Purchase	21,518	The same as general trading	0.41%
0	HwaCom Systems Inc.	S-LINK SYSTEMS Inc.	1	R&D	268	The same as general trading	0.01%
0	HwaCom Systems Inc.	Family plus technology Inc.	1	Accounts payable	650	The same as general trading	0.01%
0	HwaCom Systems Inc.	Family plus technology Inc.	1	Purchase	1,381	The same as general trading	0.03%
0	HwaCom Systems Inc.	Open Information Security INC.	1	Accounts receivable	1,155	The same as general trading	0.02%
0	HwaCom Systems Inc.	Open Information Security INC.	1	Accounts Payable	1,864	The same as general trading	0.04%
0	HwaCom Systems Inc.	Open Information Security INC.	1	Sale	1,100	The same as general trading	0.02%
0	HwaCom Systems Inc.	Open Information Security INC.	1	Purchase	1,775	The same as general trading	0.03%

Note 1: The transaction information between the Company and the consolidated subsidiaries should be indicated in "No." column, and the numbering should be made as follows:

1. The number 0 represents the parent company.
2. The consolidated subsidiaries are numbered in order from number 1.

Note 2: The relationship with the counterparty of transactions can be categorized into the following three types, indicate the type:

1. The parent company to the consolidated subsidiary.
2. The consolidated subsidiary to the parent company.
3. The consolidated subsidiary to another consolidated subsidiary.

Note 3: For the calculation on the ratio of transaction amount to consolidated total revenue or total assets, if it is a balance sheet item, calculate the ratio based on the year-end balance to the consolidated total assets; For an income statement item, calculate the ratio based on the cumulative amount for the period to the consolidated total revenue.

Note 4: Transactions have been written off during the preparation of the consolidated financial statements.

- (2) Property transaction status: None.
- (3) Financing status: None.
- (4) Property lease status: None.
- (5) Other significant transactions: None.
- (6) Endorsements and guarantees: None.

- II. Private placement of securities in the last year up to the date of this Annual Report: None.
- III. Holding or disposal of shares of the Company by its subsidiaries in the past year and up to the date of publication of this Annual Report: None.
- IV. Other Supplemental Information None.
- V. Corporate events with material impact on shareholders' equity or share prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of publication of this Annual Report: None.

## **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,

HWACOM SYSTEMS INC.

By

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CHEN, KUO-CHANG  
Chairman

March 7, 2024

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
HwaCom Systems Inc.

### **Opinion**

We have audited the accompanying financial statements of HwaCom Systems Inc. and subsidiaries (the “Company”), 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 a summary of significant accounting policies.

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing 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 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

### **Revenue recognition**

#### **Explanations**

Please refer to Note 4 to the consolidated financial statements for the accounting policies of revenue recognition; please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the financial statements, revenue recognition is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

#### **Inventory valuation**

##### Explanations

Please refer to Note 4 to the consolidated financial statements for the accounting policies of inventory valuation; please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.

3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

### **Other Matter**

We have also audited the parent company only financial statements of HwaCom Systems Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified 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 the 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 the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the 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 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 consolidated financial statements or, if such disclosures are inadequate, we are required 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 Su-Chen Chang and Winner Hsu.

BOD Taiwan  
Taipei, Taiwan  
Republic of China

March 7, 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.*



## HwaCom Systems Inc. and Subsidiaries

Consolidated Balance Sheets  
As of December 31, 2023 and 2022

							Expressed in thousands of New Taiwan Dollars						
Code	Assets	Note	December 31, 2023	%	December 31, 2022	%	Code	Liabilities and equity	Note	December 31, 2023	%	December 31, 2022	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$1,171,807	22.58	\$766,328	14.38	2100	Short-term borrowings	6.12	\$326,996	6.30	\$421,318	7.91
1110	Financial assets at fair value through profit or loss - current	6.7	8,175	0.16	5,019	0.09	2130	Contract liabilities - current	6.23	741,156	14.28	902,641	16.94
1136	Financial assets at amortized cost - current	6.2	110,040	2.12	-	-	2170	Accounts payables	6.13	1,152,612	22.21	1,080,582	20.28
1140	Contract assets - current	6.23	47,481	0.92	30,414	0.57	2200	Other payables	6.14	281,223	5.42	291,708	5.47
1150	Notes receivables, net		442	0.01	425	0.01	2230	Current income tax liabilities		17,260	0.33	18,547	0.35
1170	Accounts receivables, net	6.3	1,245,969	24.01	2,077,173	38.98	2250	Provisions - current	6.16	14,667	0.28	-	-
1200	Other receivables		25,506	0.49	1,022	0.02	2280	Lease liabilities - current	6.10	26,691	0.52	24,998	0.47
130X	Inventories	6.4	1,093,014	21.06	1,164,059	21.85	2300	Other current liabilities	6.15	38,878	0.76	22,548	0.42
1410	Prepayments	6.5	183,020	3.53	256,761	4.82	21XX	Subtotal		2,599,483	50.10	2,762,342	51.84
1470	Other current assets	6.6	338,368	6.52	213,233	4.00	25XX	Non-current liabilities					
11XX	Sub-total		4,223,822	81.40	4,514,434	84.72	2500	Financial liabilities at fair value through profit or loss – non-current	6.7	-	-	368	0.01
							2530	Bonds payables	6.17	-	-	115,450	2.17
							2540	Long-term borrowings	6.18	21,300	0.41	26,513	0.50
							2550	Provisions – non-current	6.16	12,283	0.24	12,283	0.23
							2570	Deferred tax liabilities	6.29	19,645	0.38	17,782	0.33
							2580	Lease liabilities – non-current	6.10	24,817	0.47	23,879	0.45
							2600	Other non-current liabilities		98,525	1.89	104,926	1.96
15XX	Non-current assets						25XX	Sub-total		176,570	3.39	301,201	5.65
	Financial assets at fair value through other comprehensive income – non-current	6.8	140,798	2.71	133,295	2.50	2XXX	Total liabilities		2,776,053	53.49	3,063,543	57.49
1517							31XX	Equity					
1600	Property, plant and equipment	6.9	266,903	5.14	230,620	4.33		Equity attributable to owners of the parent					
1755	Right-of-use assets	6.10	50,876	0.98	48,315	0.91	3100	Capital stock	6.20				
1780	Intangible assets		41,811	0.81	23,142	0.43	3110	Common stock		1,410,502	27.18	1,337,776	25.11
1840	Deferred tax assets	6.29	36,558	0.70	36,930	0.69	3200	Capital surplus	6.21	402,974	7.77	359,937	6.76
1900	Other non-current assets	6.11	428,233	8.26	341,688	6.42	3300	Retained earnings	6.22				
15XX	Sub-total		965,179	18.60	813,990	15.28	3310	Legal reserve		123,877	2.39	109,359	2.05
								Unappropriated earnings (accumulated deficit)		418,000	8.06	406,213	7.62
							3350			70,842	1.37	64,843	1.22
							3400	Other equity		(13,247)	(0.26)	(13,247)	(0.25)
							3500	Treasury stock	6.20				
								Total equity attributable to owners of the parent		2,412,948	46.51	2,264,881	42.51
							31XX			2,412,948	46.51	2,264,881	42.51
							3XXX	Total equity		2,412,948	46.51	2,264,881	42.51
1XXX	Total assets		\$5,189,001	100.00	\$5,328,424	100.00	3X2X	Total liabilities and equity		\$5,189,001	100.00	\$5,328,424	100.00

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

HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands  
of New Taiwan Dollars

Code	Item	Note	2023	%	2022	%
4000	Net revenue	6.22	\$5,252,732	100.00	\$6,094,449	100.00
5000	Costs of revenue	6.4	(4,182,705)	(79.63)	(4,870,347)	(79.91)
5900	Gross profit		1,070,027	20.37	1,224,102	20.09
5950	Gross profit, Net		1,070,027	20.37	1,224,102	20.09
6000	Operating expenses	6.26				
6100	Selling expenses		(784,684)	(14.94)	(852,280)	(13.98)
6200	Administrative expenses		(227,242)	(4.33)	(195,324)	(3.20)
6300	Research and development expenses		(53,284)	(1.01)	(58,958)	(0.98)
6450	Expected credit (losses) reversal		8,871	0.17	-	-
6000	Sub-total		(1,056,339)	(20.11)	(1,106,562)	(18.16)
6900	Net operating income (loss)		13,688	0.26	117,540	1.93
7000	Non-operating income and expenses					
7100	Interest income		9,782	0.19	2,922	0.05
7010	Other income	6.24	74,523	1.42	57,042	0.94
7020	Other gains and losses	6.25	(14,497)	(0.28)	180	-
7050	Financial costs	6.28	(12,356)	(0.24)	(14,064)	(0.24)
7000	Total non-operating income and expenses		57,452	1.09	46,080	0.75
7900	Net income (loss) before income tax		71,140	1.35	163,620	2.68
7950	Income tax benefits (expenses)	6.29	(13,520)	(0.25)	(25,523)	(0.41)
8000	Net income (loss) from continuing operations		\$57,620	1.10	\$138,097	2.27
8200	Net income (loss)		\$57,620	1.10	\$138,097	2.27
8300	Other comprehensive income					
8310	Items not to be reclassified into profit or loss					
8311	Remeasurements of defined benefit plans		\$4,755	0.09	\$8,863	0.15
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		14,624	0.28	(68,178)	(1.12)
8349	Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		(2,710)	(0.05)	13,969	0.23
8360	Items that may be subsequently reclassified into profit or loss					
8361	Exchange differences on translation of foreign financial statements		(166)	(0.01)	121	-
8300	Other comprehensive income, net of tax		\$16,503	0.31	\$(45,225)	(0.74)
8500	Total comprehensive income		\$74,123	1.41	\$92,872	1.53
8600	Profit (loss) attributable to :					
8610	Owner of the parent		57,620	1.10	138,097	2.27
	Total		57,620	1.10	138,097	2.27
8700	Total comprehensive income attributable to :					
8710	Owner of the parent		74,123	1.41	92,872	1.53
	Total		\$74,123	1.41	\$92,872	1.53
	Earnings per share (NT\$) :	6.30				
9750	Basic earnings per share (NT\$)		\$0.42		\$1.06	
9850	Diluted earnings per share (NT\$)		\$0.41		\$1.01	

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

HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Summary	Equity attributable to owners of the parent									
	Capital stock	Capital surplus	Retained earnings		Other equity		Treasury stock	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income				
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587	\$0	\$2,161,587
Appropriation and distribution of 2021 earnings										
Appropriate of legal reserve	-	-	17,167	(17,167)	-	-	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(40,108)	-	-	-	(40,108)	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	(60)	-	(60)
Profit of 2022	-	-	-	138,097	-	-	-	138,097	-	138,097
Other comprehensive income	-	-	-	7,090	122	(52,437)	-	(45,225)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	1,414	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	46,550	49,176	-	49,176
Balance at January 1, 2023	\$1,337,776	\$359,937	\$109,359	\$406,213	\$(680)	\$65,523	\$(13,247)	\$2,264,881	\$0	\$2,264,881
Appropriation and distribution of 2022 earnings										
Appropriate of legal reserve	-	-	14,519	(14,519)	-	-	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(41,818)	-	-	-	(41,818)	-	(41,818)
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	(5,058)	-	(5,058)
Profit of 2023	-	-	-	57,620	-	-	-	57,620	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	-	16,503	-	16,503
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	120,821	-	120,821
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	-	-	-	-
Rounding to thousands	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance at December 31, 2023	<u>\$1,410,502</u>	<u>\$402,974</u>	<u>\$123,877</u>	<u>\$418,000</u>	<u>\$(846)</u>	<u>\$71,688</u>	<u>\$(13,247)</u>	<u>\$2,412,948</u>	<u>\$0</u>	<u>\$2,412,948</u>

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

HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

Item	Expressed in thousands of New Taiwan Dollars	
	2023	2022
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$71,140	\$163,620
Consolidated total profit (loss)	71,140	163,620
Adjustments:		
Items of income and expenses		
Depreciation expenses	80,369	72,139
Amortization expenses	24,687	20,545
Expected credit losses (reversal)	(8,870)	-
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	(3,634)	1,035
Interest expenses	12,356	14,065
Interest income	(9,782)	(2,922)
Dividends	(1,283)	(830)
Share-based payments	-	6,551
Losses (gains) from disposal and scrap of property, plant and equipment	(215)	(219)
Losses (gains) from disposal of investments	-	-
Losses (gains) on lease improvements	-	(23)
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(17,066)	2,055
Decrease (increase) in notes receivables	(17)	300
Decrease (increase) in accounts receivables	840,074	(756,000)
Decrease (increase) in other receivables	(24,078)	14,324
Decrease (increase) in inventories	71,045	704,215
Decrease (increase) in prepaid expenses	(728)	2,420
Decrease (increase) in prepayments	74,469	(20,513)
Decrease (increase) in other current assets	(125,135)	22,236
Increase (decrease) in contract liabilities	(161,485)	(508,973)
Increase (decrease) in accounts payables	72,030	314,396
Increase (decrease) in other payables	(10,489)	8,451
Increase (decrease) in provisions	14,667	(2,536)
Increase (decrease) in advance receipts	17,405	-
Increase (decrease) in other current liabilities	(1,114)	4,728
Increase (decrease) in net defined benefit liabilities	707	286
Interests received	9,388	2,786
Dividends received	1,283	830
Interest paid	(11,528)	(11,504)
Income taxes returned (paid)	(15,296)	(48,358)
Net cash inflow (outflow) provided by operating activities	898,900	3,104
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Disposal of financial assets at fair value through other comprehensive income	7,121	-
Acquisition of financial assets at amortized cost	(110,040)	-
Acquisition of property, plant and equipment	(86,205)	(50,045)
Disposal of property, plant and equipment	1,844	1,915
Increase in refundable deposits	(616,287)	(415,201)
Decrease in refundable deposits	519,095	410,819
Acquisition of intangible assets	(43,377)	(23,083)
Disposal of intangible assets	21	3
Increase in prepayments for equipment	(92,756)	(37,069)
Decrease in prepayments for equipment	103,402	15,149
Net cash inflow (outflow) provided by investing activities	(317,182)	(103,512)
Cash flows from financing activities		
Increase in short-term borrowings	968,637	1,545,876
Decrease in short-term borrowings	(1,062,959)	(1,633,593)
Increase in short-term notes payables	-	100,000
Decrease in short-term notes payables	-	(100,000)
Repayment of corporate bonds	(400)	-
Repayments of long-term borrowings	(5,175)	(5,161)
Increase in guaranteed deposits received	1,295	1,532
Decrease in guaranteed deposits received	(3,648)	(3,061)
Repayments of lease principal	(32,005)	(29,839)
Decrease in other non-current liabilities	-	-
Distribution of cash dividends	(41,818)	(40,108)
Treasury shares purchased by employees	-	42,625
Net cash inflow (outflow) provided by financing activities	(176,073)	(121,729)
Effect of movements in exchange on cash and cash equivalents	(166)	122
Net increase (decrease) in cash and cash equivalents	405,479	(222,015)
Cash and cash equivalents at the beginning of period	766,328	988,343
Cash and cash equivalents at the end of period	\$1,171,807	\$766,328

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

HwaCom Systems Inc. and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

**1. GENERAL**

HwaCom Systems Inc. (the “Company”) and subsidiaries (the Company and subsidiaries included in the consolidated financial statements are hereinafter the “Company and subsidiaries”) were established in May, 1994 in accordance with the Company Act. of the R.O.C. The Company and subsidiaries are primarily engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city business, and enterprise customers, etc.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The consolidated financial statements of the Company and subsidiaries were authorized for issue by the Board of Directors on March 7, 2024.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- (1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission (FSC) (collectively, “IFRSs”) which have been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2023:

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities	January 1, 2023

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
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arising from a Single Transaction”

Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	May 23, 2023
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The Company and subsidiaries assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

- (2) The IFRSs issued by IASB and endorsed by the FSC which have not yet been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2024:

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
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Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
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Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
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Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
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Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
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The Company and subsidiaries assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

- (3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The following summarizes the IFRSs issued by IASB but not yet endorsed by the FSC:

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
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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
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IFRS 17 “Insurance Contracts”	January 1, 2023
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New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The Company and subsidiaries assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary accounting policies adopted by the consolidated financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

##### (1) Statement of Compliance

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

##### (2) Basis of Preparation

- 1) The accompanying consolidated financial statements have been prepared on the historical cost basis except for the significant items as follows :
  - (a) Financial assets and liabilities at fair value through profit or loss
  - (b) Financial assets and liabilities at fair value through other comprehensive income
  - (c) Defined benefit liabilities, which is recognized by pension plan assets net of present value of defined benefit obligation
- 2) Preparing the consolidated financial statements in accordance with IFRSs endorsed by the FSC takes some significant accounting estimates. And in the process of applying the Company and subsidiaries’ accounting policies involves the managements’ judgments. Please refer to Note 5 for the items involving high judgment or complexity or items involving significant assumptions and estimates in the consolidated financial statements.

### (3) Basis of Consolidation

#### 1) Basis of preparation of consolidated financial statements

- (a) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Company and subsidiaries. The Company and subsidiaries control an entity when the Company and subsidiaries are exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company and subsidiaries obtain control of the subsidiaries and ceases when the Company and subsidiaries lose control of the subsidiaries.
- (b) All intra-group balances, transactions, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.
- (c) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, which are transactions with owners in their capacity as owners. The differences between the adjustment amount of non-controlling interests and the fair value of consideration paid or received are recognized in equity.

#### 2) Subsidiaries included in the consolidated financial statements are as follows :

Name of investor	Name of subsidiary	Main business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
The Company	TARANTULA NETWORKS LTD.	Information software and communication engineering industry, etc.	100%	100%	-
The Company	FAMILY PLUS TECHNOLOGY INC.	Information software and service industry, etc.	100%	100%	-
The Company	S-LINK SYSTEMS INC.	Information software and communication engineering industry, etc.	100%	100%	-



Name of investor	Name of subsidiary	Main business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
The Company	HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Data processing, information supply service industry	100%	100%	-
The Company	OPEN INFORMATION SECURITY INC.	Information software and communication engineering industry, etc.	100%	100%	Note 1
The Company	HWACOM SYSTEMS (H.K.) LTD.	Information software and service industry, etc.	100%	100%	Note 2

Note 1 : OPEN INFORMATION SECURITY INC. was established in May, 2023, and the Company's total investment was NT\$51,000 thousand with a 100% shareholding.

Note 2 : HWACOM SYSTEMS (H.K.) LTD. was established in October, 2023, and the Company's total investment was NT\$414 thousand with a 100% shareholding.

- 3) Subsidiaries excluded from the consolidated financial statements : None.
- 4) Adjustments and treatments for subsidiaries with different balance sheet dates : None.
- 5) Significant restrictions : None.
- 6) Subsidiaries that have material non-controlling interests : None.

#### (4) Foreign Currency Transactions

The items included in the entities of the Company and subsidiaries' financial statements are measured by the currency used in the primary economic environment where the entities operate (functional currency). The operation performances and financial positions of consolidated entities are translated into New Taiwan Dollar (the functional currency of the Company and the presentation currency of the consolidated financial statements).

Transactions in currencies other than the entity's functional currency (foreign currencies) are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. At the end of each reporting period, foreign currency monetary items shall be

translated using the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and shall not be translated again. The exchange differences shall be recognized in profit or loss.

When preparing the consolidated financial statements, assets and liabilities of foreign operations for each balance sheet shall be translated at the closing rate at the balance sheet date, income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period, and all resulting exchange differences shall be recognized in other comprehensive income, and accumulated under exchange differences on translation of foreign financial statements of equity (and attributed to the non-controlling interests as appropriate).

The balances of non-monetary assets and liabilities denominated in foreign currencies which are measured at fair value through profit or loss shall be adjusted based on the closing rate at the end of each reporting period. The exchange differences arising from the adjustment shall be recognized in profit or loss. The balances of non-monetary assets and liabilities denominated in foreign currencies which are measured at fair value through other comprehensive income shall be adjusted based on the closing rate at the end of each reporting period. The exchange differences arising from the adjustment shall be recognized in other comprehensive income. The balances of non-monetary assets and liabilities denominated in foreign currencies which are not measured at fair value shall be measured by the historical rate at the date of the transaction.

#### **(5) Classification of Current and Non-current Assets and Liabilities**

1) An asset is classified as current under one of the conditions below :

- (a) The Company and subsidiaries expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company and subsidiaries holds the asset primarily for the purpose of trading;
- (c) The Company and subsidiaries expects to realize the asset within twelve months after reporting period;
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

For those assets that are not current are classified as non-current.

2) A liability is classified as current under one of the conditions below :

- (a) The Company and subsidiaries expects to settle the liability in normal operating cycle;
- (b) The Company and subsidiaries holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period;
- (d) The Company and subsidiaries does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

For those liabilities that are not current are classified as non-current.

#### **(6) Cash and Cash Equivalents**

Cash equivalents are highly liquid short-term time investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits meet the aforementioned definition, and the Company and subsidiaries hold them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

#### **(7) Financial Assets at Amortized Cost**

1) A financial asset is measured at amortized cost under all of the conditions below:

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

2) A regular way purchases or sales of financial assets at amortized cost are recognized and derecognized at a trade date basis.

3) The Company and subsidiaries hold the time deposits which are not classified as cash equivalents, with a short maturity period are measured at initial investment amount as the discounting would not have a significant impact.

#### **(8) Financial Assets at Fair Value Through Profit or Loss**

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. A regular way purchases or sales of financial assets at fair value through profit or loss are recognized at fair value at initial recognition

using trade date accounting. The relevant transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are subsequently measured at fair value, and the gains or losses are recognized in profit or loss. Dividends are recognized as dividend revenue when the Company and subsidiaries' right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.

**(9) Financial Assets at Fair Value Through Other Comprehensive Income**

- 1) At initial recognition, the Company and subsidiaries may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading; or an investment in debt instruments is measured at fair value through other comprehensive income if both of the following conditions are met :
  - (a) The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
  - (b) The asset's contractual cash flow characteristics : the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
- 2) A regular way purchases or sales of financial assets at fair value through other comprehensive income are recognized at fair value at initial recognition using trade date accounting.
- 3) Financial assets at fair value through other comprehensive income shall be measured at fair value plus transaction costs at initial recognition, and subsequently measure at fair value :
  - (a) Subsequent changes of fair value of equity instruments shall be recognized in other comprehensive income. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss, instead, directly to retained earnings. Dividends are recognized as dividend revenue when the Company and subsidiaries' right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.
  - (b) Subsequent changes of fair value of debt instruments shall be recognized in other comprehensive income. Any resulting impairment losses, interest revenue and gains or losses on foreign exchange differences before derecognition shall be recognized in profit or loss. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss from equity.

#### **(10) Impairment of Financial Assets**

At each reporting date, the Company and subsidiaries shall assess the impairment loss of investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost (accounts receivables and contract assets with significant financial components) by considering all reasonable and supportable information (including foreseeing information). If the credit risk on the financial assets has not increased significantly since initial recognition, the Company and subsidiaries shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Company and subsidiaries shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses. The loss allowance for accounts receivables or contract assets without significant financial components shall be measured at an amount equal to lifetime expected credit losses.

#### **(11) Accounts and Notes Receivables**

- 1) A receivable is the Company and subsidiaries' right to consideration for transferring goods or rendering services that is unconditional based on the agreement in the contracts.
- 2) For short-term accounts and notes receivables without bearing interests, as the effect of discounting is insignificant, they are measured at original invoice amount.

#### **(12) Inventories**

Inventories are recognized at cost at initial recognition, measured by perpetual inventory system, and the calculation of cost is by weighted-average cost. Inventories are valued at the lower of cost and net realizable value item by item, except inventories under the same categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Inventories which are defected, damaged or obsolete and whose value is apparently decrease, shall be measured at net realizable value.

#### **(13) Property, Plant and Equipment**

Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.

Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only

if it's probable that future economic benefits associated with the item are expected to flow to the Company and subsidiaries, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.

Land shall not be depreciated. Other property, plant and equipment shall be depreciated over estimated useful life by straight-line method under cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The residual value, useful life and depreciation method of an item of property, plant, and equipment shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, or there are significant changes in the pattern in which the asset's future economic benefits are expected to be consumed, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The useful lives of buildings and structures are 8~50 years, and the useful lives of other fixed assets are 1~8 years.

#### **(14) Intangible Assets**

Intangible assets include computer software and others, which are recognized by acquisition costs initially, and amortized by straight-line method over estimated useful lives of 1~10 years.

#### **(15) Lease Transactions of Lessee — Right-of-Use Assets and Lease Liabilities**

- 1) A right-of-use asset and a lease liability shall be recognized at the day that the lease assets can be used by the Company and subsidiaries, unless the lease contract is a short-term lease or the underlying assets of the lease is of low value. The Company and subsidiaries shall recognize the lease payments associated with a short-term lease or the underlying asset of the lease is of low value as an expense on a straight-line basis.
- 2) At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments that are not paid shall be recognized at the present value discounted by the Company and subsidiaries' incremental borrowing rate:
  - (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
  - (b) variable lease payments that depend on an index or a rate;
  - (c) amounts expected to be payable by the lessee under residual value guarantees;
  - (d) the exercise price of a purchase option if the Company and subsidiaries are reasonably certain

- to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company and subsidiaries shall measure the lease liabilities on the basis of amortized cost, and recognize interest expenses during the lease term. If changes in lease term or lease payments which are not resulting from modification of contracts, lease liabilities shall be remeasured, and right-of-use assets shall be adjusted accordingly.

- 3) At the commencement date, the Company and subsidiaries shall measure the right-of-use asset at cost, which shall comprise:
- (a) the amount of the initial measurement of the lease liability;
  - (b) any lease payments made at or before the commencement date, less any lease incentives received; and
  - (c) any initial direct costs incurred by the lessee.

The Company and subsidiaries shall measure the right-of-use assets by cost model and depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When lease liabilities are remeasured, right-of-use assets shall be adjusted accordingly.

#### **(16) Impairment of Non-Financial Assets**

The Company and subsidiaries shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Company and subsidiaries is required to estimate the recoverable amount. If the recoverable amount of an asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the asset's fair value less selling costs and its value in use. The Company and subsidiaries conduct the test by the cash-generating unit to which the individual asset or assets belongs. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the losses recognized in prior years.

#### **(17) Loans**

- 1) Loans comprise long-term and short-term bank loans. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit

or loss over the period of the loans using the effective interest method.

- 2) Fees paid to obtain a loan limit, when it is highly probable that a portion or all of the limit will be used, are recognized as transaction costs of the loan. These costs are deferred and recognized as an adjustment to the effective interest rate upon disbursement. If it is unlikely that a portion or all of the limit will be used, the fees are recognized as a prepaid expense and amortized over the relevant period of the limit.

#### **(18) Corporate Bonds Payables**

The convertible corporate bonds payable issued by the Company and subsidiaries are embedded with conversion rights, put options and call options. The issue price of convertible corporate bonds payable shall be classified as financial liabilities or equity based on the issue conditions at initial issuance, which shall be treated as follows :

- (a) Embedded conversion rights, put options and call option shall be initially measured at net fair value and recognized as “financial liabilities at fair value through profit or loss,” and subsequently measured at fair value at each balance sheet date, and the differences shall be recognized as “gains or losses on financial assets (liabilities) at fair value through profit or loss”.
- (b) The corporate bonds shall be initially measured at the residual value of issue price less the aforementioned “financial assets (liabilities) at fair value through profit or loss,” and the difference between the amount and the redemption value shall be recognized as the discount or premium of the bonds payables, which shall be amortized in profit or loss as an adjustment to the “financial costs” over the period of bond outstanding using the effective interest method.
- (c) Any transaction costs directly attributable to the issuance of the convertible corporate bonds are allocated to the liability components in proportion to the allocation of initial carrying amount.
- (d) When bondholders exercise conversion rights, the liability component (including “bonds payables” and “financial assets or liabilities at fair value through profit or loss”) shall be remeasured based on the classification. The carrying value of the aforementioned liability components is the issue costs of ordinary shares transferred.

#### **(19) Provisions**

A provision is a present legal or constructive obligation or arising from past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.



The amount of provisions is determined by expected future cash flows discounted by current pre-tax interest rate. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization by discounting the provision shall be recognized as interest expenses.

**Onerous contracts :** When the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it, onerous contract provisions shall be recognized. The provision is measured at the lower of the present value of the expected costs to exit the contracts and the expected net costs to fulfill the contracts. Before recognizing onerous contract provisions, the Company and subsidiaries shall recognize any impairment losses that has occurred on assets relevant to the contracts.

## **(20) Employee Benefits**

### **1) Short-term employee benefits**

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

### **2) Pensions**

#### **(a) Defined contribution plans**

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

#### **(b) Defined benefit plans**

I. Net obligation under a defined benefit plan is accrued from the present value of future benefit that employees have earned in return for their services in the current or prior periods. The Company and subsidiaries shall recognize the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds with consistent denominated currency and duration.

II. Remeasurements arising from defined benefit plans shall be recognized in other comprehensive income in the period in which they arise and shall be recorded in retained earnings.

III. Expenses related to past service costs shall be recognized in profit or loss immediately.

### 3) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company and subsidiaries shall recognize the expense for termination benefits at the earlier of the dates when the Company and subsidiaries can no longer withdraw the offer of those benefits and when the Company and subsidiaries recognizes costs for a restructuring. If the termination benefits are not expected to be settled wholly before twelve months after the balance sheet date, the Company and subsidiaries shall discount the termination benefits.

### 4) Employees', directors' and supervisors' remuneration

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

## **(21) Income Tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable.

Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Company and subsidiaries shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Company and subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets shall be recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered and deferred tax assets unrecognized and recognized shall be reassessed at each reporting date.

The Company and subsidiaries shall offset current tax assets and current tax liabilities, only if the Company and subsidiaries have a legally enforceable right to set off the recognized amount, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities related to the same taxable entity and the same taxation authority, or the deferred income tax assets and liabilities related to different taxable entities, but each entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Tax preferences arising from expenditures invested in procurement of equipment, research and development, and equity shall adopt income tax deduction accounting, and shall be recognized as deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

## **(22) Treasury Shares**

The Company and subsidiaries shall measure treasury shares from recovering issued shares at cost. The costs of treasury shares shall deduct the equity in the balance sheets, and the price differences of treasury shares transactions shall be recognized under equity. When cancelling treasury shares, the Company and subsidiaries shall credit “treasury shares” and debit in proportion of percentage of ownership “share capital” and “capital surplus-additional paid-in capital”.

## **(23) Revenue Recognition**

- 1) The revenue from contracts with customers is primarily arising from the services of integration of electric information system, traffic control system and the planning and building of safety monitoring system. Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. The Company and subsidiaries recognize revenue based on the agreed prices of contracts or orders and takes into consideration of sales returns and allowances. The cumulative revenue shall be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.
- 2) When control of goods and services has transferred to customers, but the Company and subsidiaries

do not have the unconditional right to receive the consideration, contract assets and revenue shall be recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company and subsidiaries have received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

#### **(24) Financial Income and Financial Costs**

Financial income including interest income arising from investments in financial assets, dividends, reversal gains on financial assets impairment losses, gains on disposal of financial assets at fair value and gains on hedge instruments that shall be recognized in profit or loss. Interest income shall be recognized in profit or loss under accrual basis by effective interest rate method. Dividends shall be recognized at the date when the consolidated company has the right to receive the dividends. For securities with quoted prices, the dividends shall be recognized at ex-dividend date. Interest income and dividends shall be recognized as “other income” under non-operating income and expenses; other items shall be recognized with relevant losses by the net amount as “other gains and losses” under non-operating income and expenses.

Financial costs include interest expenses arising from borrowings, interest expenses recognized for discounted provisions as the time goes by, net losses on financial assets (liabilities) at fair value through profit or loss, impairment losses recognized for financial assets, losses on disposal of financial assets at fair value, and losses on hedge instruments that shall be recognized in profit or loss. Financial costs, except for interest expenses, shall be recognized with relevant gains by the net amount as “other gains and losses” under non-operating income and expenses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset shall be recognized in profit or loss by effective interest rate method.

Foreign exchange gains and losses shall be recognized by net amount as “other gains and losses” under non-operating income and expenses.

#### **(25) Earnings Per Share**

Basic earnings per share are calculated by net income divided by the weighted-average outstanding number of shares; Calculation of diluted earnings per share shall take into consideration the effect of dilutive potential ordinary shares transferring into ordinary shares. Potential ordinary shares with antidilutive effect shall not be included in the calculation.

## **(26) Operating Segments**

The segment information is reported by the same way as the internal management report provided to the main chief operating decision maker. The operations results of operating segment are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

## **5. MAJOR SOURCES OF UNCERTAINTY ARISING FROM SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

When preparing the Company and subsidiaries' consolidated financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheet date. However, these estimates and assumptions could differ from the actual result; thus, they could be assessed and adjusted by considering historical experiences and other factors. The uncertainty of significant accounting judgments, estimates and assumptions is as follows :

### **(1) Revenue Recognition**

Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. Returns and allowances are estimated based on historical experiences and other known factors, and recognized as the deduction to sales revenue at the period of the sales. And the Company and subsidiaries review the rationality of the estimates on a regular basis.

### **(2) Valuation of Inventories**

As inventories shall be measured at the lower of the cost and net realizable value, the Company and subsidiaries shall determine the net realizable value of inventories at the end of the reporting period by utilizing judgment and estimates. As the technology changes swiftly, the Company and subsidiaries evaluate the amounts of inventories that are consumed normally, obsolete, or without market selling value, and write off the costs of inventories to the net realizable value. As valuation of inventories is estimated based on the demand for the products during a specific period in the future, significant changes may occur.

## **6. EXPLANATION OF SIGNIFICANT ACCOUNTS**

### **(1) Cash and Cash Equivalents**

	December 31, 2023	December 31, 2022
Cash on hand and revolving fund	\$586	\$558
Checking deposits and demand deposits	1,140,536	660,765
Time deposits	30,685	105,005
Total	\$1,171,807	\$766,328

As the correspondent banks are credible and the Company and subsidiaries have several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.

**(2) Financial Assets at Amortized Cost**

	December 31, 2023	December 31, 2022
Time deposits with maturity over three months	\$110,040	\$-

The Company and subsidiaries' financial assets at amortized cost are not pledged as collateral to any party.

**(3) Accounts Receivables**

	December 31, 2023	December 31, 2022
Accounts receivables	\$1,248,062	\$2,075,018
Installment accounts receivables	3,610	2,382
Unrealized interest revenue- installment accounts receivable	(70)	(72)
Lease payments receivables	7,067	21,739
Unearned finance income from financial lease	(198)	(517)
Less : loss allowances	(12,502)	(21,377)
Total	\$1,245,969	\$2,077,173

1) The aging analysis of the accounts receivables of the Company and subsidiaries is as follows:

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91-180 days	Overdue for over 181 days	Total
December 31, 2023						
Expected credit loss rate	0%	10%	16.8%	0%	98.7%	
Total carrying amount	\$1,240,812	\$4,413	\$1,237	\$-	\$12,009	\$1,258,471
Loss allowances	-	(441)	(207)	-	(11,854)	(12,502)

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91- 180 days	Overdue for over 181 days	Total
Amortized cost	<u>\$1,240,812</u>	<u>\$3,972</u>	<u>\$1,030</u>	<u>\$-</u>	<u>\$155</u>	<u>\$1,245,969</u>
	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91- 180 days	Overdue for over 181 days	Total
December 31, 2022						
Expected credit loss rate	0%	10%	14.9%	0%	100%	
Total carrying amount	\$1,965,513	\$2,506	\$128,609	\$-	\$1,922	\$2,098,550
Loss allowances	-	(251)	(19,204)	-	(1,922)	(21,377)
Amortized cost	<u>\$1,965,513</u>	<u>\$2,255</u>	<u>\$109,405</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,077,173</u>

2) The changes in loss allowances for accounts receivables of the Company and subsidiaries are as follows:

	2023	2022
Beginning balance	\$21,377	\$21,373
Expected credit loss (gain)	(8,871)	-
Cumulative translation adjustment	(4)	4
Ending balance	<u>\$12,502</u>	<u>\$21,377</u>

3) The max exposure to credit risk of the accounts receivables is the carrying amount of the accounts receivables.

4) The Company and subsidiaries do not hold any collateral.

#### (4) Inventories

	December 31, 2023	December 31, 2022
Merchandise inventories	\$1,153,621	\$1,229,287
Allowances for inventory valuation and obsolescence losses	(60,607)	(65,228)
Total	<u>\$1,093,014</u>	<u>\$1,164,059</u>

Costs of goods sold relevant to inventories are as follows:

	2023	2022
Costs of goods sold	\$4,187,326	\$4,889,088
Losses on scrap of inventories	-	22,571

Inventory valuation losses (reversal gains)	(4,621)	(41,312)
Total	\$4,182,705	\$4,870,347

As the reversal gains of inventory valuation losses are primarily from scraps and sales of inventories with allowances for inventory valuation, the net realizable value of inventories increased.

**(5) Prepayments**

	December 31, 2023	December 31, 2022
Prepayments	\$168,559	\$242,790
Others	14,461	13,971
Total	\$183,020	\$256,761

**(6) Other Current Assets**

	December 31, 2023	December 31, 2022
Restricted assets (pledged time deposits, reserve deposits)	\$335,673	\$212,151
Temporary payments	2,312	836
Payment on behalf of others	383	246
Total	\$338,368	\$213,233

**(7) Financial Assets and Liabilities at Fair Value Through Profit or Loss**

1) Financial assets:

Item	December 31, 2023	December 31, 2022
Current items:		
Stocks of listed companies	\$8,175	\$5,019

2) Financial liabilities:

Item	December 31, 2023	December 31, 2022
Non-current items:		
Derivative instruments-Redemption and put options of convertible corporate bonds	\$-	\$368

**(8) Financial Assets at Fair Value Through Other Comprehensive Income**

Item	December 31, 2023	December 31, 2022
Non-current items:		



Equity instruments		
Stocks of unlisted companies	\$49,570	\$49,990
Valuation adjustments	91,228	83,305
Total	<u>\$140,798</u>	<u>\$133,295</u>

As the Company and subsidiaries invested in the stocks for mid to long-term strategic purposes, and expects to earn profits by long-term investments, those investments were designated as measured at fair value through other comprehensive income.

**(9) Property, Plant and Equipment**

	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2023					
Costs	\$111,724	\$82,815	\$50,590	\$87,707	\$332,836
Accumulated depreciation and impairment	-	(30,767)	(23,103)	(48,346)	(102,216)
	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$27,487</u>	<u>\$39,361</u>	<u>\$230,620</u>
<u>2023</u>					
January 1	\$111,724	\$52,048	\$27,487	\$39,361	\$230,620
Additions	-	-	18,218	67,987	86,205
Disposals and scraps	-	-	(1,629)	-	(1,629)
Depreciation expenses	-	(2,372)	(17,990)	(27,932)	(48,294)
Rounding to thousands	-	-	1	-	1
December 31	<u>\$111,724</u>	<u>\$49,676</u>	<u>\$26,087</u>	<u>\$79,416</u>	<u>\$266,903</u>
December 31, 2023					
Costs	\$111,724	\$82,815	\$58,203	\$132,437	\$385,179
Accumulated depreciation and impairment	-	(33,139)	(32,116)	(53,021)	(118,276)
	<u>\$111,724</u>	<u>\$49,676</u>	<u>\$26,087</u>	<u>\$79,416</u>	<u>\$266,903</u>
	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2022					

Costs	\$111,724	\$93,413	\$41,683	\$86,146	\$332,966
Accumulated depreciation and impairment	-	(38,889)	(19,223)	(36,498)	(94,610)
	<u>\$111,724</u>	<u>\$54,524</u>	<u>\$22,460</u>	<u>\$49,648</u>	<u>\$238,356</u>

#### 2022

January 1	\$111,724	\$54,524	\$22,460	\$49,648	\$238,356
Additions	-	-	21,628	28,417	50,045
Disposals and scraps	-	-	(1,696)	-	(1,696)
Reclassification	-	-	-	(13,858)	(13,858)
Depreciation expenses	-	(2,476)	(14,905)	(24,846)	(42,227)
December 31	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$27,487</u>	<u>\$39,361</u>	<u>\$230,620</u>

#### December 31, 2022

Costs	\$111,724	\$82,815	\$50,590	\$87,707	\$332,836
Accumulated depreciation and impairment	-	(30,767)	(23,103)	(48,346)	(102,216)
	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$27,487</u>	<u>\$39,361</u>	<u>\$230,620</u>

- 1) As of December 31, 2023 and 2022, the property, plant and equipment held by the Company and subsidiaries are not impaired.
- 2) Please refer to Note 8 “pledged assets” for the information on property, plant and equipment pledge as collaterals.

#### **(10) Lease Transactions — Lessee**

- 1) The underlying assets of the lease transactions that the Company and subsidiaries involve include buildings and structure, transportation equipment and miscellaneous equipment. The durations of lease terms are usually 2 to 5 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Except for that the lease assets shall not be used as collaterals, there's no other restriction imposed to the lease assets.
- 2) The information on the carrying amount of right-of-use assets and depreciation expenses recognized is as follows:
  - (a) Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Buildings	\$25,538	\$26,761
Transportation equipment	24,530	20,324
Miscellaneous equipment	808	1,230
Total	\$50,876	\$48,315

(b) Depreciation expenses of right-of-use assets

	2023	2022
Buildings	\$17,062	\$16,096
Transportation equipment	14,591	13,394
Miscellaneous equipment	422	422
Total	\$32,075	\$29,912

3) The additions to right-of-use assets for the years ended December 31, 2023 and 2022 amounted to NT\$34,646 thousand and NT\$35,328 thousand, respectively.

4) The lease liabilities are as follows:

	December 31, 2023		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	\$27,417	\$(726)	26,691
Non-current	25,153	(336)	24,817
Total	\$52,570	\$(1,062)	\$51,508

	December 31, 2022		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	\$25,682	\$(684)	24,998
Non-current	24,317	(438)	23,879
Total	\$49,999	\$(1,122)	\$48,877

The total cash outflows for lease for the years ended December 31, 2023 and 2022 amounted to NT\$(32,996) thousand and NT\$(30,852) thousand, respectively.

**(11) Other Non-Current Assets**

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$11,454	\$22,102
Refundable deposits	416,779	319,586
Total	\$428,233	\$341,688

**(12) Short-Term Borrowings**

Nature of borrowings	December 31, 2023	December 31, 2022
Procurement loans	\$145,814	\$323,683
Other bank loans	181,182	97,635
Total	\$326,996	\$421,318
Interest rate interval	2.05 % ~ 2.53%	1.02 % ~ 2.39%

The Company and subsidiaries provided part of the assets as collaterals for aforementioned short-term borrowings. Please refer to Note 8 “pledged assets” for detailed explanation.

**(13) Accounts Payables**

	December 31, 2023	December 31, 2022
Accounts payables	\$1,036,143	\$1,036,466
Estimated accounts payables	116,469	44,116
Total	\$1,152,612	\$1,080,582

**(14) Other Payables**

	December 31, 2023	December 31, 2022
Wages and salaries payables	\$194,849	\$185,843
Employees’ remuneration payables	9,445	23,323
Sales tax payables	27,954	39,385
Other accrued expenses payables	48,975	43,157
Total	\$281,223	\$291,708

**(15) Other Current Liabilities**

	December 31, 2023	December 31, 2022
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Advance receipts	\$17,405	\$-
Current portion of long-term loan	5,226	5,188
Others	16,247	17,360
Total	\$38,878	\$22,548

**(16) Provisions**

	December 31, 2023	December 31, 2022
Current:		
Short-term liabilities from onerous contracts	\$14,667	\$-
Non-current:		
Long-term liabilities to be determined by legal procedures	\$12,283	\$12,283

**(17) Corporate Bonds Payables**

- 1) The outstanding convertible corporate bonds issued by the Company and subsidiaries are as follows:

	December 31, 2023	December 31, 2022
Total amount of convertible corporate bonds issued	\$300,000	\$300,000
Less : discount on corporate bonds payables	-	(3,350)
Less : accumulated conversion amount	(299,600)	(181,200)
Less : accumulated redemption amount	(400)	-
Total	\$-	\$115,450

- 2) The Company issued the fourth domestic unsecured convertible corporate bonds in 2021 for the future operating requirements and repayment of bank loans. The issuance was approved by the letter with No. Financial-Supervisory-Securities-Corporate-1100339335 from the FSC on April 23, 2021. The issuance terms are as follows:

Total amount issued	NT\$300,000 thousand
Issue date	May 25, 2021
Coupon rate	0%
Issue period	May 25, 2021~May 25, 2024
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEx for the cancellation in accordance with Article 17, the Company shall repay in cash one lump sum by the denomination of bonds when the convertible bonds mature.
Terms of redemption	<p>1. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may redeem the outstanding bonds by the denomination of the bonds.</p> <p>2. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may redeem the outstanding bonds by the denomination of the bonds.</p>
Terms of demanding pay back by bondholders	40 days before the two-year period after the issuance of the convertible bond, the bondholder may demand the Company to pay back the denomination of bonds plus interest refunds by cash. After two years, it's 100.50% of the denomination of the bonds.
Conversion period	From the day following the three-month period after the issuance of the convertible bonds to the maturity date, the bondholder may request the Company's stock agency for conversion of ordinary shares at any time based on the conversion terms, except during the period in which transfer is suspended by laws.

Conversion price	<p>The conversion price at issuance is NT\$16.63.</p> <p>Effective from September 18, 2022, the conversion price adjusted from NT\$16.63 to NT\$16.30.</p> <p>Effective from September 16, 2023, the conversion price adjusted from NT\$16.30 to NT\$16.04.</p>
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As of December 31, 2023, the Company's domestic unsecured convertible bonds had been redeemed amounting to NT\$400 thousand and converted into common stock amounting to NT\$299,600 thousand, and no bonds were outstanding.

#### (18) Long-Term Borrowings

Creditor	Loan period and repayment	December 31, 2023	December 31, 2022
Taiwan Cooperative Bank	The contract period is from June 11, 2013 to June 11, 2028. The loan shall be repaid by installments. Interest rate for the loan is 2.050%.	\$12,409	\$15,018
Bank of Taiwan	The contract period is from June 12, 2014 to June 12, 2029. The loan shall be repaid by installments. Interest rate for the loan is 2.03%.	14,117	16,683
Less : current portion of long-term borrowings		(5,226)	(5,188)
		<u>\$21,300</u>	<u>\$26,513</u>

The Company and subsidiaries provided part of the assets as collaterals for aforementioned long-term borrowings. Please refer to Note 8 "pledged assets" for detailed explanation.

#### (19) Pension

- 1)(a) The Company and subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. For employees

who are eligible for retirement, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (included) and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company and subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company and subsidiaries assess the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company and subsidiaries are required to fund the deficit in one appropriation before the end of next March.

(b) Amounts recognized in balance sheets are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$(138,747)	\$(140,156)
Fair value of the plan assets	51,466	48,826
Net defined benefit assets	\$(87,281)	\$(91,330)

(c) Changes in present value of the defined benefit obligations are as follows:

	2023	2022
Present value of the defined benefit obligations as of January 1	\$(140,156)	\$(146,108)
Current service costs	(1,160)	(1,215)
Interest costs of defined benefit obligations	(1,588)	(1,011)
Benefits paid	-	2,842
Actuarial gains (losses) from experience adjustments	4,660	(905)
Actuarial gains (losses) from changes in demographic assumptions	(7)	(1)
Actuarial gains (losses) from changes in financial assumptions	(496)	6,242
Present value of the defined benefit obligations	\$(138,747)	\$(140,156)



as of December 31

(d) Changes in fair value of plan assets are as follows:

	2023	2022
Fair value of plan assets as of January 1	\$48,826	\$46,203
Expected interest income of plan assets	456	318
Return (losses) on plan assets	598	3,527
Funding by the employer	1,586	1,620
Benefits of plan assets paid	-	(2,842)
Fair value of plan assets as of December 31	\$51,466	\$48,826

(e) Total amounts of expenses recognized in statements of comprehensive income:

	2023	2022
Current service costs	\$1,160	\$1,215
Interest costs of defined benefit obligations	1,588	1,011
Interest revenue of plan assets	(456)	(318)
Current pension costs	\$2,292	\$1,908

The aforementioned expenses are recognized in statements of comprehensive income as various costs and expenses as follows:

	2023	2022
Selling expenses	\$1,525	\$1,272
Administrative expenses	665	555
Research and development expenses	102	81
Total	\$2,292	\$1,908

(f) Actuarial gains (losses) recognized in other comprehensive income are as follows:

	2023	2022
Recognized in the current period	\$4,755	\$8,863
Cumulative amount	\$(29,772)	\$(34,527)

(g) The employee pension fund of defined benefit plan is deposited under a trust administered by the Bank of Taiwan. Bank of Taiwan follows the proportion and amount of operation items designated in the utilization plan of the fund, according to the items designated in Act. 6 of

Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which are deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, etc.), to operate the commission. The related utilization guarantees the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits. For the composition of fair value of the fund assets as of December 31, 2023 and 2022, please refer to the utilization report of labor retirement fund of each year publicly announced by the government.

The expected rate of return of the entire plan asset is estimated by the forecast to the return of the entire period of the obligations based on the trend of historical returns, and referring to the utilizations of the pension fund supervised by the Bureau of Labor Funds, and the estimates take into consideration the effect that the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits.

(h) Actuarial assumptions related to pension are summarized as follows:

	2023	2022
Discount rate	1.20%	1.25%
Rate of expected future salary increase	3.00%	3.00%

The mortality assumption is based on the sixth and fifth life insurance mortality table of Taiwan's life insurance industry.

The effects of the present value of defined benefit obligation due to the changes in main actuarial assumptions:

	Discount rate		Rate of expected future salary increase	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
Effects to the present value of defined benefit obligation	\$(2,450)	\$2,524	\$2,474	\$(2,414)
December 31, 2022				
Effects to the present value of defined benefit obligation	\$(2,695)	\$2,782	\$2,728	\$(2,656)

The sensitivity analyses above have been determined based a method that extrapolates the effects on the net defined obligation as a result of a single change in key assumptions. Practically, the changes of assumptions may be correlated. The method that the sensitivity analyses adopted is the same as what the calculation of net pension liabilities in the balance sheets do.

The method and assumptions used for the sensitivity analyses in the current period are the same as the prior period.

- (i) The historical information of experience adjustments is as follows:

	2023	2022
Present value of defined benefit obligations	\$(138,747)	\$(140,156)
Fair value of plan assets	51,466	48,826
Surplus (deficit) in the plan	\$(87,281)	\$(91,330)
Experience adjustments of plan liabilities	\$(4,157)	\$(5,336)
Experience adjustments of plan assets	\$598	\$3,527

- (j) The Company and subsidiaries expect to make pension fund contribution of NT\$1,588 thousand in 2024.

2)(a) Since July 1, 2005, based on Labor Pension Act., the Company and subsidiaries have defined contribution plan covering regular employees with R.O.C. nationality, and make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee.

- (b) The pension costs recognized based on the aforementioned pension plan for the years ended December 31, 2023 and 2022 amounted to NT\$40,447 thousand and NT\$36,938 thousand, respectively.

- (c) As for subsidiaries in China, based on the pension system regulated by the local government, the subsidiaries shall contribute a certain percentage of the salaries or wages of employees as pension. The only obligation of the subsidiaries is to make yearly contribution.

## (20) Share Capital

December 31, 2023	December 31, 2022
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Authorized capital stock	\$2,000,000	\$2,000,000
Ordinary shares	\$1,337,776	\$1,336,934
Conversion of corporate bonds	72,726	842
Issued shares	\$1,410,502	\$1,337,776

- 1) The outstanding numbers of ordinary shares in the beginning and in the end of the period are reconciled as follows:

	(Unit : thousands of shares)	
	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	3,377
Ordinary shares from conversion of corporate bonds payables	7,273	84
December 31	140,090	132,817

- 2) The cash capital increase by private placement was approved by the shareholders meeting on June 28, 2019, and the board of directors resolved that the base date of the private placement is on August 5, 2019, and the number of shares for the private placement is 19,400 thousand of shares with subscription price of NT\$13.7 per share. The total amount raised was NT\$265,780 thousand. The retroactive handling of public issuance procedures of the private placement of ordinary shares have been approved by Taipei Exchange on November 10, 2022.

### 3) Treasury shares

- (a) The changes in treasury shares are as follows: (Unit : thousands of shares)

Reason of the reacquisition	For the year ended December 31, 2023			
	January	Additions	Reductions	December 31
Transfer the shares to employees	961	-	-	961

Reason of the reacquisition	For the year ended December 31, 2022			
	January	Additions	Reductions	December 31
Transfer the shares to employees	4,338	-	3,377	961

- (b) The reacquisition of 4,338 thousand of treasury shares amounting to NT\$59,797 thousand has

been resolved by the board of directors on March 23, 2020. The board of directors has resolved to transfer 3,377 thousand of treasury shares to employees with the consideration amounting to NT\$42,625 thousand at November 7, 2022, and recognized the costs for share-based payments of NT\$6,551 thousand. As of December 31, 2023, the balance of treasury shares amounted to NT\$13,247 thousand, 961 thousand of shares.

- (c) According to the Securities and Exchange Act, the treasury shares held by the Company shall not be pledged. Before transfer, the shareholder's rights, such as dividend distribution, voting, shall not be enjoyed.

## **(21) Capital Surplus**

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares or by cash. Based on the regulations of the Securities and Futures Bureau, where a company intends to capitalize the capital surplus, the total amount per year shall not exceed 10 percent of paid-in capital. An amount transferred to capital surplus may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital surplus.

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$390,487	\$342,405
Treasury shares transactions	8,460	8,447
Employee stock options	4,027	4,027
Warrants of corporate bonds	-	5,058
Total	\$402,974	\$359,937

## **(22) Retained Earnings**

### **1) Legal reserve**

The legal reserve shall not be used except for making good the deficit of the company. Where a company incurs no loss, legal reserve may be distributed by issuing new shares or by cash, for the portion in excess of 25% of the paid-in capital.

### **2) Special reserve**

- (a) When distributing distributable earnings, the Company shall set aside special reserve for the net

debit elements of other equity according to regulations. If any of the net debit elements under other equity is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.

- (b) The amounts previously set aside by the Company as special reserve at first-time adoption of IFRSs in accordance with the approval letter with reference number Financial-Supervisory-Securities-Corporate-1010012865 issued on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed, or reclassified subsequently. Such amounts are reversed upon disposal or reclassification if the assets are investment property of land, and reversed over the used period if the assets are investment property other than land.

### 3) Earnings distribution

- (a) According to the Article 20 of the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.

If there is any net profit after closing of a fiscal year, the Company shall first pay income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over; and then set aside a special reserve in accordance with regulations. If there is still remaining balance, the Company may retain part of the profits if necessary and set aside the balance as shareholders' dividends.

As the industry that the Company operates in is in the growth period, in considering the demand of future funding and shareholders' requirements of cash inflows, if there is any net profit after closing of a fiscal year, the ratio of cash dividend shall be lower than 10% of total distribution, and the others shall be paid by stock dividends.

- (b) The information about the distribution of earnings of 2022 and 2021 resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.
- (c) Please refer to Note 6.27 for the information on employees', directors', and supervisors' remuneration.

## **(23) Net Revenue**

### 1) Revenue from contracts with customers

	2023	2022
Sales revenue, net	\$3,922,208	\$5,033,669
Maintenance revenue	851,250	658,452
Construction revenue	373,814	271,052
Service revenue	88,168	101,194
Other operating revenue	17,292	30,082
Total	\$5,252,732	\$6,094,449

2) Information on revenue from contracts with customers is as follows :

(a) Classification of revenue

Time point of revenue recognition :

	2023	2022
At a point of time	\$3,945,269	\$5,058,381
Recognize over time	1,307,463	1,036,068
Total	\$5,252,732	\$6,094,449

(b) Balances of contracts

	December 31, 2023	December 31, 2022
Contract assets	\$47,481	\$30,414
Contract liabilities	\$741,156	\$902,641

As of December 31, 2023 and 2022, the beginning balances of contract liabilities recognized as revenue in the years ended December 31, 2023 and 2022 amounted to NT\$798,795 thousand and NT\$1,090,818 thousand, respectively.

When control of goods and services has transferred to customers, but the Company and subsidiaries do not have the unconditional right to receive the consideration, contract assets shall be recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company and subsidiaries have received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

**(24) Other Income**

	2023	2022
Income from government grants	\$66,887	\$36,707
Miscellaneous Income	7,636	20,335
Total	<u>\$74,523</u>	<u>\$57,042</u>

**(25) Other Gains and Losses**

	2023	2022
Gains (losses) on disposal and scrap of property, plant and equipment	\$215	\$219
Net foreign exchange gains (losses)	5,600	21,007
Gains (losses) on valuation of financial liabilities at fair value through profit or loss	3,634	(1,035)
Miscellaneous disbursements	(23,946)	(20,011)
Total	<u>\$(14,497)</u>	<u>\$180</u>

**(26) Additional Information on The Nature of Expenses**

	2023	2022
Employee benefits expenses	\$1,051,031	\$970,039
Depreciation, amortization, and impairment expenses	105,056	92,684
Travelling and insurance expenses	32,872	11,543
Other expenses	55,509	32,296
Total	<u>\$1,244,468</u>	<u>\$1,106,562</u>

**(27) Employee Benefits Expenses**

	2023	2022
Payroll expenses	\$902,194	\$840,928
Labor and health insurance expenses	74,741	66,100



	2023	2022
Pension expenses	42,740	38,846
Directors' remuneration	2,315	1,742
Other employment expenses	29,041	22,423
Total	<u>\$1,051,031</u>	<u>\$970,039</u>

- (a) According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.
- (b) For the years ended December 31, 2023 and 2022, the employees' remuneration accrued amounted to NT\$9,224 thousand and NT\$22,261 thousand, respectively; the directors' and supervisors' remuneration accrued amounted to NT\$769 thousand and NT\$1,855 thousand, respectively. The aforementioned amounts are recognized as payroll expenses. There was no difference between the amounts of employees' remuneration and directors' remunerations for 2022 approved by the Company's board of directors and the amounts recognized in the financial statements. Employees' remuneration is paid by cash.
- (c) The information about the employees', directors' and supervisors' remuneration approved by the board of directors and resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.

**(28) Financial Costs**

	2023	2022
Interest expenses :		
Bank loans	\$10,542	\$10,697
Lease liabilities	991	1,012
Corporate bonds	823	2,355
	<u>\$12,356</u>	<u>\$14,064</u>

## (29) Income Tax

### 1) Income tax expenses comprise

	2023	2022
Current income tax :		
Current income tax charge	\$18,518	\$16,100
Additional tax on undistributed earnings	240	2,578
Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Total current income tax	\$13,995	\$16,795
Deferred income tax :		
Origination and reversal of temporary differences	(475)	8,728
Income tax expenses (benefits)	\$13,520	\$25,523

### 2) Relationship between income tax expenses and accounting profits

	2023	2022
Tax payables calculated by profit (loss) before tax multiplying the enacted tax rates	\$14,466	\$32,724
Tax effect of items that shall not be included in calculating income tax	4,052	(16,624)
Additional tax on undistributed earnings	240	2,578
Tax effect of temporary difference	(475)	8,728
Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Income tax expenses (benefits)	\$13,520	\$25,523

### 3) The amounts of deferred tax assets or liabilities arising from temporary differences, loss

carryforwards, and investment tax credits are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences :				
-Deferred tax assets				
Recognition of inventory valuation losses	\$12,552	\$2,007	\$-	\$14,559
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,448	141	-	4,589
Recognition of net pension costs and actuarial gains and losses	13,791	-	(951)	12,840
Recognition of loss carryforwards	2,105	-	-	2,105
Others	1,578	(1,569)	-	9
Total	<u>\$36,930</u>	<u>\$579</u>	<u>\$(951)</u>	<u>\$36,558</u>
-Deferred tax liabilities				
Unrealized gains (losses) on valuation of financial liabilities at fair value through other comprehensive income	\$ (17,782)	\$-	\$(1,759)	\$ (19,541)
Others	-	(104)	-	(104)
Total	<u>\$(17,782)</u>	<u>\$(104)</u>	<u>\$(1,759)</u>	<u>\$(19,645)</u>
2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences :				
-Deferred tax assets				
Recognition of inventory	\$20,309	\$(7,757)	\$-	\$12,552

valuation losses				
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,390	58	-	4,448
Recognition of net pension costs and actuarial gains and losses	15,563	-	(1,772)	13,791
Recognition of loss carryforwards	2,105	-	-	2,105
Others	2,608	(1,030)	-	1,578
Total	<u>\$47,431</u>	<u>\$(8,729)</u>	<u>\$(1,772)</u>	<u>\$36,930</u>
-Deferred tax liabilities				
Unrealized gains (losses) on valuation of financial liabilities at fair value through other comprehensive income	\$ (33,523)	\$-	\$15,741	\$ (17,782)
Total	<u>\$(33,523)</u>	<u>\$-</u>	<u>\$15,741</u>	<u>\$(17,782)</u>

- 4) The declaration of the Company and subsidiaries' profit-seeking enterprise income tax has been verified by the tax collection authority until the years as follows:

	Verification year
The Company	2021
Subsidiary – TARANTULA NETWORKS LTD.	2021
Subsidiary – FAMILY PLUS TECHNOLOGY INC.	2021
Subsidiary – S-LINK SYSTEMS INC.	2021

### (30) Earnings Per Share

	2023	
	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT\$)
Amount net of tax		

<u>Basic earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares	\$57,620	137,785	\$0.42
<u>Effects of dilutive potential ordinary shares</u>			
The fourth convertible corporate bonds	658	2,304	
Employees' remuneration	-	742	
<u>Diluted earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	\$58,278	140,831	\$0.41

2022			
	Amount net of tax	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares	\$138,097	129,957	\$1.06
<u>Effects of dilutive potential ordinary shares</u>			
The fourth convertible corporate bonds	1,883	7,189	
Employees' remuneration	-	1,830	
<u>Diluted earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	\$139,980	138,976	\$1.01

- 1) In calculating diluted earnings per share, if the Company may distribute the employees' remuneration in stock, the potential ordinary shares shall be added into the weighted average number of ordinary shares outstanding when they become dilutive. The fair value of the potential ordinary shares at the end of the reporting period is the basis for determination of number of shares issued. Before determining the number of shares distributed as employees' remuneration, in calculating diluted earnings per share, the Company shall keep considering the dilution of the potential ordinary shares.

- 2) If distribution of employees' remuneration by stock and the number of shares to be distribute has been resolved, it shall be added into the calculation of earnings per share in the year of the resolution.
- 3) If the operating results of the Company and subsidiaries are deficit or adding the potential ordinary shares of convertible bonds is antidilutive, they are not included in the calculation of diluted earnings per share.

Weighted average number of ordinary shares outstanding is calculated as follows:

(Unit : thousands of shares)

	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	563
Corporate bonds converted into ordinary shares	4,968	38
Total	137,785	129,957

## 7. RELATED PARTY TRANSACTIONS

### (1) Names and Relationships of Related Parties

Name of related parties	Relationship with the Company and subsidiaries
ADVANTECH CO., LTD.	Associate

### (2) Significant Transactions with Related Parties

#### 1) Purchases

	2023	2022
Associates	\$2,483	\$24,486

The purchases from related parties are based on the general purchase conditions (market price), and the payment terms are 1 to 2 months.

#### 2) Accounts payables

	December 31, 2023	December 31, 2022
Associates	\$90	\$8,880

### (3) Information on Key Management Personnel Compensation

	2023	2022
Payroll and other short-term employee benefits	\$84,303	\$98,379

## 8. PLEDGED ASSETS

The assets pledged as collaterals are as follows:

Assets	Carrying amount	
	December 31, 2023	December 31, 2022
Other current assets- time deposits and reserve account	\$335,673	\$212,151
Property, plant and equipment	161,399	163,772
Total	\$497,072	\$375,923

(1) The pledged assets are presented at carrying amount.

(2) The pledged assets are provided for collaterals for loans from financial institutions.

## 9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1) Contingencies

	December 31, 2023	December 31, 2022
(a) Unused usance L/C issued for importing cargo	\$4,254	\$279,181
(b) Guarantee notes submitted for performance of constructions	368,169	182,545
(c) Letter of guarantee issued for bid bonds and performance bonds	609,669	589,039
Total	\$982,092	\$1,050,765

(d) The Company purchased equipment from NTT TAIWAN LTD. (hereinafter “NTT”) for the “building of Asia Pacific Telecom’s server room project” outsourced by NOKIA SOLUTIONS AND NETWORKS TAIWAN CO., LTD. (hereinafter “Nokia”), and dispute occurred. NTT alleged that the Company, Nokia, and Asia Pacific have the cause of not making payments, and complaint and requested joint damage or quasi-joint compensation from the aforementioned 3 companies, including the Company. The case been judged against the Company in the trial of first insurance by Taiwan Shilin District Court on January 14, 2020. The Company has recognized the

relevant losses of NT\$12,846 thousand (USD428,482 thousand) for the payable amount based on the conservatism principle, which are recognized under non-current liabilities-provisions. The Company appealed and the High Court judged on September 15, 2021 that the Company shall pay NTT USD18,779 thousand and the accrued interest calculated from October 24, 2017 to the repayment date by annual interest rate of 5%. The residual USD409,703 thousand and the interests shall be paid by Asia Pacific Telecom based on the amendment to the judgment.

After consulting legal expert for legal advices, for the USD409,703 appealed by Asia Pacific Telecom and NTT, the Company did not issue purchase order to NTT, and the upstream of the Company, Nokia, did not issue purchase order to the Company. Therefore, the amount shall not be paid by the Company. However, as NTT and Asia Pacific Telecom has appealed for the third instance, and the case has been remanded to the High Court by the Supreme Court, the final result is not determined in July, 2022. Therefore, as of December 31, 2023, the balance of the provisions amounted to NT\$12,283 thousand.

**(2) Commitments:** None.

**10. LOSSES DUE TO MAJOR DISASTERS:** None.

**11. SIGNIFICANT SUBSEQUENT EVENTS:** None.

## **12. OTHERS**

### **(1) Capital Risk Management**

The primary objective of the Company and subsidiaries' capital management is to ensure that it operates continuously and maintains optimal balances of debts and equity to maximize the returns to shareholders. The Company and subsidiaries maintain good profitability and financial ratios by reviewing and measuring relevant costs, risk and rate of return on a regular basis. The Company and subsidiaries balance the entire capital structure by various financing method as appropriate, to cope with the requirements to operating funds, repayments of debts, and dividends in the future.

### **(2) Financial Instruments**

#### **1) Fair value information of financial instruments**

(a) All the carrying amounts of financial instruments not measured at fair value (including cash and cash equivalents, financial assets, financial assets at amortized cost, notes receivables, accounts receivables, contract assets and liabilities, other receivables, borrowings, accounts payables, other payables, and financial liabilities) that are not measure at fair value, are the reasonable



approximations of fair value.

## 2) Financial risk management policies

- (a) The normal operation of the Company and subsidiaries is affected by various financial risks, including market risk (including foreign currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to decrease the potential adverse impact on the financial position and financial performance, the Company and subsidiaries' entire risk management policies put emphasis on the unpredictable events in the financial market.
- (b) The financial risk management is implemented by the finance department based on the transaction authority approved by the board of directors. The Company and subsidiaries' financial departments are responsible for identifying, evaluating and hedging financial risk by closely communicating with operating units.

## 3) Information on significant financial risk

### (a) Market risk

#### I. Foreign currency risk:

- i. As part of the cash inflows and outflows are denominated in foreign currencies, there are natural hedging effects. The purpose of the management of foreign currency risk is for hedging, instead for profiting.
- ii. The strategies to manage foreign currency risk are to review the net position of assets and liabilities denominated in foreign currencies (primarily USD and JPY) on a regular basis, and implement risk management to the position. The election of instruments to hedge foreign currency risk considers the hedging costs and hedging periods. Currently, raising debts denominated in foreign currencies is the primary tool to hedge foreign currency risk. As the liabilities denominated in foreign currencies are exposed to foreign currency risk, the Company and subsidiaries usually transform the borrowings denominated in foreign currencies into borrowings denominated in NTD. Therefore, significant foreign currency risk is expected not to occur in general.

The information on the monetary assets and liabilities denominated in foreign currencies at the end of the reporting period is as follows:

December 31, 2023						
	Foreign currency		Carrying amount	Sensitivity analysis		
				Impact on other comprehe nsive income		
	(Note 1) (thousan d)	Exchan ge rate	(NTD)	Variation	Impact on profit or loss	
<u>Financial</u>						
<u>assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD	\$2,444	30.69	\$75,006	1%	\$750	\$-
CNY	1,514	4.33	6,556	1%	66	-
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>items</u>						
USD	2,226	30.69	68,316	1%	683	-

December 31, 2022						
	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Variation	Impact on profit or loss	Impact on other comprehe nsive income
(thousan d)						
<u>Financial</u>						
<u>assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD	\$5,674	30.67	\$174,022	1%	\$1,740	\$-
CNY	1,844	4.39	8,088	1%	81	-
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>items</u>						
USD	2,768	30.78	85,199	1%	852	-
CNY	109	4.44	484	1%	5	-
JPY	46,980	0.23	10,989	1%	110	-

Note 1 : The foreign currencies are not the functional currencies in each consolidated entity, including the transactions within the Group which are written off in the consolidated financial statements and the foreign currency risk that is unable to be written off completely.

The unrealized exchange gains (losses) of monetary items with significant influence due to exchange rates fluctuations for the years ended December 31, 2023 and 2022 amounted to NT\$521 thousand and NT\$(537) thousand, respectively.

II. Price risk: As the investments held by the Company and subsidiaries are classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income in the consolidated balance sheets, the Company and subsidiaries are exposed to price risk of equity instruments. In order to manage the price risk of equity instruments, the Company and subsidiaries control the risk by diversifying the investment portfolio.

- III. Interest rate risk: The interest rate risk is from borrowings from bank. The Company and subsidiaries are exposed to cash flow interest rate risk due to borrowings at floating interest rate, and part of the risk is offset by the cash and cash equivalents at floating interest rate. The Company and subsidiaries are exposed to fair value interest rate risk due to borrowings at fixed interest rate. The Company and subsidiaries' policy is adopting fixed interest rate.

(b) Credit risk

- I. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company and subsidiaries. The Company and subsidiaries are exposed to credit risks from cash, deposited in banks and financial institutions, fixed income investments, other financial instruments and receivables arising from operating activities.
- II. Most of the debtors of the receivables are credible companies or government agencies. As there is no significant bad debt in recent years, and the adequacy of loss allowances is reviewed on a regular basis, there is no significant credit risk.
- III. The credit risk of bank deposits, fixed income investments and other financial instruments is measured and reviewed by operating management department. As the transaction and performance counterparties are credible banks and financial institutions, there is no significant credit risk.

(c) Liquidity risk

- I. The cash flow forecast is summarized by the financial department. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to support the operating requirements, and maintains enough unused commitments of borrowings at any time, to prevent the Company and subsidiaries from breaching related credit lines of borrowings or terms.
- II. The table below analyzed the Company and subsidiaries' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The contractual cash flows disclosed below are not discounted.

Non-derivative financial  
liabilities

December 31, 2023	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	\$120,148	\$206,848	\$-	\$-	\$-
Accounts payables	647,368	460,250	2,643	42,351	-
Other payables	263,803	17,417	-	-	3
Lease liabilities	7,454	19,963	17,728	7,425	-
Long-term borrowings (including the current portion)	1,302	3,924	5,282	14,735	1,283

Non-derivative financial  
liabilities

December 31, 2022	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	\$134,456	\$286,862	\$-	\$-	\$-
Accounts payables	461,690	596,431	18,774	3,687	-
Other payables	249,927	41,397	381	3	-
Corporate bonds payables (including the current portion)	-	-	118,800	-	-
Lease liabilities	7,476	18,206	14,721	9,596	-
Long-term borrowings (including the current portion)	1,293	3,895	5,235	16,001	5,277

### (3) Estimates of Fair Value

1) The valuation techniques adopted to analyze the financial instruments at fair value are as the table below. The definitions of each level are as follows:

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

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

Level 3 : unobservable inputs for the assets or liabilities. The investment properties held by the Company are in the scope.

The financial assets and liabilities measure at fair value as of December 31, 2023 and 2022 are as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
<u>Current financial assets at fair value through profit or loss</u>				
Equity instruments - listed shares	\$8,175	\$-	\$-	\$8,175
<u>Non-current financial assets at fair value through other comprehensive income</u>				
Equity instruments - unlisted shares	\$-	\$-	\$140,798	\$140,798

December 31, 2022	Level 1	Level 2	Level 3	Total
<u>Current financial assets at fair value through profit or loss</u>				
Equity instruments - listed shares	\$5,019	\$-	\$-	\$5,019
<u>Non-current financial assets at fair value through other comprehensive income</u>				
Equity instruments - unlisted shares	\$-	\$-	\$133,295	\$133,295
<u>Non-current financial liabilities at fair value through profit or loss</u>				
Derivative instruments - Redemption and put options of convertible bond	\$-	\$368	\$-	\$368

(a) For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Changes in Level 3 financial instruments are as follows :

	Non-derivative equity instruments	
	2023	2022
January 1	\$133,295	\$195,473
Purchase in current period	-	6,000
Disposal in current period	(7,121)	-
Recognized in other comprehensive income	14,624	(68,178)
(Recognized as unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income )		

December 31	Non-derivative equity instruments	
	2023	2022
	\$140,798	\$133,295

2) Valuation techniques used to evaluate financial instruments include :

- (a) The quoted price in a public market or from dealers of an identical instrument.
- (b) Other valuation techniques to determine the fair value of the other financial instruments, e.g. discounted cash flow analysis.

3) The valuation process of fair value categorized in level 3 is verifying the independent fair value of financial instruments by accounting department, making the valuation results close to market condition by data from independent sources and reviewing on a regular basis, to ensure the valuation results are reasonable.

4) As the Company and subsidiaries carefully assessed and selected the valuation model and valuation parameters, the fair value measurement shall be reasonable. However, different valuation model or parameter may result in different valuation results. The quantitative information on the significant unobservable inputs used in valuation models of level 3 fair value measurement is as follows :

	December 31, 2023 Fair value	Valuation technique s	Significant unobservable inputs	Interval (Weighted- average)	Relationship between the inputs and fair value
Non-derivative equity instruments: Stocks of unlisted companies	\$140,798	Market approach	Book-to-market ratio, Price- to-sales ratio, capital structure adjustment ratio	-	The higher the book- to-market ratio is, the higher the fair value is; the higher the capital structure adjustment ratio is, the lower the fair value is.

As there are changes of  $\pm 1\%$  in significant unobservable input, the effects recognized in other comprehensive income amounted to NT\$1,613 thousand and NT\$(1,619) thousand.



### 13. OTHER DISCLOSURES

#### (1) Information on Significant Transactions

1) Loans to others: None.

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

3) Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security (Note 1)	Relationship with the Company (Note 2)	Account	Ending balance				Note (Note 4)
				Shares or units	Carrying amount (Note 3)	Percentage of ownership	Fair value	
HWACOM SYSTEMS INC.	ZERO ONE TECHNOLOGY CO., LTD.	-	Current financial assets at fair value through profit or loss	125	\$8,175	0.08%	\$8,175	
HWACOM SYSTEMS INC.	GENIE NETWORKS LIMITED	-	Non-current financial assets at fair value through other comprehensive income	906	18,150	3.53%	18,150	
HWACOM SYSTEMS INC.	VERISILICON MICROELECTRONICS (SHANGHAI) CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	693	112,259	0.14%	112,259	
HWACOM SYSTEMS INC.	ACOM NETWORKS TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	380	5,996	19.00%	5,996	
HWACOM SYSTEMS INC.	TAIWAN BOTONG SOFTWARE TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	500	-	11.63%	-	
HWACOM SYSTEMS INC.	OMNI MEDIA INTERNATIONAL INCORPORATION	-	Non-current financial assets at fair value through other comprehensive income	500	1,945	0.76%	1,945	
HWACOM SYSTEMS INC.	LEON ENERGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	100	1,042	0.43%	1,042	
TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION -ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	56	976	0.77%	976	

TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION –preferred shares	-	Non-current financial assets at fair value through other comprehensive income	25	430	-	430	
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Note 1 : The securities in the table are within the stocks, bonds, beneficiary certificates, and derivative securities of aforementioned items within the scope of IFRS 9 “Financial Instruments: Recognition and Measurement”

Note 2 : If the issuer of the security is not a related party, the column shall be left blank.

Note 3 : For those measured at fair value, the carrying amount shall be filled in the carrying balance after fair value valuation adjustments and less the accumulated impairment. For those not measured at fair value, the carrying amount shall be filled in the carrying balance of initial acquisition costs or amortized costs less accumulated impairment.

Note 4 : If the securities listed are restricted for providing guarantee or collaterals for borrowings, the number of shares provided for guarantee or collateral, the guaranteed or borrowed amount, and the restricted conditions shall be filled in the Note column.

- 4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 5) Acquisition of real estate reaching NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 6) Disposal of real estate reaching NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 9) Trading in derivative instruments: None.
- 10) Significant transactions, prices, payments terms and unrealized gains or losses with investees in Mainland China through a holding company registered in a third region: None.
- 11) Business relationships among the parent company and subsidiaries, and significant intercompany transactions and amounts:

No. (Note 1)	Name of company	Name of counterparty	Relationship (Note 2)	Intercompany transactions			
				Account	Amount (Note 4)	Trading terms	Percentage accounting for the consolidated total revenue or total assets (Note 3)
0	HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	1	Accounts payables	\$2,995	Based on general terms	0.06%
0	HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	1	Purchase	21,518	Based on general terms	0.41%
0	HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	1	Research and development expenses	268	Based on general terms	0.01%
0	HWACOM SYSTEMS INC.	FAMILY PLUS TECHNOLOGY INC.	1	Accounts payables	650	Based on general terms	0.01%
0	HWACOM SYSTEMS INC.	FAMILY PLUS TECHNOLOGY INC.	1	Purchase	1,381	Based on general terms	0.03%
0	HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	1	Accounts receivables	1,155	Based on general terms	0.02%
0	HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	1	Accounts payables	1,864	Based on general terms	0.04%
0	HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	1	Sales revenue	1,100	Based on general terms	0.02%
0	HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	1	Purchase	1,775	Based on general terms	0.03%

Note 1 : Business relationships among the parent company and subsidiaries, and significant intercompany transactions shall be filled in the No. column as the way below:

1. The parent company:0
2. Investees: sequentially numbered from 1.

Note 2 : There are three types of intercompany relationships as follows. Please indicate the type by numbers:

1. Parent to subsidiary
2. Subsidiary to parent
3. Subsidiary to subsidiary

Note 3 : Concerning the calculation of percentage accounting for the consolidated net revenue or total assets, for assets and liabilities, the percentage shall be calculated by the ending balance accounting for the consolidated total assets. For profit or loss, the percentage shall be calculated by the cumulative amount accounting for consolidated total revenue.

Note 4 : The transactions have been eliminated in preparing the consolidated financial statements.

**(2) Information on Investees**

1) The Information about company names, locations, etc. of Investees (excluding the investees in Mainland China) :

Investor company	Investee company ( Note 1, 2 )	Location	Main business	Original investment amount		Holding in the end of period			Profit (loss) of investees in the current period ( Note 2(2) )	Gains (losses) on investments recognized in the current period ( Note 2(3) )	Note
				December 31, 2023	December 31, 2022	Number of shares	Percent age	Carrying amount			
HWACOM SYSTEMS INC.	TARANTULA NETWORKS LTD.	New Taipei City	Information software and communication engineering, etc.	\$19,980	\$19,980	2,000	100.00	\$10,640	\$(14)	\$(14)	Subsidiary
HWACOM SYSTEMS INC.	FAMILY PLUS TECHNOLOGY INC.	New Taipei City	Information software and service industry, etc.	16,000	16,000	1,600	100.00	16,016	7,910	7,910	Subsidiary
HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	New Taipei City	Information software and communication engineering, etc.	45,000	45,000	4,500	100.00	13,568	(6,292)	(7,724)	Subsidiary

HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	New Taipei City	Data processing, information supply service industry	51,000	-	5,100	100.00	52,138	1,184	1,184	Subsidiary
HWACOM SYSTEMS INC.	HWACOM SYSTEMS (H.K.) LTD.	Hongkong	Information software and service industry, etc.	414	-	100	100.00	264	(133)	(133)	Subsidiary

Note 1 : If the public company has established foreign holding companies and the consolidated financial statements are the main financial statements based on local regulations, the information on the foreign investees may be disclosed only to the relevant information of the holding companies.

Note 2 : For investees not in the scope of Note 1, the information shall be filled as rules as follows:

- ( 1 ) "Investee company", "Location", "Main business", "Original investment amount" and "Holding in the end of the period" shall be filled sequentially based on the investment condition of the Company and the investment condition of the investees directly or indirectly controlled by the Company. And the relationship between the investees and the Company shall be filled in the Note column (if they are subsidiaries or sub-subsidiaries).
- ( 2 ) "Profit (loss) of investees in the current period" shall be filled in the profit or loss of each investee in the current period.
- ( 3 ) "Gain (loss) on investments recognized in the current period" shall only be filled in the profit or loss of subsidiaries accounted for using equity method. For other condition, the column shall be left blank. When filling "Gain (loss) on investments recognized in the current period", the Company shall ensure the profit or loss of each subsidiary has include the gains or losses of investments that shall be recognized in accordance with regulations.

**(3) Information on Investees in Mainland China**

Investee in Mainland China	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward remittance for investment from Taiwan as of January 1, 2023	Remittance of funds in the		Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Profit (loss) of investees in the current period	Percentage of ownership of direct or indirect investments	Gains (losses) on investments recognized in the current period (Note 2)	Carrying amount of investments as of December 31, 2023	Accumulated repatriation of gain on investment as of December 31, 2023
					Outward	Inward						
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Data processing, information supply service industry	\$15,713	(1)	\$15,713	\$-	\$-	\$15,713	\$135	100.00%	\$135 B	\$7,619	\$-

Accumulated outward remittance for investment in Mainland China as of December 31, 2023	Investment amount authorized by investment commission, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA
\$15,713	Invested in HWACOM SYSTEMS (SHANGHAI) CO., LTD. by USD\$500,000	\$1,447,769

Note 1 : There are 3 types of investment method as follows. Fill in the numbers to indicate the type:

- (1) Directly invest in invests in Mainland China.
- (2) Invest through a holding company registered in a third region. (Please indicate the holding company in the third region)
- (3) Other method.

Note 2 : In the “Gains (losses) on investments recognized in the current period” column:

(1) If the investee is under preparation without gains (losses) on investments, please indicate.

(2) There are 3 bases to recognize gains (losses) on investments as follows. Please indicate:

A. The financial statements have been audited and attested by international CPA firms which cooperate with the CPA firms in R.O.C.

B. The financial statements have been audited and attested by the CPA of the parent company in Taiwan.

C. The financial statements are preliminary and not reviewed by CPA.

Note 3 : The amounts in the table shall be expressed in New Taiwan Dollars.

Note 4 : The Company originally directly held 100% of ownership of HWACOM SYSTEMS (SHANGHAI) CO., LTD. through HWACOM INVESTMENT INC. After approved by the approval letter with No. Investment-Committee-Auditing-II-10900005280 on January 14, 2020, the investee has been directly held by the Company. The registration of cancellation of HAWCOM INVESTMENT INC. has been completed on August 31, 2020.

**(4) Information on Major Shareholders**

Major shareholder \ Shares	Number of shares held	Percentage of ownership
Advantech Corporate Investment	24,575,000	17.42%

Note 1 : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



## 14. SEGMENT INFORMATION

### (1) General Information

As the Company and subsidiaries measure the segment performance and allocate resource by a single segment, segment information is not applicable.

### (2) Geographic Financial Information

As the Company and subsidiaries do not have foreign operations, geographic financial information shall not be disclosed.

### (3) Information on Exporting Sales

As the Company and subsidiaries primarily sell domestically, there is no significant sale to foreign customers.

### (4) Information on Major Customers

The customers with revenue accounting for at least 10% of net revenue in the statements of comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

Name of customers	2023		2022	
	Amount	Percentage of net revenue	Amount	Percentage of net revenue
Customer A	\$1,085,380	20.66%	\$1,348,271	22.12%
Customer B	-	Note	855,981	14.05%
Total	\$1,085,380	20.66%	\$2,204,252	36.17%

Note: Revenue from the customer does not account for at least 10% of the net revenue in the statements of comprehensive income.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
HwaCom Systems Inc.

### **Opinion**

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as 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 Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### **Revenue recognition**

##### **Explanations**

Please refer to Note 4 to the parent company only financial statements for the accounting policies of revenue recognition; please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the

financial statements, revenue recognition is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

#### **Inventory valuation**

##### Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of inventory valuation; please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.

3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

### **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform 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, we are required 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Su-Chen Chang and Winner Hsu.

BOD Taiwan  
Taipei, Taiwan  
Republic of China

March 7, 2024

### Notice to Readers

*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.*

## HwaCom Systems Inc.

Parent Company Only Balance Sheets  
As of December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars													
Code	Assets	Note	December 31, 2023	%	December 31, 2022	%	Code	Liabilities and equity	Note	December 31, 2023	%	December 31, 2022	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$1,077,603	20.88	\$725,438	13.64	2100	Short-term borrowings	6.13	\$326,996	6.34	\$421,318	7.92
1110	Financial assets at fair value through profit or loss - current	6.7	8,175	0.16	5,019	0.09	2130	Contract liabilities - current	6.24	737,465	14.29	897,555	16.87
1136	Financial assets at amortized cost - current	6.2	100,000	1.94	-	-	2170	Accounts payables	6.14	1,142,675	22.14	1,082,873	20.35
1140	Contract assets - current	6.24	47,481	0.92	30,414	0.57	2200	Other payables	6.15	271,731	5.27	287,765	5.41
1150	Notes receivables, net		442	0.01	425	0.01	2230	Current income tax liabilities		16,974	0.33	18,547	0.35
1170	Accounts receivables, net	6.3	1,241,496	24.06	2,074,507	38.99	2250	Provisions - current	6.17	14,667	0.28	-	-
1200	Other receivables		25,658	0.50	998	0.02	2280	Lease liabilities - current	6.11	24,489	0.47	24,568	0.46
130X	Inventories	6.4	1,085,634	21.04	1,159,038	21.78	2300	Other current liabilities	6.16	38,669	0.75	22,311	0.42
1410	Prepayments	6.5	182,604	3.54	257,320	4.84	21XX	Sub-total		2,573,666	49.87	2,754,937	51.78
1470	Other current assets	6.6	338,279	6.54	213,232	4.01	25XX	Non-current liabilities					
11XX	Sub-total		4,107,372	79.59	4,466,391	83.95	2500	Financial liabilities at fair value through profit or loss – non-current	6.7	-	-	368	0.01
							2530	Bonds payables	6.18	-	-	115,450	2.17
							2540	Long-term borrowings	6.19	21,300	0.41	26,513	0.50
							2550	Provisions – non-current	6.17	12,283	0.24	12,283	0.23
							2570	Deferred tax liabilities	6.30	19,645	0.38	17,782	0.33
							2580	Lease liabilities – non-current	6.11	22,469	0.44	23,328	0.44
15XX	Non-current assets						2600	Other non-current liabilities		98,430	1.91	104,831	1.96
	Financial assets at fair value through other comprehensive income – non-current	6.8	139,392	2.70	132,110	2.48	25XX	Sub-total		174,127	3.38	300,555	5.64
1517							2XXX	Total liabilities		2,747,793	53.25	3,055,492	57.42
	Investments accounted for using equity method	6.9	100,245	1.94	47,463	0.89	31XX	Equity					
1600	Property, plant and equipment	6.10	265,230	5.14	228,922	4.30	3100	Capital stock	6.21				
1755	Right-of-use assets	6.11	46,355	0.90	47,341	0.89	3110	Common stock		1,410,502	27.33	1,337,776	25.14
1780	Intangible assets		40,573	0.79	23,038	0.43	3200	Capital surplus	6.22	402,974	7.81	359,937	6.77
1840	Deferred tax assets	6.30	34,453	0.67	34,825	0.65	3300	Retained earnings	6.23				
1900	Other non-current assets	6.12	427,121	8.27	340,283	6.41	3310	Legal reserve		123,877	2.40	109,359	2.06
15XX	Sub-total		1,053,369	20.41	853,982	16.05	3350	Unappropriated earnings (accumulated deficit)		418,000	8.10	406,213	7.64
							3400	Other equity		70,842	1.37	64,843	1.22
							3500	Treasury stock	6.21	(13,247)	(0.26)	(13,247)	(0.25)
							3XXX	Total equity		2,412,948	46.75	2,264,881	42.58
1XXX	Total assets		\$5,160,741	100.00	\$5,320,373	100.00	3X2X	Total liabilities and equity		\$5,160,741	100.00	\$5,320,373	100.00

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

HwaCom Systems Inc.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of  
New Taiwan Dollars

Code Item	Note	2023	%	2022	%
4000 Net revenue	6.24	\$5,211,993	100.00	\$6,077,095	100.00
5000 Costs of revenue	6.4,	(4,172,982)	(80.06)	(4,860,934)	(79.99)
5900 Gross profit		1,039,011	19.94	1,216,161	20.01
5910 Unrealized (profit) loss from sales		(45)	(0.01)	-	-
5950 Gross profit, net		1,038,966	19.93	1,216,161	20.01
6000 Operating expenses	6.27				
6100 Selling expenses		(757,248)	(14.53)	(832,444)	(13.70)
6200 Administrative expenses		(224,526)	(4.31)	(193,348)	(3.18)
6300 Research and development expenses		(53,551)	(1.03)	(58,065)	(0.95)
6450 Expected credit (losses) reversal		8,870	0.18	-	-
6000 Sub-total		(1,026,455)	(19.69)	(1,083,857)	(17.83)
6900 Net operating income (loss)		12,511	0.24	132,304	2.18
7000 Non-operating income and expenses					
7100 Interest income		9,440	0.18	2,827	0.05
7010 Other income	6.25	74,396	1.43	57,058	0.94
7020 Other gains and losses	6.26	(14,567)	(0.28)	217	-
7050 Financial costs	6.27	(12,295)	(0.24)	(14,048)	(0.23)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6.9	1,358	0.03	(14,738)	(0.25)
7000 Total non-operating income and expenses		58,332	1.12	31,316	0.51
7900 Net income (loss) before income tax		70,843	1.36	163,620	2.69
7950 Income tax benefits (expenses)	6.30	(13,223)	(0.25)	(25,523)	(0.42)
8000 Net income (loss) from continuing operations		\$57,620	1.11	\$138,097	2.27
8200 Net income (loss)		\$57,620	1.11	\$138,097	2.27
8300 Other comprehensive income					
8310 Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans		\$4,755	0.09	\$8,863	0.15
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		14,403	0.28	(67,479)	(1.11)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		221	-	(699)	(0.01)
8349 Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		(2,710)	(0.05)	13,969	0.23
8360 Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		(166)	-	121	-
8300 Other comprehensive income, net of tax		\$16,503	0.32	\$(45,225)	(0.74)
8500 Total comprehensive income		\$74,123	1.43	\$92,872	1.53
Earnings per share (NT\$) :	6.31				
9750 Basic earnings per share (NT\$)		\$0.42		\$1.06	
9850 Diluted earnings per share (NT\$)		\$0.41		\$1.01	

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



HwaCom Systems Inc.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022

Summary	Expressed in thousands of New Taiwan Dollars							
	Capital stock	Capital surplus	Retained earnings		Other equity		Treasury stock	Total equity
			Legal reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587
Appropriation and distribution of 2021 earnings								
Appropriate of legal reserve	-	-	17,167	(17,167)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(40,108)	-	-	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	(60)
Profit of 2022	-	-	-	138,097	-	-	-	138,097
Other comprehensive income	-	-	-	7,090	122	(52,437)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	46,550	49,176
Balance at January 1, 2023	\$1,337,776	\$359,937	\$109,359	\$406,213	\$(680)	\$65,523	\$(13,247)	\$2,264,881
Appropriation and distribution of 2022 earnings								
Appropriate of legal reserve	-	-	14,519	(14,519)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(41,818)	-	-	-	(41,818)
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	(5,058)
Profit of 2023	-	-	-	57,620	-	-	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	-	16,503
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	120,821
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	-	-
Rounding to thousands	-	-	(1)	-	-	-	-	(1)
Balance at December 31, 2023	\$1,410,502	\$402,974	\$123,877	\$418,000	\$(846)	\$71,688	\$(13,247)	\$2,412,948

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

HwaCom Systems Inc.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

Item	Expressed in thousands of New Taiwan Dollars	
	2023	2022
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$70,843	\$163,620
Consolidated total profit (loss)	70,843	163,620
Adjustments:		
Items of income and expenses		
Depreciation expenses	78,189	70,668
Amortization expenses	24,563	20,507
Expected credit losses (reversal)	(8,870)	-
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	(3,634)	1,035
Interest expenses	12,295	14,048
Interest income	(9,440)	(2,827)
Dividends	(1,283)	(830)
Share-based payments	-	6,551
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(1,359)	14,738
Losses (gains) from disposal and scrap of property, plant and equipment	(144)	(206)
Unrealized profit (loss) from sales	46	-
Losses (gains) on lease improvements	-	(23)
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(17,066)	2,055
Decrease (increase) in notes receivables	(17)	300
Decrease (increase) in accounts receivables	841,881	(754,056)
Decrease (increase) in other receivables	(24,281)	14,324
Decrease (increase) in inventories	73,404	707,249
Decrease (increase) in prepaid expenses	(581)	2,438
Decrease (increase) in prepayments	75,298	(26,844)
Decrease (increase) in other current assets	(125,047)	22,230
Increase (decrease) in contract liabilities	(160,091)	(508,676)
Increase (decrease) in accounts payables	59,802	316,261
Increase (decrease) in other payables	(16,038)	7,995
Increase (decrease) in provisions	14,667	(2,536)
Increase (decrease) in advance receipts	17,405	-
Increase (decrease) in other current liabilities	(1,085)	4,805
Increase (decrease) in net defined benefit liabilities	707	286
Interests received	9,062	2,716
Dividends received	1,283	830
Interest paid	(11,467)	(11,487)
Income taxes returned (paid)	(15,274)	(48,359)
Net cash inflow (outflow) provided by operating activities	883,768	16,812
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Disposal of financial assets at fair value through other comprehensive income	7,121	-
Acquisition of financial assets at amortized cost	(100,000)	-
Acquisition of investments accounted for using equity method	(51,414)	(15,000)
Acquisition of property, plant and equipment	(85,220)	(49,116)
Disposal of property, plant and equipment	1,586	1,902
Increase in refundable deposits	(613,770)	(410,971)
Decrease in refundable deposits	515,784	407,934
Acquisition of intangible assets	(42,108)	(22,978)
Disposal of intangible assets	9	3
Increase in prepayments for equipment	(92,256)	(37,069)
Decrease in prepayments for equipment	103,405	15,149
Net cash inflow (outflow) provided by investing activities	(356,863)	(116,146)
Cash flows from financing activities		
Increase in short-term borrowings	968,637	1,545,876
Decrease in short-term borrowings	(1,062,959)	(1,633,593)
Increase in short-term notes payables	-	100,000
Decrease in short-term notes payables	-	(100,000)
Repayment of corporate bonds	(400)	-
Repayments of long-term borrowings	(5,175)	(5,161)
Increase in guaranteed deposits received	1,295	1,532
Decrease in guaranteed deposits received	(3,648)	(3,061)
Repayments of lease principal	(30,672)	(29,522)
Decrease in other non-current liabilities	-	-
Distribution of cash dividends	(41,818)	(40,108)
Treasury shares purchased by employees	-	42,626
Net cash inflow (outflow) provided by financing activities	(174,740)	(121,411)
Net increase (decrease) in cash and cash equivalents	352,165	(220,745)
Cash and cash equivalents at the beginning of period	725,438	946,183
Cash and cash equivalents at the end of period	\$1,077,603	\$725,438

The accompanying notes are an integral part of the financial statement.

HwaCom Systems Inc.  
Notes to the Parent Company Only Financial Statements  
December 31, 2023 and 2022

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

**1. GENERAL**

HwaCom Systems Inc. (the “Company”) was established in May, 1994 in accordance with the Company Act. of the R.O.C. The Company is primarily engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city business, and enterprise customers, etc.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The parent company only financial statements of the Company were authorized for issue by the Board of Directors on March 7, 2024.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- (1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission (FSC) (collectively, “IFRSs”) which have been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2023:

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	May 23, 2023

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

- (2) The IFRSs issued by IASB and endorsed by the FSC which have not yet been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2024:

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
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
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

- (3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The following summarizes the IFRSs issued by IASB but not yet endorsed by the FSC:

<b>New, Revised, or Amended Standards or Interpretations</b>	<b>Effective Date Issued by IASB</b>
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

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary accounting policies adopted by the parent company only financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

##### (1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (2) Basis of Preparation

- 1) The accompanying parent company only financial statements have been prepared on the historical cost basis except for the significant items as follows :
  - (a) Financial assets and liabilities at fair value through profit or loss
  - (b) Financial assets and liabilities at fair value through other comprehensive income
  - (c) Defined benefit liabilities, which is recognized by pension plan assets net of present value of defined benefit obligation
- 2) Preparing the parent company only financial statements in accordance with IFRSs endorsed by the FSC takes some significant accounting estimates. And in the process of applying the Company’ accounting policies involves the managements’ judgments. Please refer to Note 5 for the items involving high judgment or complexity or items involving significant assumptions and estimates in the parent company only financial statements.

##### (3) Foreign Currency Translations

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and shall not be translated again. The exchange differences shall be recognized in profit or loss.

When preparing the consolidated financial statements, assets and liabilities of foreign operations for each balance sheet shall be translated at the closing rate at the balance sheet date, income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period, and all resulting exchange differences shall be recognized in other comprehensive income, and accumulated under exchange differences on translation of foreign financial statements of equity (and attributed to the non-controlling interests as appropriate).

#### **(4) Classification of Current and Non-current Assets and Liabilities**

1) An asset is classified as current under one of the conditions below :

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company holds the asset primarily for the purpose of trading;
- (c) The Company expects to realize the asset within twelve months after reporting period;
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

For those assets that are not current are classified as non-current.

2) A liability is classified as current under one of the conditions below :

- (a) The Company expects to settle the liability in normal operating cycle;
- (b) The Company holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period;
- (d) The Company does not have an unconditional right to defer settlement of the liability for at

least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

For those liabilities that are not current are classified as non-current.

## **(5) Cash and Cash Equivalents**

Cash equivalents are highly liquid short-term time investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits meet the aforementioned definition, and the Company holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

## **(6) Financial Assets at Amortized Cost**

- 1) A financial asset is measured at amortized cost under all of the conditions below:
  - (a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- 2) A regular way purchases or sales of financial assets at amortized cost are recognized and derecognized at a trade date basis.
- 3) The Company holds the time deposits which are not classified as cash equivalents, with a short maturity period are measured at initial investment amount as the discounting would not have a significant impact..

## **(7) Financial Assets at Fair Value Through Profit or Loss**

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. A regular way purchases or sales of financial assets at fair value through profit or loss are recognized at fair value at initial recognition using trade date accounting. The relevant transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are subsequently measured at fair value, and the gains or losses are recognized in profit or loss. Dividends are recognized as dividend revenue when the entity's right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.

## **(8) Financial Assets at Fair Value Through Other Comprehensive Income**

- 1) At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading; or an investment in debt instruments is measured at fair value through other comprehensive income if both of the following conditions are met :
  - (a) The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - (b) The asset's contractual cash flow characteristics: the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
- 2) A regular way purchases or sales of financial assets at fair value through other comprehensive income are recognized at fair value at initial recognition using trade date accounting.
- 3) Financial assets at fair value through other comprehensive income shall be measured at fair value plus transaction costs at initial recognition, and subsequently measure at fair value :
  - (a) Subsequent changes of fair value of equity instruments shall be recognized in other comprehensive income. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss, instead, directly to retained earnings. Dividends are recognized as dividend revenue when the Company's right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.
  - (b) Subsequent changes of fair value of debt instruments shall be recognized in other comprehensive income. Any resulting impairment losses, interest revenue and gains or losses on foreign exchange differences before derecognition shall be recognized in profit or loss. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss from equity.

## **(9) Impairment of Financial Assets**

At each reporting date, the Company shall assess the impairment loss of investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost (accounts receivables and contract assets with significant financial components) by considering all



reasonable and supportable information (including foreseeing information). If the credit risk on the financial assets has not increased significantly since initial recognition, the Company shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Company shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses. The loss allowance for accounts receivables or contract assets without significant financial components shall be measured at an amount equal to lifetime expected credit losses.

#### **(10) Accounts and Notes Receivables**

- 1) A receivable is the Company' right to consideration for transferring goods or rendering services that is unconditional based on the agreement in the contracts.
- 2) For short-term accounts and notes receivables without bearing interests, as the effect of discounting is insignificant, they are measured at original invoice amount.

#### **(11) Inventories**

Inventories are recognized at cost at initial recognition, measured by perpetual inventory system, and the calculation of cost is by weighted-average cost. Inventories are valued at the lower of cost and net realizable value item by item, except inventories under the same categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Inventories which are defected, damaged or obsolete and whose value is apparently decrease, shall be measured at net realizable value.

#### **(12) Investments in Subsidiaries Accounted for Using Equity Method**

- 1) Subsidiaries are all the entities (including special purpose entities) that the Company has the right to direct their financial and operating policies. The Company generally holds directly or indirectly over 50% of the shares with voting rights. The Company evaluates the investments in subsidiaries in the parent company only financial statements by equity method.
- 2) The unrealized gains or losses arising from transaction between the Company have been eliminated. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.

- 3) Share of profit or loss of subsidiaries is recognized in profit or loss, and share of other comprehensive income of subsidiaries is recognized in other comprehensive income. If the Company's share of losses of a subsidiary equals or exceeds its interest in the subsidiary, the Company continues recognizing its share of further losses.
- 4) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (ig. transactions with non-controlling interests) are equity transactions, which are transactions with owners in their capacity as owners. The differences between the adjustment amount of non-controlling interests and the fair value of consideration paid or received are recognized in equity.
- 5) If the Company losses control of a subsidiary, the retained investments in the former subsidiary shall be remeasured at fair value. The differences between the fair value and the carrying amount shall be recognized in profit or loss. The Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company shall reclassify the gain or loss from equity to profit or loss when it loses control of the subsidiary.
- 6) According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the period and other comprehensive income presented in parent company only financial reports the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

### **(13) Property, Plant and Equipment**

Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.

Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Company, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.

Land shall not be depreciated. Other property, plant and equipment shall be depreciated over estimated useful life by straight-line method under cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The residual value, useful life and depreciation method of an item of property, plant, and equipment shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, or there are significant changes in the pattern in which the asset's future economic benefits are expected to be consumed, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The useful lives of buildings and structures are 8~50 years, and the useful lives of other fixed assets are 1~8 years.

#### **(14) Intangible Assets**

Intangible assets include computer software, which are recognized by acquisition costs initially, and amortized by straight-line method over estimated useful lives of 1~10 years.

#### **(15) Lease Transactions of Lessee — Right-of-Use Assets and Lease Liabilities**

- 1) A right-of-use asset and a lease liability shall be recognized at the day that the lease assets can be used by the Company, unless the lease contract is a short-term lease or the underlying assets of the lease is of low value. The Company shall recognize the lease payments associated with a short-term lease or the underlying asset of the lease is of low value as an expense on a straight-line basis.
- 2) At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments that are not paid shall be recognized at the present value discounted by the Company' incremental borrowing rate:
  - (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
  - (b) variable lease payments that depend on an index or a rate;
  - (c) amounts expected to be payable by the lessee under residual value guarantees;
  - (d) the exercise price of a purchase option if the Company are reasonably certain to exercise that option; and
  - (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company shall measure the lease liabilities on the basis of

amortized cost, and recognize interest expenses during the lease term. If changes in lease term or lease payments which are not resulting from modification of contracts, lease liabilities shall be remeasured, and right-of-use assets shall be adjusted accordingly.

3) At the commencement date, the Company shall measure the right-of-use asset at cost, which shall comprise:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received; and
- (c) any initial direct costs incurred by the lessee.

The Company shall measure the right-of-use assets by cost model and depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When lease liabilities are remeasured, right-of-use assets shall be adjusted accordingly.

#### **(16) Impairment of Non-Financial Assets**

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Company is required to estimate the recoverable amount. If the recoverable amount of an asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the asset's fair value less selling costs and its value in use. The Company conducts the test by the cash-generating unit to which the individual asset or assets belongs. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the losses recognized in prior years.

#### **(17) Loans**

- 1) Loans comprise long-term and short-term bank loans. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.
- 2) Fees paid to obtain a loan limit, when it is highly probable that a portion or all of the limit will be used, are recognized as transaction costs of the loan. These costs are deferred and recognized as an adjustment to the effective interest rate upon disbursement. If it is unlikely that a portion or all

of the limit will be used, the fees are recognized as a prepaid expense and amortized over the relevant period of the limit.

#### **(18) Corporate Bonds Payables**

The convertible corporate bonds payable issued by the Company are embedded with conversion rights, put options and call options. The issue price of convertible corporate bonds payable shall be classified as financial liabilities or equity based on the issue conditions at initial issuance, which shall be treated as follows:

- (a) Embedded conversion rights, put options and call option shall be initially measured at net fair value and recognized as “financial liabilities at fair value through profit or loss,” and subsequently measured at fair value at each balance sheet date, and the differences shall be recognized as “gains or losses on financial assets (liabilities) at fair value through profit or loss”.
- (b) The corporate bonds shall be initially measured at the residual value of issue price less the aforementioned “financial assets (liabilities) at fair value through profit or loss,” and the difference between the amount and the redemption value shall be recognized as the discount or premium of the bonds payables, which shall be amortized in profit or loss as an adjustment to the “financial costs” over the period of bond outstanding using the effective interest method.
- (c) Any transaction costs directly attributable to the issuance of the convertible corporate bonds are allocated to the liability components in proportion to the allocation of initial carrying amount.
- (d) When bondholders exercise conversion rights, the liability component (including “bonds payables” and “financial assets or liabilities at fair value through profit or loss”) shall be remeasured based on the classification. The carrying value of the aforementioned liability components is the issue costs of ordinary shares transferred.

#### **(19) Provisions**

A provision is a present legal or constructive obligation or arising from past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of provisions is determined by expected future cash flows discounted by current pre-tax interest rate. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization by discounting the

provision shall be recognized as interest expenses.

Onerous contracts: When the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it, onerous contract provisions shall be recognized. The provision is measured at the lower of the present value of the expected costs to exit the contracts and the expected net costs to fulfill the contracts. Before recognizing onerous contract provisions, the Company shall recognize any impairment losses that has occurred on assets relevant to the contracts.

## **(20) Employee Benefits**

### **1) Short-term employee benefits**

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

### **2) Pensions**

#### **(a) Defined contribution plans**

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

#### **(b) Defined benefit plans**

I. Net obligation under a defined benefit plan is accrued from the present value of future benefit that employees have earned in return for their services in the current or prior periods. The Company shall recognize the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds with consistent denominated currency and duration.

II. Remeasurements arising from defined benefit plans shall be recognized in other comprehensive income in the period in which they arise and shall be recorded in retained earnings.

III. Expenses related to past service costs shall be recognized in profit or loss immediately.

### **3) Termination benefits**

Termination benefits are employee benefits provided in exchange for the termination of an

employee's employment as a result of the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company shall recognize the expense for termination benefits at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If the termination benefits are not expected to be settled wholly before twelve months after the balance sheet date, the Company shall discount the termination benefits.

#### 4) Employees', directors' and supervisors' remuneration

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

### **(21) Income Tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable.

Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Company shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets shall be recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered and deferred tax assets unrecognized and

recognized shall be reassessed at each reporting date.

The Company shall offset current tax assets and current tax liabilities, only if the Company has a legally enforceable right to set off the recognized amount, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities related to the same taxable entity and the same taxation authority, or the deferred income tax assets and liabilities related to different taxable entities, but each entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Tax preferences arising from expenditures invested in procurement of equipment, research and development, and equity shall adopt income tax deduction accounting, and shall be recognized as deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

## **(22) Treasury Shares**

The Company shall measure treasury shares from recovering issued shares at cost. The costs of treasury shares shall deduct the equity in the balance sheets, and the price differences of treasury shares transactions shall be recognized under equity. When cancelling treasury shares, the Company shall credit “treasury shares” and debit in proportion of percentage of ownership “share capital” and “capital surplus-additional paid-in capital”.

## **(23) Revenue Recognition**

- 1) The revenue from contracts with customers is primarily arising from the services of integration of electric information system, traffic control system and the planning and building of safety monitoring system. Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. The Company recognizes revenue based on the agreed prices of contracts or orders and takes into consideration of sales returns and allowances. The cumulative revenue shall be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.
- 2) When control of goods and services has transferred to customers, but the Company does not have the unconditional right to receive the consideration, contract assets and revenue shall be



recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company has received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

#### **(24) Financial Income and Financial Costs**

Financial income including interest income arising from investments in financial assets, dividends, reversal gains on financial assets impairment losses, gains on disposal of financial assets at fair value and gains on hedge instruments that shall be recognized in profit or loss. Interest income shall be recognized in profit or loss under accrual basis by effective interest rate method. Dividends shall be recognized at the date when the consolidated company has the right to receive the dividends. For securities with quoted prices, the dividends shall be recognized at ex-dividend date. Interest income and dividends shall be recognized as “other income” under non-operating income and expenses; other items shall be recognized with relevant losses by the net amount as “other gains and losses” under non-operating income and expenses.

Financial costs include interest expenses arising from borrowings, interest expenses recognized for discounted provisions as the time goes by, net losses on financial assets (liabilities) at fair value through profit or loss, impairment losses recognized for financial assets, losses on disposal of financial assets at fair value, and losses on hedge instruments that shall be recognized in profit or loss. Financial costs, except for interest expenses, shall be recognized with relevant gains by the net amount as “other gains and losses” under non-operating income and expenses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset shall be recognized in profit or loss by effective interest rate method.

Foreign exchange gains and losses shall be recognized by net amount as “other gains and losses” under non-operating income and expenses.

#### **(25) Earnings Per Share**

Basic earnings per share are calculated by net income divided by the weighted-average outstanding number of shares; Calculation of diluted earnings per share shall take into consideration the effect of dilutive potential ordinary shares transferring into ordinary shares. Potential ordinary shares with antidilutive effect shall not be included in the calculation.

### **5. MAJOR SOURCES OF UNCERTAINTY ARISING FROM SIGNIFICANT ACCOUNTING**

## **JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

When preparing the Company' parent company only financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheet date. However, these estimates and assumptions could differ from the actual result; thus, they could be assessed and adjusted by considering historical experiences and other factors. The uncertainty of significant accounting judgments, estimates and assumptions is as follows :

### **(1) Revenue Recognition**

Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. Returns and allowances are estimated based on historical experiences and other known factors, and recognized as the deduction to sales revenue at the period of the sales. And the Company reviews the rationality of the estimates on a regular basis.

### **(2) Valuation of Inventories**

As inventories shall be measured at the lower of the cost and net realizable value, the Company shall determine the net realizable value of inventories at the end of the reporting period by utilizing judgment and estimates. As the technology changes swiftly, the Company evaluates the amounts of inventories that are consumed normally, obsolete, or without market selling value, and write off the costs of inventories to the net realizable value. As valuation of inventories is estimated based on the demand for the products during a specific period in the future, significant changes may occur.

## **6. EXPLANATION OF SIGNIFICANT ACCOUNTS**

### **(1) Cash and Cash Equivalents**

	December 31, 2023	December 31, 2022
Cash on hand and revolving fund	\$556	\$528
Checking deposits and demand deposits	1,046,362	628,905
Time deposits	30,685	96,005
Total	\$1,077,603	\$725,438

As the correspondent banks are credible and the Company has several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.

### **(2) Financial Assets at Amortized Cost**

	December 31, 2023	December 31, 2022
Time deposits with maturity over three months	\$100,000	\$-

The Company and subsidiaries' financial assets at amortized cost are not pledged as collateral to any party.

### (3) Accounts Receivables

	December 31, 2023	December 31, 2022
Accounts receivables	\$ 1,243,332	\$ 2,072,090
Installment accounts receivables	3,610	2,382
Unrealized interest revenue- installment accounts receivable	(70)	(72)
Lease payments receivables	7,067	21,739
Unearned finance income from financial lease	(198)	(517)
Less : loss allowances	(12,245)	(21,115)
Total	<u>\$1,241,496</u>	<u>\$2,074,507</u>

1) The aging analysis of the accounts receivables of the Company is as follows:

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91-180 days	Overdue for over 181 days	Total
December 31, 2023						
Expected credit loss rate	0%	10%	20%	0%	98.68%	
Total carrying amount	\$1,236,539	\$4,413	\$1,037	\$-	\$11,752	\$1,253,741
Loss allowances	-	(441)	(207)	-	(11,597)	(12,245)
Amortized cost	<u>\$1,236,539</u>	<u>\$3,972</u>	<u>\$830</u>	<u>\$-</u>	<u>\$155</u>	<u>\$1,241,496</u>

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91-180 days	Overdue for over 181 days	Total
December 31, 2022						
Expected credit loss rate	0%	10%	16.7%	0%	100%	
Total carrying amount	\$1,962,856	\$2,506	\$114,973	\$13,627	\$1,660	\$2,095,622
Loss allowances	-	(251)	(19,204)	-	(1,660)	(21,115)
Amortized cost	<u>\$1,962,856</u>	<u>\$2,255</u>	<u>\$95,769</u>	<u>\$13,627</u>	<u>\$-</u>	<u>\$2,074,507</u>

2) The changes in loss allowances for accounts receivables of the Company is as follows:

	2023	2022
Beginning balance	\$21,115	\$21,115
Expected credit loss (gain)	(8,870)	-
Ending balance	\$12,245	\$21,115

3) The max exposure to credit risk of the accounts receivables is the carrying amount of the accounts receivables.

4) The Company does not hold any collateral.

**(4) Inventories**

	December 31, 2023	December 31, 2022
Merchandise inventories	\$1,143,762	\$1,221,798
Allowances for inventory valuation and obsolescence losses	(58,128)	(62,760)
Total	\$1,085,634	\$1,159,038

Costs of goods sold relevant to inventories are as follows:

	2023	2022
Costs of goods sold	\$4,177,614	\$4,877,141
Losses on scrap of inventories	-	22,571
Inventory valuation losses (reversal gains)	(4,632)	(38,778)
Total	\$4,172,982	\$4,860,934

The reversal gains of inventory valuation losses are primarily from scraps and sales of inventories with allowances for inventory valuation.

**(5) Prepayments**

	December 31, 2023	December 31, 2022
Prepayments	\$168,559	\$243,851
Others	14,045	13,469
Total	\$182,604	\$257,320

**(6) Other Current Assets**

	December 31, 2023	December 31, 2022
Restricted assets (pledged time deposits, reserve deposits)	\$335,673	\$212,151
Temporary payments	2,224	835
Payment on behalf of others	382	246
Total	<u>\$338,279</u>	<u>\$213,232</u>

**(7) Financial Assets and Liabilities at Fair Value Through Profit or Loss**

1) Financial assets:

Item	December 31, 2023	December 31, 2022
Current items:		
Stocks of listed companies	<u>\$8,175</u>	<u>\$5,019</u>

2) Financial liabilities:

Item	December 31, 2023	December 31, 2022
Non-current items:		
Derivative instruments-Redemption and put options of convertible corporate bonds	<u>\$-</u>	<u>\$368</u>

**(8) Financial Assets at Fair Value Through Other Comprehensive Income**

Item	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Stocks of unlisted companies	\$40,210	\$40,631
Valuation adjustments	99,182	91,479
Total	<u>\$139,392</u>	<u>\$132,110</u>

As the Company invested in the stocks for mid to long-term strategic purposes, and expects to earn profits by long-term investments, those investments were designated as measured at fair value through other comprehensive income.

**(9) Investments Accounted for Using Equity Method**

- (a) The ending balances of investments in subsidiaries as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
TARANTULA NETWORKS LTD.	\$10,640	\$10,432
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	7,619	7,633
FAMILY PLUS TECHNOLOGY INC.	16,016	8,106
S-LINK SYSTEMS INC.	13,568	21,292
OPEN INFORMATION SECURITY INC.	52,138	-
HWACOM SYSTEMS (H.K.) LTD.	264	-
Total	\$100,245	\$47,463

- (b) The share of interests of subsidiaries accounted for using equity method is valued based on the audited financial statements in the same period. The shares of profit or loss of subsidiaries, and associates accounted for using equity method for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
TARANTULA NETWORKS LTD.	\$(14)	\$(46)
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	135	(341)
FAMILY PLUS TECHNOLOGY INC.	7,910	(2,655)
S-LINK SYSTEMS INC.	(7,724)	(11,696)
OPEN INFORMATION SECURITY INC.	1,184	-
HWACOM SYSTEMS (H.K.) LTD.	(133)	-
Total	\$1,358	\$(14,738)

- (c) OPEN INFORMATION SECURITY INC. was established in May, 2023, and the Company's total investment was NT\$51,000 thousand with a 100% shareholding.
- (d) HWACOM SYSTEMS (H.K.) LTD. was established in October, 2023, and the Company's total investment was NT\$414 thousand with a 100% shareholding.
- (e) The capital reduction to make up for losses of NT\$40,000 thousand and cash capital increase of NT\$15,000 thousand of the subsidiary, S-LINK SYSTEMS INC., have been resolved by the board of directors in June, 2022.

(f) The capital reduction to make up for losses of NT\$25,000 thousand of the subsidiary, FAMILY PLUS TECHNOLOGY INC., has been resolved by the board of directors in August, 2022.

(g) Please refer to the notes to the consolidated financial statements for the years ended December 31, 2023 for the information on investees.

**(10) Property, Plant and Equipment**

	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2023					
Costs	\$111,724	\$82,815	\$49,515	\$85,566	\$329,620
Accumulated depreciation and impairment	-	(30,767)	(22,657)	(47,274)	(100,698)
	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$26,858</u>	<u>\$38,292</u>	<u>\$228,922</u>
<u>2023</u>					
January 1	\$111,724	\$52,048	\$26,858	\$38,292	\$228,922
Additions	-	-	17,536	67,684	85,220
Disposals and scraps	-	-	(1,442)	-	(1,442)
Depreciation expenses	-	(2,372)	(17,700)	(27,398)	(47,470)
December 31	<u>\$111,724</u>	<u>\$49,676</u>	<u>\$25,252</u>	<u>\$78,578</u>	<u>\$265,230</u>
December 31, 2023					
Costs	\$111,724	\$82,815	\$56,916	\$129,993	\$381,448
Accumulated depreciation and impairment	-	(33,139)	(31,664)	(51,415)	(116,218)
	<u>\$111,724</u>	<u>\$49,676</u>	<u>\$25,252</u>	<u>\$78,578</u>	<u>\$265,230</u>
	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2022					
Costs	\$111,724	\$93,413	\$41,141	\$81,451	\$327,729
Accumulated depreciation and impairment	-	(38,889)	(18,994)	(33,406)	(91,289)
	<u>\$111,724</u>	<u>\$54,524</u>	<u>\$22,147</u>	<u>\$48,045</u>	<u>\$236,440</u>

<u>2022</u>					
January 1	\$111,724	\$54,524	\$22,147	\$48,045	\$236,440
Additions	-	-	21,075	28,041	49,116
Disposals and scraps	-	-	(1,696)	-	(1,696)
Reclassification	-	-	-	(13,858)	(13,858)
Depreciation expenses	-	(2,476)	(14,668)	(29,936)	(41,080)
December 31	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$26,858</u>	<u>\$38,292</u>	<u>\$228,922</u>

December 31, 2022

Costs	\$111,724	\$82,815	\$49,515	\$85,566	\$329,620
Accumulated depreciation and impairment	-	(30,767)	(22,657)	(47,274)	(100,698)
	<u>\$111,724</u>	<u>\$52,048</u>	<u>\$26,858</u>	<u>\$38,292</u>	<u>\$228,922</u>

- 1) As of December 31, 2023 and 2022, the property, plant and equipment held by the Company are not impaired.
- 2) Please refer to Note 8 “pledged assets” for the information on property, plant and equipment pledge as collaterals.

#### **(11) Lease Transactions — Lessee**

- 1) The underlying assets of the lease transactions that the Company involves include buildings and structure, transportation equipment and miscellaneous equipment. The durations of lease terms are usually 2 to 3 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Except for that the lease assets shall not be used as collaterals, there’s no other restriction imposed to the lease assets.
- 2) The information on the carrying amount of right-of-use assets and depreciation expenses recognized is as follows:
  - (a) Carrying amount of right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	\$23,610	\$26,761
Transportation equipment	21,936	19,350
Miscellaneous equipment	809	1,230



Total	\$46,355	\$47,341
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(b) Depreciation expenses of right-of-use assets

	2023	2022
Buildings	\$16,810	\$16,096
Transportation equipment	13,487	13,070
Miscellaneous equipment	422	422
Total	\$30,719	\$29,588

3) The additions to right-of-use assets for the years ended December 31, 2021 and 2022 amounted to NT\$29,743 thousand and NT\$34,029 thousand, respectively.

4) The lease liabilities are as follows:

	December 31, 2023		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	\$25,148	\$(659)	\$24,489
Non-current	22,775	(306)	22,469
Total	\$47,923	\$(965)	\$46,958

	December 31, 2022		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	\$25,537	\$(669)	\$24,568
Non-current	23,760	(432)	23,328
Total	\$48,997	\$(1,101)	\$47,896

The total cash outflows for lease for the years ended December 31, 2023 and 2022 amounted to NT\$(31,602) thousand and NT\$(30,518) thousand, respectively.

**(12) Other Non-Current Assets**

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$10,954	\$22,102

Refundable deposits	416,167	318,181
Total	\$427,121	\$340,283

**(13) Short-Term Borrowings**

Nature of borrowings	December 31, 2023	December 31, 2022
Procurement loans	\$145,814	\$323,683
Other bank loans	181,182	97,635
Total	\$326,996	\$421,318
Interest rate interval	2.05 % ~ 2.53%	1.02 % ~ 2.39%

The Company provided part of the assets as collaterals for aforementioned short-term borrowings. Please refer to Note 8 “pledged assets” for detailed explanation.

**(14) Accounts Payables**

	December 31, 2023	December 31, 2022
Accounts payables	\$1,026,315	\$1,038,757
Estimated accounts payables	116,360	44,116
Total	\$1,142,675	\$1,082,873

**(15) Other Payables**

	December 31, 2023	December 31, 2022
Wages and salaries payables	\$187,908	\$182,797
Employees’ remuneration payables	9,224	23,323
Sales tax payables	27,463	39,341
Other accrued expenses payables	47,136	42,304
Total	\$271,731	\$287,765

**(16) Other Current Liabilities**

	December 31, 2023	December 31, 2022
Advance receipts	\$17,405	\$-
Current portion of long-term loan	5,226	5,188
Others	16,038	17,123

Total	\$38,669	\$22,311
<b>(17) Provisions</b>		
	December 31, 2023	December 31, 2022
Current:		
Short-term liabilities from onerous contracts	\$14,667	\$-
Non-current:		
Long-term liabilities to be determined by legal procedures	\$12,283	\$12,283

**(18) Corporate Bonds Payables**

- 1) The outstanding convertible corporate bonds issued by the Company are as follows:

	December 31, 2023	December 31, 2022
Total amount of convertible corporate bonds issued	\$300,000	\$300,000
Less : discount on corporate bonds payables	-	(3,350)
Less : accumulated conversion amount	(299,600)	(181,200)
Less : accumulated redemption amount	(400)	-
Total	\$-	\$115,450

- 2) The Company issued the fourth domestic unsecured convertible corporate bonds in 2021 for the future operating requirements and repayment of bank loans. The issuance was approved by the letter with No. Financial-Supervisory-Securities-Corporate-1100339335 from the FSC on April 23, 2021. The issuance terms are as follows:

Total amount issued	NT\$300,000 thousand
Issue date	May 25, 2021
Coupon rate	0%
Issue period	May 25, 2021~May 25, 2024
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEx for the cancellation in accordance with Article 17, the Company shall repay in cash one lump sum by the denomination of bonds when the convertible bonds mature.
Terms of redemption	<p>1. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may redeem the outstanding bonds by the denomination of the bonds.</p> <p>2. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may redeem the outstanding bonds by the denomination of the bonds.</p>
Terms of demanding pay back by bondholders	40 days before the two-year period after the issuance of the convertible bond, the bondholder may demand the Company to pay back the denomination of bonds plus interest refunds by cash. After two years, it's 100.50% of the denomination of the bonds.
Conversion period	From the day following the three-month period after the issuance of the convertible bonds to the maturity date, the bondholder may request the Company's stock agency for conversion of ordinary shares at any time based on the conversion terms, except during the period in which transfer is suspended by laws.

Conversion price	<p>The conversion price at issuance is NT\$16.63.</p> <p>Effective from September 18, 2022, the conversion price adjusted from NT\$16.63 to NT\$16.30.</p> <p>Effective from September 16, 2023, the conversion price adjusted from NT\$16.30 to NT\$16.04.</p>
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As of December 31, 2023, the Company's domestic unsecured convertible bonds had been redeemed amounting to NT\$400 thousand and converted into common stock amounting to NT\$299,600 thousand, and no bonds were outstanding.

#### (19) Long-Term Borrowings

Creditor	Loan period and repayment	December 31, 2023	December 31, 2022
Taiwan Cooperative Bank	The contract period is from June 11, 2013 to June 11, 2028. The loan shall be repaid by installments. Interest rate for the loan is 2.050%.	\$12,409	\$15,018
Bank of Taiwan	The contract period is from June 12, 2014 to June 12, 2029. The loan shall be repaid by installments. Interest rate for the loan is 2.03%.	14,117	16,683
Less : current portion of long-term borrowings		(5,226)	(5,188)
		<u>\$21,300</u>	<u>\$26,513</u>

The Company provided part of the assets as collaterals for aforementioned long-term borrowings. Please refer to Note 8 "pledged assets" for detailed explanation.

#### (20) Pension

- 1)(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. For employees who are

eligible for retirement, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (included) and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company and subsidiaries are required to fund the deficit in one appropriation before the end of next March.

(b) Amounts recognized in balance sheets are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$(138,747)	\$(140,156)
Fair value of the plan assets	51,466	48,826
Net defined benefit assets	<u>\$(87,281)</u>	<u>\$(91,330)</u>

(c) Changes in present value of the defined benefit obligations are as follows:

	2023	2022
Present value of the defined benefit obligations as of January 1	\$(140,156)	\$(146,108)
Current service costs	(1,160)	(1,215)
Interest costs of defined benefit obligations	(1,588)	(1,011)
Benefits paid	-	2,842
Actuarial gains (losses) from experience adjustments <sub>經</sub>	4,660	(905)
Actuarial gains (losses) from changes in demographic assumptions	(7)	(1)
Actuarial gains (losses) from changes in financial assumptions	(496)	6,242
Present value of the defined benefit obligations	<u>\$(138,747)</u>	<u>\$(140,156)</u>

as of December 31

(d) Changes in fair value of plan assets are as follows:

	2023	2022
Fair value of plan assets as of January 1	\$48,826	\$46,203
Expected interest income of plan assets	456	318
Return (losses) on plan assets	598	3,527
Funding by the employer	1,586	1,620
Benefits of plan assets paid	-	(2,842)
Fair value of plan assets as of December 31	\$51,466	\$48,826

(e) Total amounts of expenses recognized in statements of comprehensive income:

	2023	2022
Current service costs	\$1,160	\$1,215
Interest costs of defined benefit obligations	1,588	1,011
Interest revenue of plan assets	(456)	(318)
Current pension costs	\$2,292	\$1,908

The aforementioned expenses are recognized in statements of comprehensive income as various costs and expenses as follows :

	2023	2022
Selling expenses	\$1,525	\$1,272
Administrative expenses	665	555
Research and development expenses	102	81
Total	\$2,292	\$1,908

(f) Actuarial gains (losses) recognized in other comprehensive income are as follows:

	2023	2022
Recognized in the current period	\$4,755	\$8,863
Cumulative amount	\$(29,772)	\$(34,527)

(g) The employee pension fund of defined benefit plan is deposited under a trust administered by the Bank of Taiwan. Bank of Taiwan follows the proportion and amount of operation items designated in the utilization plan of the fund, according to the items designated in Act. 6 of

Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which are deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, etc.), to operate the commission. The related utilization guarantees the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits. For the composition of fair value of the fund assets as of December 31, 2023 and 2022, please refer to the utilization report of labor retirement fund of each year publicly announced by the government.

The expected rate of return of the entire plan asset is estimated by the forecast to the return of the entire period of the obligations based on the trend of historical returns, and referring to the utilizations of the pension fund supervised by the Bureau of Labor Funds, and the estimates take into consideration the effect that the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits.

(h) Actuarial assumptions related to pension are summarized as follows:

	2023	2022
Discount rate	1.20%	1.25%
Rate of expected future salary increase	3.00%	3.00%

The mortality assumption is based on the sixth and fifth life insurance mortality table of Taiwan's life insurance industry.

The effects of the present value of defined benefit obligation due to the changes in main actuarial assumptions:

	Discount rate		Rate of expected future salary increase	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
Effects to the present value of defined benefit obligation	\$(2,450)	\$2,524	\$2,474	\$(2,414)
December 31, 2022				
Effects to the present value of defined benefit obligation	\$(2,695)	\$2,782	\$2,728	\$(2,656)



The sensitivity analyses above have been determined based a method that extrapolates the effects on the net defined obligation as a result of a single change in key assumptions. Practically, the changes of assumptions may be correlated. The method that the sensitivity analyses adopted is the same as what the calculation of net pension liabilities in the balance sheets do.

The method and assumptions used for the sensitivity analyses in the current period are the same as the prior period.

- (i) The historical information of experience adjustments is as follows:

	2023	2022
Present value of defined benefit obligations	\$(138,747)	\$(140,156)
Fair value of plan assets	51,466	48,826
Surplus (deficit) in the plan	\$(87,281)	\$(91,330)
Experience adjustments of plan liabilities	\$(4,157)	\$(5,336)
Experience adjustments of plan assets	\$598	\$3,527

- (j) The Company expects to make pension fund contribution of NT\$1,588 thousand in 2024.

2)(a) Since July 1, 2005, based on Labor Pension Act., the Company has defined contribution plan covering regular employees with R.O.C. nationality, and make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee.

- (b) The pension costs recognized based on the aforementioned pension plan for the years ended December 31, 2023 and 2022 amounted to NT\$39,230 thousand and NT\$36,015 thousand, respectively.

## (21) Share Capital

	December 31, 2023	December 31, 2022
Authorized capital stock	\$2,000,000	\$2,000,000
Ordinary shares	\$1,337,776	\$1,336,934
Conversion of corporate bonds	72,726	842
Issued shares	\$1,410,502	\$1,337,776

- 1) The outstanding numbers of ordinary shares in the beginning and in the end of the period are reconciled as follows:

	(Unit : thousands of shares)	
	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	3,377
Ordinary shares from conversion of corporate bonds payables	7,273	84
December 31	140,090	132,817

- 2) The cash capital increase by private placement was approved by the shareholders meeting on June 28, 2019, and the board of directors resolved that the base date of the private placement is on August 5, 2019, and the number of shares for the private placement is 19,400 thousand of shares with subscription price of NT\$13.7 per share. The total amount raised was NT\$265,780 thousand. The retroactive handling of public issuance procedures of the private placement of ordinary shares have been approved by Taipei Exchange on November 10, 2022.

3) Treasury shares

- (a) The changes in treasury shares are as follows: (Unit : thousands of shares)

Reason of the reacquisition	For the year ended December 31, 2023			
	January	Additions	Reductions	December 31
Transfer the shares to employees	961	-	-	961

Reason of the reacquisition	For the year ended December 31, 2022			
	January	Additions	Reductions	December 31
Transfer the shares to employees	4,338	-	3,377	961

- (b) The reacquisition of 4,338 thousand of treasury shares amounting to NT\$59,797 thousand has been resolved by the board of directors on March 23, 2020. The board of directors has resolved to transfer 3,377 thousand of treasury shares to employees with the consideration amounting to NT\$42,625 thousand at November 7, 2022, and recognized the costs for share-based payments of NT\$6,551 thousand. As of December 31, 2023, the balance of treasury shares amounted to NT\$13,247 thousand, 961 thousand of shares.

- (c) According to the Securities and Exchange Act, the treasury shares held by the Company shall not be pledged. Before transfer, the shareholder's rights, such as dividend distribution, voting, shall not be enjoyed.

## **(22) Capital Surplus**

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares or by cash. Based on the regulations of the Securities and Futures Bureau, where a company intends to capitalize the capital surplus, the total amount per year shall not exceed 10 percent of paid-in capital. An amount transferred to capital surplus may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital surplus.

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$390,487	\$342,405
Treasury shares transactions	8,460	8,447
Employee stock options	4,027	4,027
Warrants of corporate bonds	-	5,058
Total	<u>\$402,974</u>	<u>\$359,937</u>

## **(23) Retained Earnings**

### **1) Legal reserve**

The legal reserve shall not be used except for making good the deficit of the company. Where a company incurs no loss, legal reserve may be distributed by issuing new shares or by cash, for the portion in excess of 25% of the paid-in capital.

### **2) Special reserve**

- (a) When distributing distributable earnings, the Company shall set aside special reserve for the net debit elements of other equity according to regulations. If any of the net debit elements under other equity is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.
- (b) The amounts previously set aside by the Company as special reserve at first-time adoption of IFRSs in accordance with the approval letter with reference number Financial-Supervisory-

Securities-Corporate-1010012865 issued on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed, or reclassified subsequently. Such amounts are reversed upon disposal or reclassification if the assets are investment property of land, and reversed over the used period if the assets are investment property other than land.

### 3) Earnings distribution

- (a) According to the Article 20 of the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.

If there is any net profit after closing of a fiscal year, the Company shall first pay income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over; and then set aside a special reserve in accordance with regulations. If there is still remaining balance, the Company may retain part of the profits if necessary and set aside the balance as shareholders' dividends.

As the industry that the Company operates in is in the growth period, in considering the demand of future funding and shareholders' requirements of cash inflows, if there is any net profit after closing of a fiscal year, the ratio of cash dividend shall be lower than 10% of total distribution, and the others shall be paid by stock dividends.

- (b) The information about the distribution of earnings of 2022 and 2021 resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.
- (c) Please refer to Note 6.28 for the information on employees', directors', and supervisors' remuneration.

## (24) Net Revenue

### 1) Revenue from contracts with customers

	2023	2022
Sales revenue, net	\$3,901,151	\$5,022,943
Maintenance revenue	849,541	657,044
Construction revenue	373,814	271,052

Service revenue	70,221	96,001
Other operating revenue	17,266	30,055
Total	<u>\$5,211,993</u>	<u>\$6,077,095</u>

2) Information on revenue from contracts with customers is as follows:

(a) Classification of revenue

Time point of revenue recognition:

	2023	2022
At a point of time	\$3,904,540	\$5,041,027
Recognize over time	1,307,453	1,036,068
Total	<u>\$5,211,993</u>	<u>\$6,077,095</u>

(b) Balances of contracts

	December 31, 2023	December 31, 2022
Contract assets	\$47,481	\$30,414
Contract liabilities	<u>\$737,465</u>	<u>\$897,555</u>

As of December 31, 2023 and 2022, the beginning balances of contract liabilities recognized as revenue in the years ended December 31, 2023 and 2022 amounted to NT\$793,710 thousand and NT\$1,085,987 thousand, respectively.

When control of goods and services has transferred to customers, but the Company does not have the unconditional right to receive the consideration, contract assets shall be recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company has received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

**(25) Other Income**

	2023	2022
Income from government grants	\$66,887	\$36,707
Miscellaneous Income	7,509	20,351
Total	<u>\$74,396</u>	<u>\$57,058</u>

**(26) Other Gains and Losses**

	2023	2022
Gains (losses) on disposal and scrap of property, plant and equipment	\$144	\$206
Net foreign exchange gains (losses)	5,600	21,007
Gains (losses) on valuation of financial liabilities at fair value through profit or loss	3,634	(1,035)
Miscellaneous disbursements	(23,945)	(19,961)
Total	<u>\$(14,567)</u>	<u>\$217</u>

**(27) Additional Information on The Nature of Expenses**

	2023	2022
Employee benefits expenses	\$1,022,063	\$949,897
Depreciation, amortization, and impairment expenses	102,752	91,175
Travelling and insurance expenses	28,838	26,761
Other expenses	60,931	16,024
Total	<u>\$1,214,584</u>	<u>\$1,083,857</u>

**(28) Employee Benefits Expenses**

	2023	2022
Payroll expenses	\$877,781	\$824,190
Labor and health insurance expenses	72,286	64,335
Pension expenses	41,523	37,923
Directors' remuneration	2,315	1,742
Other employment expenses	28,158	21,707
Total	<u>\$1,022,063</u>	<u>\$949,897</u>

(a) According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the

rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.

- (b) For the years ended December 31, 2023 and 2022, the employees' remuneration accrued amounted to NT\$9,224 thousand and NT\$22,261 thousand, respectively; the directors' and supervisors' remuneration accrued amounted to NT\$769 thousand and NT\$1,855 thousand, respectively. The aforementioned amounts are recognized as payroll expenses. There was no difference between the amounts of employees' remuneration and directors' remunerations for 2022 approved by the Company's board of directors and the amounts recognized in the financial statements. Employees' remuneration is paid by cash.
- (c) The information about the employees', directors' and supervisors' remuneration approved by the board of directors and resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.

#### **(29) Financial Costs**

	2023	2022
Interest expenses :		
Bank loans	\$10,542	\$10,697
Lease liabilities	930	996
Corporate bonds	823	2,355
	<u>\$12,295</u>	<u>\$14,048</u>

#### **(30) Income Tax**

##### 1) Income tax expenses comprise

	2023	2022
Current income tax :		
Current income tax charge	\$18,221	\$16,100
Additional tax on undistributed earnings	240	2,578

Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Total current income tax	\$13,698	\$16,795
Deferred income tax :		
Origination and reversal of temporary differences	(475)	8,728
Income tax expenses (benefits)	\$13,223	\$25,523

2) Relationship between income tax expenses and accounting profits

	2023	2022
Tax payables calculated by profit (loss) before tax multiplying the enacted tax rates	\$14,169	\$32,724
Tax effect of items that shall not be included in calculating income tax	4,052	(16,624)
Additional tax on undistributed earnings	240	2,578
Tax effect of temporary difference	(475)	8,728
Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Income tax expenses (benefits)	\$13,223	\$25,523

3) The amounts of deferred tax assets or liabilities arising from temporary differences, loss carryforwards, and investment tax credits are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences :				
-Deferred tax assets				
Recognition of inventory	\$12,552	\$2,007	\$-	\$14,559



valuation losses				
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,448	141	-	4,589
Recognition of net pension costs and actuarial gains and losses	13,791	-	(951)	12,840
Others	1,578	(1,569)	-	9
Total	<u>\$34,825</u>	<u>\$579</u>	<u>\$(951)</u>	<u>\$34,453</u>
-Deferred tax liabilities				
Unrealized gains (losses) on valuation of financial liabilities at fair value through other comprehensive income	\$ (17,782)	\$-	\$(1,759)	\$ (19,541)
Others	-	(104)	-	(104)
Total	<u>\$(17,782)</u>	<u>\$(104)</u>	<u>\$(1,759)</u>	<u>\$(19,645)</u>
2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences :				
-Deferred tax assets				
Recognition of inventory valuation losses	\$20,309	\$(7,757)	\$-	\$12,552
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,390	58	-	4,448
Recognition of net pension costs and actuarial gains and losses	15,563	-	(1,772)	13,791
Others	2,607	(1,029)	-	1,578
Total	<u>\$45,325</u>	<u>\$(8,728)</u>	<u>\$(1,772)</u>	<u>\$34,825</u>
-Deferred tax liabilities				
Unrealized gains (losses)	<u>\$ (33,523)</u>	<u>\$-</u>	<u>\$15,741</u>	<u>\$ (17,782)</u>

on valuation of financial liabilities at fair value through other comprehensive income				
Total	<u>\$(33,523)</u>	<u>\$-</u>	<u>\$15,741</u>	<u>\$(17,782)</u>

- 4) The declaration of the Company's profit-seeking enterprise income tax has been verified by the tax collection authority until the years as follows :

	<u>Verification year</u>
The Company	2021

### (31) Earnings Per Share

	<u>2023</u>		
	Amount net of tax	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares	\$57,620	137,785	\$0.42
<u>Effects of dilutive potential ordinary shares</u>			
The fourth convertible corporate bonds	658	2,304	
Employees' remuneration	-	742	
<u>Diluted earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	\$58,278	140,831	\$0.41
		<u>2022</u>	
	Amount net of tax	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT\$)

<u>Basic earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares	\$138,097	129,957	\$1.06
<u>Effects of dilutive potential ordinary shares</u>			
The fourth convertible corporate bonds	1,883	7,189	
Employees' remuneration	-	1,830	
<u>Diluted earnings per share</u>			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	\$139,980	138,976	\$1.01

- 1) In calculating diluted earnings per share, if the Company may distribute the employees' remuneration in stock, the potential ordinary shares shall be added into the weighted average number of ordinary shares outstanding when they become dilutive. The fair value of the potential ordinary shares at the end of the reporting period is the basis for determination of number of shares issued. Before determining the number of shares distributed as employees' remuneration, in calculating diluted earnings per share, the Company shall keep considering the dilution of the potential ordinary shares.
- 2) If distribution of employees' remuneration by stock and the number of shares to be distribute has been resolved, it shall be added into the calculation of earnings per share in the year of the resolution.
- 3) If the operating results of the Company are deficit or adding the potential ordinary shares of convertible bonds is antidilutive, they are not included in the calculation of diluted earnings per share.

Weighted average number of ordinary shares outstanding is calculated as follows:

(Unit : thousands of shares)

	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	563
Corporate bonds converted into ordinary shares	4,968	38
Total	137,785	129,957

## 7. RELATED PARTY TRANSACTIONS

### (1) Names and Relationships of Related Parties

Name of related parties	Relationship with the Company and subsidiaries
TARANTULA NETWORKS LTD.	Subsidiary
FAMILY PLUS TECHNOLOGY INC.	Subsidiary
S-LINK SYSTEMS INC.	Subsidiary
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Subsidiary
OPEN INFORMATION SECURITY INC.	Subsidiary
HWACOM SYSTEMS (H.K.) LTD.	Subsidiary
ADVANTECH CO., LTD.	Associate

### (2) Significant Transactions with Related Parties

#### 1) Purchases

	2023	2022
Subsidiaries	\$24,674	\$8,132
Associates	2,483	24,486
Total	\$27,157	\$32,618

The purchases from related parties are based on the general purchase conditions (market price), and the payment terms are 1 to 2 months.

#### 2) Sales

	2023	2022
Subsidiaries	\$1,100	\$125

The sales to related parties are based on the general purchase conditions (market price), and the payment terms are 1 to 2 months.

3) Payables to related parties

	December 31, 2023	December 31, 2022
Subsidiary	\$5,509	\$3,485
Associate	90	8,880
	<u>\$5,599</u>	<u>\$12,365</u>

4) Receivable from related parties

	December 31, 2023	December 31, 2022
Subsidiary	\$1,287	\$-

**(3) Information on Key Management Personnel Compensation**

	2023	2022
Payroll and other short-term employee benefits	<u>\$84,303</u>	<u>\$98,379</u>

**8. PLEDGED ASSETS**

The assets pledged as collaterals are as follows:

	Carrying amount	
Assets	December 31, 2023	December 31, 2022
Other current assets- time deposits and reserve account	\$335,673	\$212,151
Property, plant and equipment	161,399	163,772
Total	<u>\$497,072</u>	<u>\$375,923</u>

(1) The pledged assets are presented at carrying amount.

(2) The pledged assets are provided for collaterals for loans from financial institutions.

## 9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1) Contingencies

	December 31, 2023	December 31, 2022
(a) Unused usance L/C issued for importing cargo	\$4,254	\$279,181
(b) Guarantee notes submitted for performance of constructions	367,669	182,044
(c) Letter of guarantee issued for bid bonds and performance bonds	609,669	589,039
Total	<u>\$981,592</u>	<u>\$1,050,264</u>

(d) The Company purchased equipment from NTT TAIWAN LTD. (hereinafter “NTT”) for the “building of Asia Pacific Telecom’s server room project” outsourced by NOKIA SOLUTIONS AND NETWORKS TAIWAN CO., LTD. (hereinafter “Nokia”), and dispute occurred. NTT alleged that the Company, Nokia, and Asia Pacific have the cause of not making payments, and complaint and requested joint damage or quasi-joint compensation from the aforementioned 3 companies, including the Company. The case been judged against the Company in the trial of first insurance by Taiwan Shilin District Court on January 14, 2020. The Company has recognized the relevant losses of NT\$12,846 thousand (USD428,482 thousand) for the payable amount based on the conservatism principle, which are recognized under non-current liabilities-provisions. The Company appealed and the High Court judged on September 15, 2021 that the Company shall pay NTT USD18,779 thousand and the accrued interest calculated from October 24, 2017 to the repayment date by annual interest rate of 5%. The residual USD409,703 thousand and the interests shall be paid by Asia Pacific Telecom based on the amendment to the judgment.

After consulting legal expert for legal advices, for the USD409,703 appealed by Asia Pacific Telecom and NTT, the Company did not issue purchase order to NTT, and the upstream of the Company, Nokia, did not issue purchase order to the Company. Therefore, the amount shall not be paid by the Company. However, as NTT and Asia Pacific Telecom has appealed for the third instance, and the case has been remanded to the High Court by the Supreme Court, the final result is not determined in July, 2022. Therefore, as of December 31, 2023, the balance of the provisions amounted to NT\$12,283 thousand.

(2) Commitments: None.

## 10. LOSSES DUE TO MAJOR DISASTERS: None.

**11. SIGNIFICANT SUBSEQUENT EVENTS:** None.

**12. OTHERS**

**(1) Capital Risk Management**

The primary objective of the Company's capital management is to ensure that it operates continuously and maintains optimal balances of debts and equity to maximize the returns to shareholders. The Company maintains good profitability and financial ratios by reviewing and measuring relevant costs, risk and rate of return on a regular basis. The Company balances the entire capital structure by various financing method as appropriate, to cope with the requirements to operating funds, repayments of debts, and dividends in the future.

**(2) Financial Instruments**

1) Fair value information of financial instruments

- (a) All the carrying amounts of financial instruments not measured at fair value (including cash and cash equivalents, financial assets, financial assets at amortized cost, notes receivables, accounts receivables, contract assets and liabilities, other receivables, borrowings, accounts payables, other payables, and financial liabilities) that are not measure at fair value, are the reasonable approximations of fair value.

2) Financial risk management policies

- (a) The normal operation of the Company is affected by various financial risks, including market risk (including foreign currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to decrease the potential adverse impact on the financial position and financial performance, the Company's entire risk management policies put emphasis on the unpredictable events in the financial market.
- (b) The financial risk management is implemented by the finance department based on the transaction authority approved by the board of directors. The Company's financial department is responsible for identifying, evaluating and hedging financial risk by closely communicating with operating units.

3) Information on significant financial risk

(a) Market risk

I. Foreign currency risk :

- i. As part of the cash inflows and outflows are denominated in foreign currencies, there are natural hedging effects. The purpose of the management of foreign currency risk is for

hedging, instead for profiting.

- ii. The strategies to manage foreign currency risk are to review the net position of assets and liabilities denominated in foreign currencies (primarily USD and JPY) on a regular basis, and implement risk management to the position. The election of instruments to hedge foreign currency risk considers the hedging costs and hedging periods. Currently, raising debts denominated in foreign currencies is the primary tool to hedge foreign currency risk. As the liabilities denominated in foreign currencies are exposed to foreign currency risk, the Company and subsidiaries usually transform the borrowings denominated in foreign currencies into borrowings denominated in NTD. Therefore, significant foreign currency risk is expected not to occur in general.

The information on the monetary assets and liabilities denominated in foreign currencies at the end of the reporting period is as follows:

December 31, 2023						
	Foreign currency		Carrying amount	Sensitivity analysis		
	(thousan d)	Exchan ge rate	(NTD)	Impact on		
				other		
				Impact on	comprehe	
			Variation	profit or loss	nsive income	
<u>Financial</u>						
<u>assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD	\$2,444	30.69	\$75,006	1%	\$750	\$-
CNY	1,514	4.33	6,556	1%	66	-
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>items</u>						
USD	2,226	30.69	68,316	1%	683	-



December 31, 2022						
	Foreign		Carrying	Sensitivity analysis		
	currency		amount			Impact on
					Impact on	other
	(thousan	Exchan			profit or	comprehe
d)	ge rate	(NTD)	Variation	loss	nsive	income
<u>Financial</u>						
<u>assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD	\$5,674	30.67	\$174,022	1%	\$1,740	\$-
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>items</u>						
USD	2,768	30.78	85,199	1%	852	-
JPY	46,980	0.23	10,989	1%	110	-

The unrealized exchange gains (losses) of monetary items with significant influence due to exchange rates fluctuations for the years ended December 31, 2023 and 2022 amounted to NT\$521 thousand and NT\$(537) thousand, respectively.

II. Price risk: As the investments held by the Company are classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income in the consolidated balance sheets, the Company is exposed to price risk of equity instruments. In order to manage the price risk of equity instruments, the Company controls the risk by diversifying the investment portfolio.

III. Interest rate risk: The interest rate risk is from borrowings from bank. The Company is exposed to cash flow interest rate risk due to borrowings at floating interest rate, and part of the risk is offset by the cash and cash equivalents at floating interest rate. The Company is exposed to fair value interest rate risk due to borrowings at fixed interest rate. The Company's policy is adopting fixed interest rate.

(b) Credit risk

I. Credit risk refers to the risk that counterparty will default on its contractual obligations

resulting in financial losses to the Company The Company is exposed to credit risks from cash, deposited in banks and financial institutions, fixed income investments, other financial instruments and receivables arising from operating activities.

- II. Most of the debtors of the receivables are credible companies or government agencies. As there is no significant bad debt in recent years, and the adequacy of loss allowances is reviewed on a regular basis, there is no significant credit risk.
- III. The credit risk of bank deposits, fixed income investments and other financial instruments is measured and reviewed by operating management department. As the transaction and performance counterparties are credible banks and financial institutions, there is no significant credit risk.

(c) Liquidity risk

- I. The cash flow forecast is summarized by the financial department. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to support the operating requirements, and maintains enough unused commitments of borrowings at any time, to prevent the Company from breaching related credit lines of borrowings or terms.
- II. The table below analyzed the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The contractual cash flows disclosed below are not discounted.

Non-derivative financial  
liabilities

December 31, 2023	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	\$120,148	\$206,848	\$-	\$-	\$-
Accounts payables	637,431	460,250	2,643	42,351	-
Other payables	254,385	17,346	-	-	-
Lease liabilities (including the current portion)	6,887	18,261	15,937	6,838	-
Long-term borrowings (including the current portion)	1,302	3,924	5,282	14,735	1,283

Non-derivative financial liabilities					
December 31, 2022	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	\$134,456	\$286,862	\$-	\$-	\$-
Accounts payables	464,391	596,021	18,774	3,687	-
Other payables	246,416	40,968	381	-	-
Corporate bonds	-	-	118,800	-	-
payables (including the current portion)					
Lease liabilities	7,365	17,872	14,275	9,484	-
(including the current portion)					
Long-term borrowings	1,293	3,895	5,235	16,001	5,277
(including the current portion)					

### (3) Estimates of Fair Value

1) The valuation techniques adopted to analyze the financial instruments at fair value are as the table below. The definitions of each level are as follows:

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

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

Level 3 : unobservable inputs for the assets or liabilities. The investment properties held by the Company are in the scope.

The financial assets and liabilities measure at fair value as of December 31, 2023 and 2022 are as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
<u>Current financial assets at fair value through profit or loss</u>				
Equity instruments - listed shares	\$8,175	\$-	\$-	\$8,175
<u>Non-current financial assets at fair value through other comprehensive income</u>				
Equity instruments - unlisted shares	\$-	\$-	\$139,392	\$139,392
December 31, 2022	Level 1	Level 2	Level 3	Total
<u>Current financial assets at fair value through profit or loss</u>				
Equity instruments - listed shares	\$5,019	\$-	\$-	\$5,019
<u>Non-current financial assets at fair value through other comprehensive income</u>				
Equity instruments - unlisted shares	\$-	\$-	\$132,110	\$132,110
<u>Non-current financial liabilities at fair value through profit or loss</u>				
Derivative instruments - Redemption and put options of convertible bond	\$-	\$368	\$-	\$368

(a) For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Changes in Level 3 financial instruments are as follows:

	Non-derivative equity instruments	
	2023	2022
January 1	\$132,110	\$193,588
Purchase in current period	-	6,000
Disposal in current period	(7,121)	-
Recognized in other comprehensive income		
(Recognized as unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income )	14,403	(67,478)
December 31	\$139,392	\$132,110

2) Valuation techniques used to evaluate financial instruments include :

- (a) The quoted price in a public market or from dealers of an identical instrument.
- (b) Other valuation techniques to determine the fair value of the other financial instruments, e.g. discounted cash flow analysis.

3) The valuation process of fair value categorized in level 3 is verifying the independent fair value of financial instruments by accounting department, making the valuation results close to market condition by data from independent sources and reviewing on a regular basis, to ensure the valuation results are reasonable.

4) As the Company carefully assessed and selected the valuation model and valuation parameters, the fair value measurement shall be reasonable. However, different valuation model or parameter may result in different valuation results. The quantitative information on the significant unobservable inputs used in valuation models of level 3 fair value measurement is as follows :

	December 31, 2023 Fair value	Valuation technique s	Significant unobservable inputs	Interval (Weighted- average)	Relationship between the inputs and fair value
Non-derivative equity instruments : Stocks of unlisted companies	\$139,392	Market approach	Book-to-market ratio, Price- to-sales ratio,	-	The higher the book- to-market ratio is, the higher the fair value is ; the higher the

capital structure	capital structure
adjustment ratio	adjustment ratio is,
	the lower the fair
	value is.

As there are changes of  $\pm 1\%$  in significant unobservable input, the effects recognized in other comprehensive income amounted to NT\$1,569 thousand and NT\$(1,578) thousand.

### 13. OTHER DISCLOSURES

#### (1) Information on Significant Transactions

1) Loans to others: None.

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

3) Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security (Note 1)	Relationship with the Company (Note 2)	Account	Ending balance				Note (Note 4)
				Shares or units	Carrying amount (Note 3)	Percentage of ownership	Fair value	
HWACOM SYSTEMS INC.	ZERO ONE TECHNOLOGY CO., LTD.	-	Current financial assets at fair value through profit or loss	125	\$8,175	0.08%	\$8,175	
HWACOM SYSTEMS INC.	GENIE NETWORKS LIMITED	-	Non-current financial assets at fair value through other comprehensive income	906	18,150	3.53%	18,150	
HWACOM SYSTEMS INC.	VERISILICON MICROELECTRONICS (SHANGHAI) CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	693	112,259	0.14%	112,259	
HWACOM SYSTEMS INC.	ACOM NETWORKS TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	380	5,996	19.00%	5,996	
HWACOM SYSTEMS INC.	TAIWAN BOTONG SOFTWARE TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	500	-	11.63%	-	
HWACOM SYSTEMS INC.	OMNI MEDIA INTERNATIONAL INCORPORATION	-	Non-current financial assets at fair value through other comprehensive income	500	1,945	0.76%	1,945	
HWACOM SYSTEMS INC.	LEON ENERGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	100	1,042	0.43%	1,042	
TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION -ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	56	976	0.77%	976	

TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION –preferred shares	-	Non-current financial assets at fair value through other comprehensive income	25	430	-	430	
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Note 1 : The securities in the table are within the stocks, bonds, beneficiary certificates, and derivative securities of aforementioned items within the scope of IFRS 9 “Financial Instruments: Recognition and Measurement”

Note 2 : If the issuer of the security is not a related party, the column shall be left blank.

Note 3 : For those measured at fair value, the carrying amount shall be filled in the carrying balance after fair value valuation adjustments and less the accumulated impairment. For those not measured at fair value, the carrying amount shall be filled in the carrying balance of initial acquisition costs or amortized costs less accumulated impairment.

Note 4 : If the securities listed are restricted for providing guarantee or collaterals for borrowings, the number of shares provided for guarantee or collateral, the guaranteed or borrowed amount, and the restricted conditions shall be filled in the Note column.

- 4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 5) Acquisition of real estate reaching NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 6) Disposal of real estate reaching NT\$300 million or 20% of the Company’s paid-in capital or more: None.
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 9) Trading in derivative instruments: None.
- 10) Significant transactions, prices, payments terms and unrealized gains or losses with investees in Mainland China through a holding company registered in a third region: None.



11) Business relationships among the parent company and subsidiaries, and significant intercompany transactions and amounts: Note 7

Note 1 : Business relationships among the parent company and subsidiaries, and significant intercompany transactions shall be filled in the No. column as the way below :

1. The parent company:0
2. Investees: sequentially numbered from 1.

Note 2 : There are three types of intercompany relationships as follows. Please indicate the type by numbers :

1. Parent to subsidiary
2. Subsidiary to parent
3. Subsidiary to subsidiary

Note 3 : Concerning the calculation of percentage accounting for the consolidated net revenue or total assets, for assets and liabilities, the percentage shall be calculated by the ending balance accounting for the consolidated total assets. For profit or loss, the percentage shall be calculated by the cumulative amount accounting for consolidated total revenue

Note 4 : The transactions have been eliminated in preparing the consolidated financial statements.

**(2) Information on Investees**

1) The Information about company names, locations, etc. of Investees ( excluding the investees in Mainland China ) :

Investor company	Investee company ( Note 1, 2 )	Location	Main business	Original investment amount		Holding in the end of period			Profit (loss) of investees in the current period ( Note 2(2) )	Gains (losses) on investments recognized in the current period ( Note 2(3) )	Note
				December 31, 2023	December 31, 2022	Numbe r of shares	Percent age	Carrying amount			

HWACOM SYSTEMS INC.	TARANTULA NETWORKS LTD.	New Taipei City	Information software and communication engineering, etc.	\$19,980	\$19,980	2,000	100.00	\$10,640	\$(14)	\$(14)	Subsidiary
HWACOM SYSTEMS INC.	FAMILY PLUS TECHNOLOGY INC.	New Taipei City	Information software and service industry, etc.	16,000	16,000	1,600	100.00	16,016	7,910	7,910	Subsidiary
HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	New Taipei City	Information software and communication engineering, etc.	45,000	45,000	4,500	100.00	13,568	(6,292)	(7,724)	Subsidiary
HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	New Taipei City	Data processing, information supply service industry	51,000	-	5,100	100.00	52,138	1,184	1,184	Subsidiary
HWACOM SYSTEMS INC.	HWACOM SYSTEMS (H.K.) LTD.	Hongkong	Information software and service industry, etc.	414	-	100	100.00	264	(133)	(133)	Subsidiary

Note 1 : If the public company has established foreign holding companies and the consolidated financial statements are the main financial statements based on local regulations, the information on the foreign investees may be disclosed only to the relevant information of the holding companies.

Note 2 : For investees not in the scope of Note 1, the information shall be filled as rules as follows:

- ( 1 ) "Investee company", "Location", "Main business", "Original investment amount" and "Holding in the end of the period" shall be filled sequentially based on the investment condition of the Company and the investment condition of the investees directly or indirectly controlled by the Company. And the relationship between the investees and the Company shall be filled in the Note column (if they are subsidiaries or sub-subsidiaries).
- ( 2 ) "Profit (loss) of investees in the current period" shall be filled in the profit or loss of each investee in the current period.
- ( 3 ) "Gain (loss) on investments recognized in the current period" shall only be filled in the profit or loss of subsidiaries accounted for using equity method. For other condition, the column shall be left blank. When filling "Gain (loss) on investments recognized in the current period", the Company shall ensure the profit or loss of each subsidiary has include the gains or losses of investments that shall be recognized in accordance with regulations.

**(3) Information on Investees in Mainland China**

Investee in Mainland China	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward remittance for investment from Taiwan as of January 1, 2023	Remittance of funds in the		Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Profit (loss) of investees in the current period	Percentage of ownership of direct or indirect investments	Gains (losses) on investments recognized in the current period (Note 2)	Carrying amount of investments as of December 31, 2023	Accumulated repatriation of gain on investment as of December 31, 2023
					Outward	Inward						
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Data processing, information supply service industry	\$15,713	(1)	\$15,713	\$-	\$-	\$15,713	\$135	100.00%	\$135 B	\$7,619	\$-

Accumulated outward remittance for investment in Mainland China as of December 31, 2023	Investment amount authorized by investment commission, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA
\$15,713	Invested in HWACOM SYSTEMS (SHANGHAI) CO., LTD. by USD\$500,000	\$1,447,769

Note 1 : There are 3 types of investment method as follows. Fill in the numbers to indicate the type:

- (1) Directly invest in invests in Mainland China.
- (2) Invest through a holding company registered in a third region. (Please indicate the holding company in the third region)
- (3) Other method.

Note 2 : In the “Gains (losses) on investments recognized in the current period” column :

(1) If the investee is under preparation without gains (losses) on investments, please indicate.

(2) There are 3 bases to recognize gains (losses) on investments as follows. Please indicate. :

A. The financial statements have been audited and attested by international CPA firms which cooperate with the CPA firms in R.O.C.

B. The financial statements have been audited and attested by the CPA of the parent company in Taiwan.

C. The financial statements are preliminary and not reviewed by CPA.

Note 3 : The amounts in the table shall be expressed in New Taiwan Dollars.

Note 4 : The Company originally directly held 100% of ownership of HWACOM SYSTEMS (SHANGHAI) CO., LTD. through HWACOM INVESTMENT INC. After approved by the approval letter with No. Investment-Committee-Auditing-II-10900005280 on January 14, 2020, the investee has been directly held by the Company. The registration of cancellation of HAWCOM INVESTMENT INC. has been completed on August 31, 2020.

**(4) Information on Major Shareholders :**

Major shareholder \ Shares	Number of shares held	Percentage of ownership
Advantech Corporate Investment	24,575,000	17.42%

Note 1 : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

