

Stock Code: 5222

# **Transcom, Inc.**

## **2023 Annual Report**

**Market Observation Post System (MOPS):**  
**<http://mops.twse.com.tw>**

**TRANSCOM Annual Report is available at:**  
**<http://www.transcominc.com.tw>**

**Printed on May 20, 2024**

### **Notice to readers**

**This English version is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.**

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# Chapter 1

## Letter to Shareholders

Dear Shareholders,

### I. 2023 Business Results

#### (I) Business Plan Implementation Results

In 2023, the Company's operations strategy mainly focuses on the production and research and development of national defense GaAs and GaN MMIC high power amplifiers, transceiver modules, and power amplifiers for international manufacturers. Another focus is the research and development of high-frequency and high-power amplifiers for European manufacturers. In addition, the production of commercial low-noise components, power components, and single-crystal microwave integrated circuits is increasing, while the high power and frequency solid-state amplifiers are mass-produced. Furthermore, Transcom is discussing mass-production plans for solid-state amplifiers in different frequencies. The following are the business results for 2023.

Unit: NT\$ thousands, %

Item	2023	2022	Variance	Rate of Variance (%)
Operating Revenue	1,250,809	1,034,660	216,149	20.89
Operating Cost	554,943	469,871	85,072	18.11
Operating Gross Profit	695,866	564,789	131,077	23.21
Operating Expenses	230,159	199,920	30,239	15.13
Operating Profit	465,707	364,869	100,838	27.64
Non-Operating Income and Expenses	65,533	(43,066)	108,599	252.17
Net Profit before tax	531,240	321,803	209,437	65.08
Net Profit after tax	436,535	249,469	187,066	74.99

#### (II) Budget Execution

The Company only set an internal budget for 2023 without making public announcement. The overall profit and revenue was affected by the changes in the industry, resulting in the net revenue of NT\$1,025,809 thousand, net profit after tax of NT\$436,535 thousand, and revenue budget of NT\$1,250,000 thousand in 2023.

#### (III) Analysis of financial revenue and expenditure analysis and profitability

Item	Year		2023	2022
Financial structure (%)	Debts ratio		15.54	16.46
	Long-term Capital to Property, Plant and Equipment		522.94	490.19
Solvency (%)	Current Ratio		706.05	552.84
	Quick Ratio		538.36	368.94
Profitability (%)	Return on Assets		17.31	10.67
	Ratio to paid-in capital (%)	Operating profit	62.45	53.79
		Pretax income	71.24	47.44
	Return on equity (%)		20.49	12.51
	Basic Earnings per share (NT\$)		5.88	3.71

(IV) Research and development:

Over the years, Transcom has successfully developed GaAs and GaN high-frequency devices and MMIC for various frequency bands. The Company moves on to develop X band 10W IC, Ka band 3W IC, broadband MMIC, ultra-high-bandwidth power amplifiers and transceiver modules for various frequency bands, signal synthesizers, and microwave subsystems. Our products are used in advanced military radar systems and microwave tracking system, earning long-term orders and praise from the military and major Microwave Companies in Europe and Israel. In the future, there will be an emphasis on the development of GaN technology, ultra-high frequency power SSPAs, and the research and development of 5G-related MMICs.

## **II. Overview of Business Plan**

(I) Business Strategy:

1. Focuses on the defense microwave field and the civil microwave infrastructure.
2. Adopts a sales agent system for marketing.

(II) Estimated sales volume and basis:

The sales volume is reasonably compiled based on market demand, development trends, customer operation, the Company's current order status, and the Company's production capacity scale. The Company will strive to strengthen ties with existing customers, continue to develop new products, and explore new customers. With the increase of government defense budget, it is estimated that the Company's performance will show stable signs of growth in the following years.

(III) Significant production and sales policies:

1. Q ( Quality ) : Product Features and Reliability
2. P ( Price ) : Competitive Price
3. D ( Delivery ) : Prompt delivery
4. The Company adopts an agency system for overseas marketing, and keep searching for outstanding agents to boost its sales in Europe.
5. Make to Order (MTO) to relieve pressure on inventory.

## **III. The Future Development Strategies**

- (I) Development of microwave communication systems.
- (II) Development of GaN process technology and related products.
- (III) Development of high-frequency high-power amplifiers.
- (IV) Mass production of millimeter-wave solid-state power amplifiers and transceiver modules.
- (V) Mass production of Ku-band GaN high-frequency high-power solid-state power amplifiers.
- (VI) Development of 28GHz and 39GHz MMICs for 5G implementation
- (VII) Consolidate the domestic market, and expand international market.

## **IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

The chances of the Company being affected by the changes in law and policies both domestically and internationally are slim due to the characteristics of the industry it is in. In addition, the Company strives to develop better production techniques and masters key independent technologies to enhance its competitiveness. Therefore, there is limited impact of changes in the industrial environment on the Company's finances and business.

Chairman : CHANG,CHIAN-SERN

President : CHANG,CHIAN-SERN

Accounting Officer : KUO,CHIA-CHE

## Chapter 2

### Company Profile

I. Date of Incorporation: June 17, 1998

II. Company History

Y e a r	Major Events
1 9 9 8	The Company was established on June 17, 1998 and named Transcom JIAN-DUAN Technology Incorporation. Its registered capital and total paid-in capital were both NT\$ 400,000,000. The Company is mainly engaged in the manufacturing of electronic components, including researching, developing, producing, manufacturing, and marketing microwave semiconductor components, integrated circuits, microwave amplifiers, and hybrid circuit modules.
2 0 0 0	<ul style="list-style-type: none"> <li>■ It was approved to be renamed Transcom, Inc. in the shareholders meeting in 2000.</li> <li>■ Due to business expansion, the Company applied for capital increase of NT\$ 60,000,000, and the total paid-in capital increased to NT\$460,000,000.</li> </ul>
2 0 0 1	Due to business expansion , the Company applied for capital increase of NT\$70,000,000, and the total paid-in capital increased to NT\$530,000,000.
2 0 0 2	<ul style="list-style-type: none"> <li>■ Obtained BS EN ISO9001: 2000 quality assurance certification.</li> <li>■ Due to business expansion, the Company applied for capital increase of NT\$35,000,000, and the total paid-in capital increased to NT\$565,000,000.</li> </ul>
2 0 0 3	■ Due to business expansion, the Company applied for capital increase of NT\$110,000,000, and the total paid-in capital increased to NT\$675,000,000.
2 0 0 8	<ul style="list-style-type: none"> <li>■ The Company received the "Excellent SBIR R&amp;D Results" award from the Ministry of Economic Affairs with the winning project "Ka-Band Monolithic Microwave Integrated Circuit"</li> <li>■ For the sake of long-term development, it was resolved in the shareholders meeting to reduce the capital by NT\$ 450,000,000 to make up for the loss. Following a resolution passed at the shareholders' meeting, the Company will reduce its capital by NT\$450,000,000 to offset losses. After capital reduction, the paid-in capital decreased to NT\$ 225,000,000.</li> <li>■ Due to business expansion, the Company applied for capital increase of NT\$15,000,000, and the total paid-in capital increased to NT\$240,000,000. The register capital was NT\$ 900,000,000.</li> </ul>
2 0 0 9	Successfully developed X band 120W PA, Ka band 30W PA and Microwave power GaN transistors.
2 0 1 0	<ul style="list-style-type: none"> <li>■ Employee stock options transferred to capital increase of 10,550,000 元, and the total paid-in capital increased to NT\$250,550,000. The registered capital was NT\$ 900,000,000.</li> <li>■ The Company was awarded a medal for the "Industry Innovation Award" by National Chung Shan Institute of Science and Technology, the Armaments Bureau of the Ministry of National Defense. Successfully developed Ka band 3W MMIC and silver-plated concentrator solar cells.</li> </ul>
2 0 1 1	<ul style="list-style-type: none"> <li>■ IPO came into effect.</li> <li>■ Successfully developed Ka band 200W PA.</li> <li>■ Established wholly-owned subsidiary, RADCOM, INC., in USA.</li> <li>■ Successfully developed GaN products and started shipping.</li> </ul>
2 0 1 2	■ The Company applied for capital increase of NT\$15,000,000, and the total paid-in capital increased to NT\$265,550,000.

Y e a r	Major Events
	<ul style="list-style-type: none"> <li>■ The Company was awarded a medal for the "Value Creation Award for Military Procurement and Release" by National Chung Shan Institute of Science and Technology, the Armaments Bureau of the Ministry of National Defense.</li> <li>■ Set up Remuneration Committee.</li> <li>■ Registered in Emerging Stock Market °</li> </ul>
2 0 1 3	<ul style="list-style-type: none"> <li>■ 3 Independent Directors were elected and Audit Committee was set up in the shareholders meeting.</li> <li>■ Issued employee stock option of 1,500 units.</li> </ul>
2 0 1 4	The Company applied for capital increase of NT\$20,000,000, and the total paid-in capital increased to NT\$285,550,000.
2 0 1 5	<ul style="list-style-type: none"> <li>■ The Company applied for capital increase of NT\$20,000,000, and the total paid-in capital increased to NT\$305,550,000.</li> <li>■ The Company applied for capital increase of NT\$30,000,000, and the total paid-in capital increased to NT\$335,550,000.</li> </ul>
2 0 1 6	Employee stock options transferred to capital increase of NT\$ 4,460,000, and the total paid-in capital increased to NT\$340,010,000.
2 0 1 7	Employee stock options transferred to capital increase of NT\$ 4,100,000, and the total paid-in capital increased to NT\$344,110,000.
2 0 1 8	<ul style="list-style-type: none"> <li>■ Employee stock options transferred to capital increase of NT\$ 3,930,000, and the total paid-in capital increased to NT\$348,040,000.</li> <li>■ The company applied for issuance of new restricted employee shares. The types of shares issued are ordinary shares, with a par value of NT\$10 per share, a total of 1,000,000 shares, and the issue price is NT\$ 0, issued for free.</li> </ul>
2 0 1 9	<ul style="list-style-type: none"> <li>■ Employee stock options transferred to capital increase of NT\$ 2,080,000, and the total paid-in capital increased to NT\$350,120,000.</li> <li>■ Earnings transferred to capital increase of NT\$ 17,506,000, and the total paid-in capital increased to NT\$367,626,000.</li> <li>■ Issued new restricted employee shares of NT\$ 10,000,000, and the total paid-in capital increased to NT\$377,626,000.</li> </ul>
2 0 2 0	<ul style="list-style-type: none"> <li>■ Employee stock options transferred to capital increase of NT\$ 80,000, and the total paid-in capital increased to NT\$377,706,000.</li> <li>■ The Company applied for capital increase of NT\$35,000,000, and the total paid-in capital increased to NT\$412,706,000.</li> </ul>
2 0 2 1	<ul style="list-style-type: none"> <li>■ Earnings transferred to capital increase of NT\$ 149,741,220, capital surplus transferred to capital increase of NT\$ 40,470,600, and the total paid-in capital increased to NT\$602,917,820.</li> <li>■ The Company applied for capital increase of NT\$75,370,000, and the total paid-in capital increased to NT\$678,287,820.</li> <li>■ Officially listed on the Taiwan Stock Exchange.</li> </ul>
2 0 2 2	Cancelling of the issued restricted employee shares and capital reduction of NT\$80,000, resulting in the total paid-in capital decreased to NT\$678,207,820.
2 0 2 3	Capital surplus transferred to capital increase of NT\$ 67,428,780, and the total paid-in capital increased to NT\$745,636,600.
2 0 2 4	Cancelling of the issued restricted employee shares and capital reduction of NT\$30,000, resulting in the total paid-in capital decreased to NT\$745,606,600.

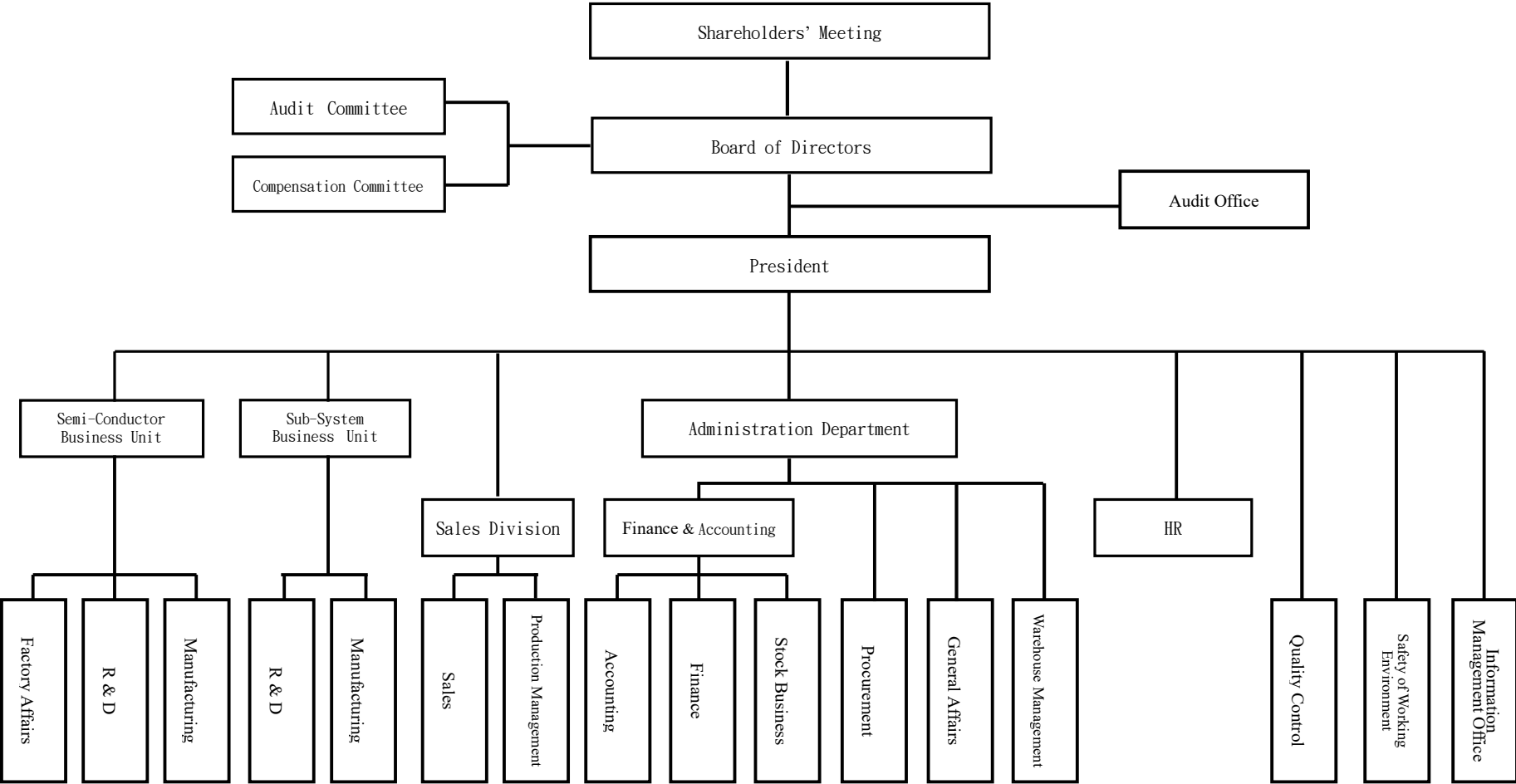


# Chapter 3

## Corporate Governance Report

### I. Organization System

#### (I) Organization Structure



## (II) Major Corporate Functions

Major Department	Functions
Audit Office	Assist Management, evaluate internal accounting and management control systems, provide prompt advice, boost efficiency, plan auditing, inspect and evaluate information, communicate and follow up on auditing results.
President's Office	<ul style="list-style-type: none"> <li>■ Handle affairs concerning board meeting and shareholders meeting.</li> <li>■ Organize affairs concerning corporate governance.</li> </ul>
Factory Affairs	<ul style="list-style-type: none"> <li>■ Safety management of plants, buildings, factory facilities, and equipment.</li> <li>■ Maintenance, troubleshooting and performance improvement of plant equipment.</li> </ul>
Safety of Working Environment	<ul style="list-style-type: none"> <li>■ Promotion and supervision of occupational safety and health practices, promotion of occupational safety and health education and training , compliance of laws regarding occupational safety and health, implementation of regulations of internal occupational safety and health and inspection and supervision of the results.</li> <li>■ Promote various inspection standards and ISO system.</li> </ul>
Information	Establish, promote and maintain the Company's computer management system and operating methods, manage and maintain the Internet and data files, and deal with any affairs related to computers.
HR	HR administrative work such as performance appraisal, salary and benefits, and recruit and train new employees.
Sales Division	Responsible for market research, product promotion, order processing, customer service, agent management, customer account follow-up and overseas exhibitions, etc.
Finance & Accounting Division	Deal with establishment of accounting system, rating and billing, taxation and cost settlement. Records and vouchers of accounting transactions, safekeeping of account books, cash, bills, and securities, accounting statements, cooperation with accountants, and tax declaration processing. Preparation of capital budget, handling of bank transactions, planning and control of bank financing quota and cash flow. Budget preparation, handling of bank transactions, planning and control of lines of credit and cash flow.
Administration	Procurement of raw materials, products, and assets. The procurement and inventory of general supplies, management of inventory and stock affairs, and overall planning of affairs related to integrity management.
Quality Control	<ul style="list-style-type: none"> <li>■ Responsible for the establishment of the company's quality control system, and tracking and handling of various quality problems.</li> <li>■ Quality inspection of raw materials and finished products.</li> </ul>
Semi-Conductor Business Unit	<ul style="list-style-type: none"> <li>■ Development of new semiconductor materials, new components, new production processes, new IC design and new application products.</li> <li>■ Assist in analysis of production abnormality and yield improvement</li> <li>■ Manufacture and assemble components, integrated circuits, modules and other products, evaluate the characteristics of semiconductor products, and ship qualified products.</li> </ul>
Sub-System Business Unit	<ul style="list-style-type: none"> <li>■ R &amp; D : Responsible for the development and design of 0~40 GHz monolithic microwave integrated circuits (MMICs), hybrid microwave integrated circuits (Hybrid MICs), RF and microwave amplifiers, as well as communication signal generators, up-converters, and down-converters.</li> <li>■ Manufacturing : Responsible for assembling products, functional testing and various environmental tests that meet quality requirements.</li> </ul>

## II. Directors and Management Team

### (I) Directors

#### 1. Profiles of Directors

Apr. 14, 2024; Unit: shares

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Chairman	R.O.C.	CHANG, CHIAN-SERN	Male 61~70	Jun.28, 2022	3	Jun.17, 1998	1,911,726	2.82%	2,043,498	2.74%	1,561,321	2.09%	—	—	<ul style="list-style-type: none"> <li>•Ph.D,Electrical Engineering, UCLA</li> <li>•Master and Bachelor, Electrical Engineering, National Cheng Kung University</li> <li>•R&amp;D Manager, Celeritek, Inc.</li> <li>•Senior R&amp;D engineer, Avantek/HP</li> </ul>	•CEO, Transcom,Inc.	Director	GUO, LI-JHEN	Spouse	Note
Director	R.O.C.	LU, FENG-CHIH	Male 61~70	Jun.28, 2022	3	Jul.24, 2001	744,078	1.10%	806,615	1.08%	153,839	0.21%	—	—	<ul style="list-style-type: none"> <li>•Bachelor, Mathematics, National Cheng Kung University</li> <li>•Vice President, Senior Manager, Finance Department, Transcom,Inc.</li> </ul>	•Senior Vice President, Administration Department, Transcom,Inc.	—	—	—	—

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Director	R.O.C.	DAVID S. WANG	Male 61~70	Jun.28, 2022	3	Jun.26, 2013	644,806	0.95%	709,286	0.95%	66,598	0.09%	—	—	<ul style="list-style-type: none"> <li>•MBA, Oklahoma City University</li> <li>•Master, Business Administration, National Chengchi University</li> <li>•President &amp; Director, Technology Associates Corporation</li> <li>•President &amp; Director, Tech Alliance Corp.</li> <li>•Director, Mosart Semiconductor Corp.</li> <li>•Supervisor, Taiwan Mask Corporation</li> <li>•Director, Da-Shi Technology Inc.</li> <li>•Director, RapidStream, Inc. (USA)</li> <li>•Director, Iridigm Display Corp. (USA)</li> <li>•Director, Polytronix, Inc. (USA)</li> <li>•Director, Yi-Duo Technology Inc.</li> <li>•Supervisor, Incentia Design Systems Corp.</li> <li>•Director, PayEase Corp. (USA)</li> <li>•Director &amp; Supervisor, Venture Capital Business Association R.O.C.</li> </ul>	<ul style="list-style-type: none"> <li>•Independent Director, Sysjust Co., Ltd.</li> <li>•Director, Eastern Electronics Co., Ltd.</li> <li>•Supervisor, Glacialtech, Inc.</li> <li>•Supervisor, Foretech Electronics Co., Ltd.</li> </ul>	—	—	—	—

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Director	R.O.C.	JHANG, WEI-HAN	Male 41~50	Jun.28, 2022	3	Jun..26, 2013	186,569	0.28%	202,225	0.27%	41,000	0.05%	—	—	<ul style="list-style-type: none"> <li>•Bachelor, Chemical Engineering, Southern Taiwan University of Science and Technology</li> <li>•Assistant Manager, Engineering, Hannstouch Solution Incorporated</li> <li>•Manager, Forward Science Corp.</li> <li>•Project and senior engineer, Innolux</li> </ul>	•Chief Engineer, Innolux	—	—	—	—
Director	R.O.C.	WU, CHANG-LUEN	Male 51~60	Jun.28, 2022	3	Jun.23, 2016	974,868	1.44%	877,554	1.18%	150,000	0.20%	—	—	<ul style="list-style-type: none"> <li>•Ph.D., Master, Electrical Engineering, National Cheng Kung University</li> <li>•Bachelor, Electrical Engineering, National Sun Yat-sen University</li> <li>•Assistant Professor, Electrical Engineering, National Sun Yat-sen University</li> <li>•Associate Professor and Director, Electronics Department, Private Wufeng Industrial and Commercial College</li> </ul>	•President, Semiconductor Business Unit, Transcom,Inc.	—	—	—	—
Director	R.O.C.	GUO, LI-JHEN	Female 61~70	Jun.28, 2022	3	Jun.11, 2019	1,474,656	2.17%	1,561,321	2.09%	2,043,498	2.74%	—	—	<ul style="list-style-type: none"> <li>•Bachelor, Accounting, National Cheng Kung University</li> <li>•Accountant, U-Tron</li> <li>•Purchasing Manager, Radcom</li> </ul>	•Purchasing Specialist, Transcom,Inc.	Chairman	CHANG, CHIAN-SERN	Spouse	—

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	FANG, PING-HUANG	Male 61~70	Jun.28, 2022	3	May 16, 2018	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>•Executive Master, Management College, National Cheng Kung University</li> <li>•Bachelor, Accounting, Business College, Soochow University</li> <li>•Senior Manager, Finance and Accounting Department, Chia Her Industrial Co., Ltd.</li> <li>•Senior Manager, Finance Department, Apogee Optocom Co., Ltd.</li> <li>•Manager, Finance Department, Tien Tai Electrode Co., Ltd.</li> </ul>	None	—	—	—	—
Independent Director	R.O.C.	HONG, YAO	Male 71~80	Jun.28, 2022	3	May 20, 2020	22,050	0.03%	24,255	0.03%	86,339	0.12%	—	—	<ul style="list-style-type: none"> <li>• Bachelor, Business Administration, Southern Taiwan University of Science and Technology</li> <li>•Electronic Engineering Department , Kaohsiung Institute of Technology</li> <li>•Director, Chiayi Minxiong Electrical Substation, Taiwan Power Company</li> <li>•Director, and Manager of Operations, Longci Electrical Substation, Taiwan Power Company</li> <li>•Director, and Manager of Electrical Substation, Tainan Science Park, Taiwan Power Company</li> <li>•Director, Xinying Regional Dispatch Center, Taiwan Power Company</li> </ul>	None	—	—	—	—

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	WANG, TIEN-CHIN	Male 61~70	Jun.28, 2022	3	Jun.28, 2022	74,767	0.11%	82,243	0.11%	—	—	—	—	<ul style="list-style-type: none"> <li>•Ph.D, Management, University of Bath, United Kingdom</li> <li>•Master, Management Science, National Chiao Tung University</li> <li>•Bachelor, Physics, National Kaohsiung Normal University</li> <li>•Professor, International Business, National Kaohsiung University of Science and Technology</li> <li>•Dean, Management College, National Kaohsiung University of Applied Sciences</li> <li>•Professor, International Business, National Kaohsiung University of Applied Sciences</li> <li>•Director, and Professor, Information Management, I-Shou University</li> <li>•Director, Computer Center, I-Shou University</li> <li>•Board Director, Kaohsiung Institute of Technology</li> <li>•Board Director, I-Shou University</li> </ul>	None	—	—	—	—

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Election		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Postitions	Executives , Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	LEE, BING-JYR	Male 61~70	Jun.28, 2022	3	Jun.28, 2022	16,700	0.02%	18,370	0.02%	—	—	—	—	<ul style="list-style-type: none"> <li>Master, Electrical Engineering, University of Wisconsin, USA</li> <li>Bachelor, Electrical Engineering, National Cheng Kung University</li> <li>Executive Director, Taiwan Private Tainan House of Charity</li> </ul>	None	—	—	—	—

Note: The reason for the chairman and president are the same person: Overall evaluation of the combination of industry competence and leadership.

Countermeasures : The Company has a total of 4 Independent Directors since May 20, 2020, taking up one-third of the Board to strengthen the functions of the Board. In addition, more than half of the Directors do not concurrently serve as employees or managers.

2. Major Shareholders of the Institutional Shareholders: None.

3. Major Shareholders of the Company's Major Institutional shareholders: None.



#### 4. Professional qualifications and independence of Directors and Supervisors:

Name \ Criteria	Professional qualifications and experience (Note 1)	Independent status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director: CHANG, CHIAN-SERN	(1) Education: Ph.D,Electrical Engineering, UCLA (2) Current Position: CEO, Transcom,Inc. (3) Work Experience: •R&D Manager, Celeritek, Inc. •Senior R&D engineer, Avantek/HP (4) Possesses five or more years of work experience in business, law, finance, accounting and the experience required for the Company's business. He is devoted to the semi-conductor industry, equipped with leadership and strategic planning, and is determined to lead the company to become a pioneer in the industry with a view to sustainable operation.	Independence Criteria : (6)(8)(9)(11)(12)	0
Director: LU, FENG-CHIH	(1) Education: Bachelor, Mathematics, National Cheng Kung University (2) Current Position: Senior Vice President, Administration Department, Transcom,Inc. (3) Work Experience: Vice President, Senior Manager, Finance Department, Transcom,Inc. (4) Possesses five or more years of work experience in business, law, finance, accounting and the experience required for the Company's business. He is equipped with the ability of operational management and financial planning.	Independence Criteria : (5)(6)(7)(8)(9)(10) (11) (12)	0
Director: DAVID S. WANG	(1) Education: MBA, Oklahoma City University (2) Current Position: •Independent Director, Sysjust Co., Ltd. •Director, Eastern Electronics Co., Ltd. •Supervisor of Glacialtech, Inc. •Supervisor of Foretech Electronics Co., Ltd. (3) Work Experience: •President & Director, Technology Associates Corporation •President & Director, Tech Alliance Corp. •Director, Mosart Semiconductor Corp. •Supervisor, Taiwan Mask Corporation •Director, Da-Shi Technology Inc. •Director, RapidStream, Inc. (USA) •Director, Iridigm Display Corp. (USA) •Director, Polytronix, Inc. (USA ) •Director, Yi-Duo Technology Inc. •Supervisor, Incentia Design Systems Corp. •Director, PayEase Corp.(USA) •Director & Supervisor, Venture Capital Business Association R.O.C. (4) Possesses five or more years of work experience related to the industry, experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(4)(5)(6)(7)(8) (9) (10)(11)(12)	1

Name \ Criteria	Professional qualifications and experience (Note 1)	Independent status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director: JHANG, WEI-HAN	(1) Education: Bachelor, Chemical Engineering, Southern Taiwan University of Science and Technology (2) Current Position: Chief Engineer, Innolux (3) Work Experience: •Assistant Manager, Engineering, Hannstouch So;ution Incorporated •Manager, Forward Science Corp. •Project and senior engineer, Innolux (4) Possesses five or more years of work experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(3)(4)(5)(6)(7)(8) (9)(10)(11)(12)	0
Director: WU, CHANG-LUEN	(1) Education: Ph.D., Master, Electrical Engineering, National Cheng Kung University (2) Current Position: President, Semiconductor Business Unit, Transcom,Inc. (3) Work Experience: Associate Professor and Director, Electronics Department, Private Wufeng Industrial and Commercial College (4) Possesses five or more years of work experience in business, law, finance, accounting and the experience required for the Company's business. His expertise is related to the research of semi-conductor industry and thus provides professional advice on the Company's products.	Independence Criteria : (5)(6)(7)(8)(9)(10) (11)(12)	0
Director: GUO, LI-JHEN	(1) Education: Bachelor, Accounting, National Cheng Kung University (2) Current Position: Purchasing Specialist, Transcom,Inc. (3) Work Experience: Purchasing Manager, Radcom (4) Possesses five or more years of work experience in procurement, business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (6)(8)(9)(11)(12)	0
Independent Director: FANG, PING-HUANG	(1) Education: Executive Master, Management College, National Cheng Kung University (2) Current Position: Member, Audit and Remuneration Committee, Transcom,Inc. (3) Work Experience: •Senior Manager, Finance and Accounting Department, Chia Her Industrial Co., Ltd. •Senior Manager, Finance Department, Apogee Optocom Co., Ltd. •Manager, Finance Department, Tien Tai Electrode Co., Ltd. (4) Possesses five or more years of work experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(3)(4)(5)(6)(7)(8) (9)(10)(11)(12)	0

Name \ Criteria	Professional qualifications and experience (Note 1)	Independent status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director: HONG, YAO	(1) Education: Bachelor, Business Administration, Southern Taiwan University of Science and Technology (2) Current Position: Member, Audit and Remuneration Committee, Transcom, Inc. (3) Work Experience: • Director, Chiayi Minxiong Electrical Substation, Taiwan Power Company • Director, and Manager of Operations, Longci Electrical Substation, Taiwan Power Company • Director, and Manager of Electrical Substation, Tainan Science Park, Taiwan Power Company • Director, Xinying Regional Dispatch Center, Taiwan Power Company (4) Possesses five or more years of work experience related to the industry, experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(3)(4)(5)(6)(7)(8) (9)(10)(11)(12)	0
Independent Director: WANG, TIEN-CHIN	(1) Education: Ph.D, Management, University of Bath, United Kingdom (2) Current Position: Member, Audit and Remuneration Committee, Transcom, Inc. (3) Work Experience: • Professor, International Business, National Kaohsiung University of Science and Technology • Dean, Management College, National Kaohsiung University of Applied Sciences • Professor, International Business, National Kaohsiung University of Applied Sciences • Director, and Professor, Information Management, I-Shou University • Director, Computer Center, I-Shou University • Board Director, Kaohsiung Institute of Technology • Board Director, I-Shou University (4) Possesses five or more years of teaching experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(2)(3)(4)(5)(6)(7) (8)(9)(10)(11)(12)	0
Independent Director: LEE, BING-JYR	(1) Education: Master, Electrical Engineering, University of Wisconsin, USA (2) Current Position: Member, Audit and Remuneration Committee, Transcom, Inc. (3) Work Experience: Executive Director, Taiwan Private Tainan House of Charity (4) Possesses five or more years of work experience related to the industry, experience in business, law, finance, accounting and the experience required for the Company's business.	Independence Criteria : (1)(2)(3)(4)(5)(6)(7) (8)(9)(10)(11)(12)	0

Note1 : In compliance with “Rules Governing Review of Securities Listings” and “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, the Company has obtained Declaration of Independence from all Independent Directors and confirmed that they all meet the qualifications of independence.

Note 2 : All board members met with the following conditions for the two years leading up to assuming their posts and while they held their posts. :

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.
- (7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not under any of the circumstances stated in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

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

### (1) Policy

According to Article 19 of the Company's Corporate Governance Best-Practice Principles, the Board of Directors of Transcom, Inc. shall direct the company's strategies, supervise the management and be responsible to the company and shareholders. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders' meetings of the company.

Regarding the structure of the board of directors of a securities firm, an appropriate number of the board members, which shall not be less than five, shall be determined based on the review of the scale of corporate management and operation and the shareholding of the major shareholders and by taking into consideration of the practical needs for operation. The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

- (2) The Board of Directors consists of 10 Directors. The objectives and achievement of the diversity of the Board of Directors are as follows :

Objectives	Achievements
Independent Directors take up more than one-third of the Board	Achieved
The Independent Directors shall not hold office for more than 3 terms.	Achieved
Adequate diverse professional knowledge and skills	Achieved
At least one female Director	Achieved

(3) The implementation status of the board diversity policy is as follows:

Name		Core of Diversity	Basic Composition					Professional Background				Professional Knowledge/ Competence					
			Nationality	Gender	Age	Term Seniority of Independent Director	As An Employee of the Company	Accounting	Industry	Finance	Technology	Ability to Make Judgments about Operations	Business management	Crisis Management Ability	Knowledge of the Industry	International Market Perspective	Leadership / Decision-making Ability
Director	CHANG,CHIAN-SERN	R.O.C.	Male	61~70		V		V		V	V	V	V	V	V	V	
	LU,FENG-CHIH		Male	61~70		V	V	V	V		V	V	V	V		V	
	DAVID S. WANG		Male	61~70				V			V	V	V		V	V	
	JHANG,WEI-HAN		Male	41~50				V				V	V	V			
	WU,CHANG-LUEN		Male	51~60		V		V		V		V	V	V	V	V	
	GUO,LI-JHEN		Female	61~70		V	V	V			V	V		V	V		
Independent Director	FANG,PING-HUANG		Male	61~70	3		V	V	V		V	V	V		V	V	
	HONG,YAO		Male	71~80	2			V			V	V		V		V	
	WANG,TIEN-CHIN		Male	61~70	1			V			V	V		V		V	
	LEE,BING-JYR		Male	61~70	1			V			V	V		V		V	

(4) Independence of the Board of Directors:

The current Board of Directors has 10 members, including 4 Independent Directors and 4 Directors who are also employees of the company, taking up 40% respectively. In addition, the Independent Directors account for more than one-third of the Board. As of the publication date of this annual report, all the Independent Directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the Directors and Independent Directors. The Board of Directors of the Company shows independence (Please refer to pages 13-15 of this Annual Report for disclosure of information on professional qualifications of Directors and independence of Independent Directors). As for the experience (education), gender and work experience, please refer to pages 7-12 of this Annual Report - Information of Directors.

## (II) Profiles of Key Management Team:

Apr. 14, 2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Positions at Other Companies	Managers Who are Spouses or within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	R.O.C.	CHANG, CHIAN-SERN	Male	1998.6.17	2,043,498	2.74%	1,561,321	2.09%	—	—	<ul style="list-style-type: none"> <li>• Ph.D,Electrical Engineering, UCLA</li> <li>•Master and Bachelor, Electrical Engineering, National Cheng Kung University</li> <li>•R&amp;D Manager, Celeritek, Inc.</li> <li>•Senior R&amp;D engineer, Avantek/HP</li> </ul>	None	—	—	—	Note
President, Semi-Conductor Business Unit	R.O.C.	WU, CHANG-LUEN	Male	2001.4.2	877,554	1.18%	150,000	0.20%	—	—	<ul style="list-style-type: none"> <li>•Ph.D., Master, Electrical Engineering National Cheng Kung University,</li> <li>•Bachelor, Electrical Engineering, National Sun Yat-sen University</li> <li>•Associate Professor, and Director, Electronics Department, Private Wufeng Industrial and Commercial College</li> </ul>	None	—	—	—	
President, Sub-System Business Unit	R.O.C.	CHANG, CHING-HSUEH	Male	2002.4.24	454,000	0.61%	—	—	—	—	<ul style="list-style-type: none"> <li>•Master, Telecommunications Engineering, National Chiao Tung University</li> <li>•Bachelor, Electrical Engineering, National Sun Yat-sen University</li> <li>•Engineer, Jebsee Electronics Co., Ltd.</li> <li>•Engineer,Uniyersal Scientific Industrial Co., Ltd.</li> </ul>	None	—	—	—	
Senior Vice President, Administration	R.O.C.	LU, FENG-CHIH	Male	2019.4.26	806,615	1.08%	153,839	0.21%	—	—	<ul style="list-style-type: none"> <li>• Bachelor, Mathematics, National Cheng Kung University</li> </ul>	None	—	—	—	
Vice President, Sales Division	R.O.C.	CHOU, TIEN-SZU	Male	2015.4.1	130,709	0.18%	—	—	—	—	<ul style="list-style-type: none"> <li>•Master, Materials Engineering, National Cheng Kung University</li> <li>•Bachelor, Mechanical Engineering, National Chiao Tung University</li> <li>•Product Manager, Darfon Electronics Corp.</li> <li>•Project Manager, Air Asia Company Limited.</li> </ul>	None	—	—	—	
Vice President, Sub-System Business Unit	R.O.C.	LIU, HUNG-CHIH	Male	2007.7.1	59,000	0.08%	14,100	0.02%	—	—	<ul style="list-style-type: none"> <li>•Ph.D., Microelectronics, National Cheng Kung University</li> </ul>	None	—	—	—	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Current Positions at Other Companies	Managers Who are Spouses or within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Vice President, Semi-Conductor Business Unit	R.O.C.	KUO, NAN-CHIEN	Male	2007.7.1	43,000	0.06%	—	—	—	—	•Master, Electronics, National Taiwan University of Science and Technology	None	—	—	—	
Senior Manager, Sub-System Business Unit	R.O.C.	CHEN, SHENG-PIN	Male	2021.4.28	78,474	0.11%	—	—	—	—	•Master, Microelectronics, National Cheng Kung University	None	—	—	—	
Accounting Officer and Corporate Governance Officer	R.O.C.	KUO, CHIA-CHE	Male	2022.1.1	4,946	0.01%	—	—	—	—	•Master, Accounting and Information Technology, National Chung Cheng University •Assistant Manager, Audit Department, PwC Taiwan •Assistant Manager, Finance Department, Sinmag Equipment Corporation	None	—	—	—	
Senior Manager, HR Department	R.O.C.	FANG, LIANG-KUN	Male	2024.4.24	925,585	1.24%	75,600	0.10%	—	—	•Bachelor, Department of Land Management, Feng Chia University •Specialist, Cathay Construction	None	—	—	—	

Note: Reason for the Chairman and the President are the same person: overall evaluation of industry competence and leadership.

Countermeasures : One more Independent Director has been elected and appointed to strengthen corporate governance. In addition, no more than half of the Directors are concurrently employees or managers.



### III. Remuneration Paid to Directors, Supervisors, President, and Vice Presidents in the Most Recent Fiscal Year

#### 1. Remuneration paid to Directors (including Independent Directors) in 2023

Unit: NT\$ thousand

Title	Name	Remuneration of Directors								Total Remuneration (A+B+C+D) and Ratio of Total Remuneration to Net Income (%)		Relevant Remuneration Received by Directors Who Are Also Employees								Total Remuneration (A+B+C+D+E+F+G) and Ratio of Total Remuneration to Net Income (%)		Compensation paid to Directors from Parent Company and an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Remuneration of Directors (C) (Note 1)		Allowances (D)				Salary, Bonus and Allowances (E)		Severance Pay and Pension (F)		Employee Compensations (G) (Note 1)						
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	CHANG,CHIAN-SERN	—	—	—	—	1,523	1,523	50	50	1,573 0.36%	1,573 0.36%	11,498	11,498	—	—	1,569	—	1,569	—	14,640 3.35%	14,640 3.35%	—
Director	LU,FENG-CHIH	—	—	—	—	1,523	1,523	50	50	1,573 0.36%	1,573 0.36	3,349	3,349	108	108	406	—	406	—	5,436 1.25%	5,436 1.25%	—
Director	DAVID S. WANG	—	—	—	—	1,016	1,016	40	40	1,056 0.24%	1,056 0.24%	—	—	—	—	—	—	—	—	1,056 0.24%	1,056 0.24%	—
Director	JHANG,WEI-HAN	—	—	—	—	1,269	1,269	50	50	1,319 0.30%	1,319 0.30%	—	—	—	—	—	—	—	—	1,319 0.30%	1,319 0.30%	—
Director	WU, CHANG-LUEN	—	—	—	—	1,016	1,016	50	50	1,066 0.24%	1,066 0.24%	4,959	4,959	108	108	622	—	622	—	6,755 1.55%	6,755 1.55%	—
Director	GUO,LI-JHEN	—	—	—	—	1,016	1,016	50	50	1,066 0.24%	1,066 0.24%	725	725	30	30	89	—	89	—	1,910 0.44%	1,910 0.44%	—
Independent Director	FANG,PING-HUANG	—	—	—	—	1,016	1,016	130	130	1,146 0.26%	1,146 0.26%	—	—	—	—	—	—	—	—	1,146 0.26%	1,146 0.26%	—
Independent Director	HONG,YAO	—	—	—	—	1,016	1,016	110	110	1,126 0.26%	1,126 0.26%	—	—	—	—	—	—	—	—	1,126 0.26%	1,126 0.26%	—
Independent Director	WANG,TIEN-CHIN	—	—	—	—	1,015	1,015	130	130	1,145 0.26%	1,145 0.26%	—	—	—	—	—	—	—	—	1,145 0.26%	1,145 0.26%	—
Independent Director	LEE,BING-JYR	—	—	—	—	1,015	1,015	130	130	1,145 0.26%	1,145 0.26%	—	—	—	—	—	—	—	—	1,145 0.26%	1,145 0.26%	—
<div>1. Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks, time spent:<div>(1) Remuneration Paid to Directors: All Independent Directors are members of Audit Committee and the Remuneration Committee, so they are paid remuneration based on the profit for the year, time spent, and the risk they take.</div>(2) Expenses of business execution: mainly travelling expenses, which are set with reference to industry standards.</div>																						
2. Except as disclosed in the table above, the Director of the Company who provides service to all companies in the financial report (E.g. serving as the non-employee consultant): None.																						

#### 2. Remuneration paid to Supervisors: Not applicable.

### 3. Remuneration of the President and Vice Presidents in 2023

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowance (C)		Profit Sharing (D)				Total Remuneration (A+B+C+D) and Ratio of Total Remuneration to Net Income (%)		Compensation paid to Directors from Parent Company and an Invested Company Other than the Company's Subsidiary
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities			
						Cash	Stock	Cash	Stock					
CEO	CHANG,CHIAN-SERN	10,017	10,017	—	—	1,481	1,481	1,569	—	1,569	—	13,067 2.99%	13,067 2.99%	—
President	WU,CHANG-LUEN	4,415	4,415	108	108	544	544	622	—	622	—	5,689 1.30%	5,689 1.30%	—
President	CHANG,CHING-HSUEH	3,776	3,776	108	108	453	453	531	—	531	—	4,868 1.12%	4,868 1.12%	—
Senior Vice President	LU,FENG-CHIH	3,011	3,011	108	108	338	338	406	—	406	—	3,863 0.88%	3,863 0.88%	—
Vice President	CHOU,TIEN-SZU	2,561	2,561	104	104	291	291	359	—	359	—	3,315 0.76%	3,315 0.76%	—
Vice President	LIU,HUNG-CHIH	3,056	3,056	108	108	352	352	430	—	430	—	3,946 0.90%	3,946 0.90%	—
Vice President	KUO,NAN-CHIEN	2,900	2,900	107	107	312	312	390	—	390	—	3,709 0.85%	3,709 0.85%	—

#### 4. Remuneration to the Five Highest Remunerated Management Personnel of the Company in 2023

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowance (C)		Profit Sharing (D)				Total Remuneration (A+B+C+D) and Ratio of Total Remuneration to Net Income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Cash	Stock	Cash	Stock			
CEO	CHANG,CHIAN-SERN	10,017	10,017	—	—	1,481	1,481	1,569	—	1,569	—	13,067 2.99%	13,067 2.99%	—
President	WU,CHANG-LUEN	4,415	4,415	108	108	544	544	622	—	622	—	5,689 1.30%	5,689 1.30%	—
President	CHANG,CHING-HSUEH	3,776	3,776	108	108	453	453	531	—	531	—	4,868 1.12%	4,868 1.12%	—
Vice President	LIU,HUNG-CHIH	3,056	3,056	108	108	352	352	430	—	430	—	3,946 0.90%	3,946 0.90%	—
Senior Vice President	LU,FENG-CHIH	3,011	3,011	108	108	338	338	406	—	406	—	3,863 0.88%	3,863 0.88%	—

#### 5. Names of managers entitled to employee remuneration and amount entitled in 2023:

Unit: NT\$ thousand

Title		Name	Share Amount	Cash Amount	Total	Proportion to Net Income (%)
Manager	CEO	CHANG,CHIAN-SERN	-	4,848	4,848	1.11
	President,Semi-Conductor Business Unit	WU,CHANG-LUEN				
	President,Sub-System Business Unit	CHANG,CHING-HSUEH				
	Senior Vice President,Administration	LU,FENG-CHIH				
	Vice President,Sales Division	CHOU,TIEN-SZU				
	Vice President,Sub-System Business Unit	LIU,HUNG-CHIH				
	Vice President,Semi-Conductor Business Unit	KUO,NAN-CHIEN				
	Senior Manager, Sub-System Business Unit	CHEN,SHENG-PIN				
	Accounting Officer and Corporate Governance Officer	KUO,CHIA-CHE				

6. Separately compare the analysis of the percentage of the total remuneration paid to Directors, President, and Vice Presidents of Transcom, Inc. and the companies of the consolidated financial statements in the after-tax net profit stated in the parent company-only or individual financial statements in the last two years; then explain the remuneration policy, standards, and packages, the procedures for determining remuneration, and the correlation with business performance and future risks:

(1) Percentage of total remuneration to after-tax net profit :

Year	Total remuneration paid to Directors, President, and Vice Presidents (Thousand)	Percentage (%)
	The Company	The Company
2022	38,371	15.38
2023	50,673	11.61

Note 1 : The net profit after tax in 2022 was NT\$ 249,469 thousand.

Note 2 : The net profit after tax in 2023 was NT\$ 436,535 thousand.

(2) Transcom, Inc.'s policy, standards, and packages regarding remuneration, as well as the procedures for determining remuneration, and the correlation with business performance and future risks:

- ① Remuneration paid to Directors: Aside from travel expenses, according to the Article of Incorporation, a certain percentage of the profits for the current year is allocated as remuneration paid to Directors. The remuneration is reviewed by the Remuneration Committee, proposed to the Board of Directors for approval and submitted to the general shareholders' meeting. Remuneration paid to Directors is determined based on their duties, risks taken, and their contribution to the Company, taking reference from the standards of peer industries.
- ② Remuneration paid to Presidents and Vice Presidents: The Company has set up a remuneration Committee to propose remuneration paid to Presidents and Vice Presidents (including salary, annual routine salary adjustment, year-end bonus and performance bonus ) to the Board of Directors for approval. Annual routine salary adjustment and year-end bonus are determined based on the Company's policy for the year, while performance bonus is determined according to the Company's profitability and personal performance.
- ③ Correlation with business performance and future risks: The Remuneration Committee was established in 2012 to determine the remuneration paid to Directors, Presidents and Vice Presidents, based on their education, work experience, reference from the standards of peer industries, their contribution to the Company, management performance, while also taking account of factors such as the future operational risk, trading risk and financial risk. The procedures are in accordance with the law.

The Remuneration Committee convenes at least one meeting annually to review the performance evaluation of Directors, Presidents, and Vice Presidents. It also evaluates and determines the policy, system, standards, and structure of their remuneration. The evaluation results are proposed and submitted to the Board of Directors for discussion to avoid significant future risks.

#### IV. Implementation of Corporate Governance

##### (I) Operations of the Board of Directors

The Board of Directors convened 7 (A) meetings in the most recent fiscal year as of the publication date of the annual report. The attendance of Directors is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of attendance in person (%) (B/A)	Note
Chairman	CHANG,CHIAN-SERN	7	0	100.00	Re-elected
Director	LU,FENG-CHIH	7	0	100.00	Re-elected
Director	DAVID S. WANG	5	1	71.43	Re-elected
Director	JHANG,WEI-HAN	7	0	100.00	Re-elected
Director	WU,CHANG-LUEN	7	0	100.00	Re-elected
Director	GUO,LI-JHEN	7	0	100.00	Re-elected
Independent Director	FANG,PING-HUANG	7	0	100.00	Re-elected
Independent Director	HONG,YAO	6	1	85.71	Re-elected
Independent Director	WANG,TIEN-CHIN	7	0	100.00	Newly-elected on June 28, 2022.
Independent Director	LEE,BING-JYR	7	0	100.00	Newly-elected on June 28, 2022.

##### Other required disclosures:

I. (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up an audit committee, and the provisions of Article 14-3 does not apply. For the explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the audit committee.

(2) Any objections or expressed reservations raised by independent directors against board resolutions that were recorded or stated in writing in relation to matters other than those described above: None.

II. Where a Director recuse himself or herself from a proposal in which he/she has a personal interest, the name of the Director, the content of proposal, the reason for recusal and the results of the voting should be stated:

Meeting Date	Name of Directors	Motion	Conflicting interests	voting outcome
May.4, 2023	CHANG, CHIAN-SERN LU ,FENG-CHIH WU,CHANG-LUEN	1.Distribution of Directors' remuneration and employee compensation for 2022. 2. 2023 second salary adjustment for the Company's managers.	The motions concerned their self-interests.	Except for the Directors who had recused themselves from the discussion and voting, the motions were passed unanimously by all remaining directors.
Aug.8, 2023	WU,CHANG-LUEN	2023 second salary adjustment for the Company's managers.	The motions concerned their self-interests.	Except for the Directors who had recused themselves from the discussion and voting, the motions were passed unanimously by all remaining directors.
Dec.21, 2023	CHANG, CHIAN-SERN LU, FENG-CHIH WU,CHANG-LUEN	Distribution of 2023 bonus for the Company's managers.	The motions concerned their self-interests.	Except for the Directors who had recused themselves from the discussion and voting, the motions were passed unanimously by all remaining directors.

May 2, 2024	CHANG, CHIAN-SERN LU, FENG-CHIH WU, CHANG-LUEN	1. Distribution of Directors' remuneration and employee compensation for 2023. 2. 2024 salary adjustment for the Company's Managers.	The motions concerned their self-interests.	Except for the Directors who had recused themselves from the discussion and voting, the motions were passed unanimously by all remaining directors.
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III. A TWSE/TPEX listed company shall reveal the information on the Board of Directors' self-evaluation (or peer evaluation), including evaluation cycle, period, scope, method, and contents:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Once a year	From Jan. 1, 2023 to Dec. 31, 2023	Board of Directors	The unit handling the affairs of the Board of Directors conducts evaluations with the "Self-evaluation Questionnaire for Board Performance Appraisal"	(1) level of participation in Transcom, Inc.'s operations. (2) enhancement of the Board's decision-making quality. (3) composition, and structure. (4) election and continuing studies. (5) internal control.
Once a year	From Jan. 1, 2023 to Dec. 31, 2023	Individual Board members	Self-evaluation of the Board of Directors with "self-assessment questionnaire for board members"	(1) alignment with Transcom, Inc.'s goals and missions. (2) awareness of a Director's duties. (3) level of participation in Transcom, Inc.'s operations. (4) management and communications of internal relationships. (5) professionalism and continuing studies of Directors. (6) internal control.
Once a year	From Jan. 1, 2023 to Dec. 31, 2023	Individual audit committee members	"Self-evaluation Questionnaire for audit Committee Performance Appraisal"	(1) level of participation in Transcom, Inc.'s operations. (2) awareness of the duties of the audit committee. (3) improvement of quality of decisions made by the audit committee. (4) makeup of the audit committee and election of its members. (5) internal control.
Once a year	From Jan. 1, 2023 to Dec. 31, 2023	Individual remuneration committee members	"Self-evaluation Questionnaire for remuneration Committee Performance Appraisal"	(1) level of participation in Transcom, Inc.'s operations. (2) awareness of the duties of the remuneration committee. (3) improvement of quality of decisions made by the remuneration committee. (4) makeup of the remuneration committee and election of its members.

Note: The Company's "Regulations Governing Self-evaluation or Peer Evaluation of the Board of Directors" was formulated on Feb. 24, 2020. The performance evaluation of the Board of Directors for 2023 was performed in the first quarter of 2024 and the result was good.

IV. Targets for strengthening the functions of the Board of Directors in the current and the most recent fiscal year and the evaluation of execution process:

1. In compliance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company established "Rules of Procedure for Board of Directors Meetings."

2. In order to improve the supervision of the Board of Directors and strengthen its management, the Company established an Audit Committee on June 26, 2013, which consists of all Independent Directors. In order to perform its duties, the Audit Committee has the right to conduct any appropriate audits and investigations in accordance with its Articles of Association, and has direct channels of communication with the Company's auditors and Management.
3. A Remuneration Committee was established on Oct., 19, 2012 to conduct regular assessment and formulation of the Company's remuneration policies. The Remuneration Committee formulates and regularly reviews the performance evaluation and remuneration of Directors and Managers and the policies, systems, standards and structures of remuneration. The Remuneration Committee regularly evaluates and determines the remuneration of the Directors and Managers, employee stock option plans or other employee incentive plans.
4. To enhance corporate governance and the performance of the Board of Directors, the Company elected 1 more Independent Director in the General Shareholders' meeting on May 20, 2020. Thus there is a total of 4 Independent Directors on the Board.
5. The "Regulations Governing Self-evaluation or Peer Evaluation) of the Board of Directors" was formulated and approved by the Board of Directors. The performance of the Board of Directors is evaluated regularly every year. Up to the present day, the result is good, demonstrating effective functioning of the Board.
6. To enhance risk management and ensure the shareholders' rights, the Company purchased liability insurance for Directors.

(II) Operations of the Audit Committee or Participation of Supervisors in the operation of the Board of Directors :

1. The Company established an Audit Committee on June 26, 2013 in place of the Supervisor system.
2. The Audit Committee consists of 4 Independent Directors, who were elected in the general Shareholders' meeting. Please refer to pages 14-15 for their professional qualifications and independence. The tasks of the Audit Committee mainly include the following:
  - (1) Establish or amend the internal control system according to Article 14 item 1 of Security and Exchange Act.
  - (2) Review effectiveness of internal control system.
  - (3) Regulate or amend the standard procedure to acquire or dispose assets, to involve in transaction of financial derivative products, to offer loan or endorsement to others, or to deal with other significant financial affairs following provisions in Article 36, item 1 of the Securities and Exchange Act.
  - (4) Matters related to benefits of the directors.
  - (5) Transaction of major assets or financial derivative products.
  - (6) Loans, endorsements or guarantees of large amount.
  - (7) To collect, issue, or privately collect valuable securities with features of equity shares.
  - (8) Appointment, dismissal, and remuneration of CPAs.
  - (9) Appointment and dismissal of the financial, accounting, or internal auditing directors.
  - (10) The annual financial report signed or stamped by the chairman, Manager and accounting supervisor.
  - (11) Other major matters of the other companies or authorities.

### 3. Operations of the Audit Committee

The Audit Committee convened 7 (A) meetings in the most recent fiscal year and as of the publication date of the annual report. The attendance of Independent Directors is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of Attendance in person (%) (B/A)	Note
Independent Director (Convener)	WANG,TIEN-CHIN	7	0	100.00	Newly-elected on June 28, 2022.
Independent Director	FANG,PING-HUANG	7	0	100.00	Re-elected
Independent Director	HONG,YAO	6	1	85.71	Re-elected
Independent Director	LEE,BING-JYR	7	0	100.00	Newly-elected on June 28, 2022.

Other required disclosures:

I. In case of one of the following circumstances on the operation of the Audit Committee, the date, session, and proposal content of the Audit Committee meeting, independent directors' dissenting opinions, qualified opinions or major proposals, the resolution result of the Audit Committee meeting, and the handling of the opinions of the Audit Committee by the Corporation shall be stated.

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

Date of the Audit Committee meeting	Proposal Details	Resolution of the Audit Committee	Actions in response to the opinions of the Audit Committee
Mar. 15, 2023	1. 2022 self-inspection system of internal control, Statement of Internal Control System, and audit report summary. 2. 2022 business report, financial statements and Independent Auditors' report. 3. Proposal for 2022 earnings distribution. 4. Proposal for issuance of new shares from capital surplus. 5. Assessment of the independence and suitability of certified accountants and 2023 appointment and remuneration of CPAs.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.
May 4, 2023	Approved the financial statements and Independent Auditors' review report for the first quarter of 2023.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.
Aug. 8, 2023	1. A change of the company's appointment of CPA was proposed. 2. Approved the financial statements and Independent Auditors' report for the second quarter of 2023.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.
Nov. 9, 2023	1. Approved the financial statements and Independent Auditors' report for the third quarter of 2023.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.



Dec.21, 2023	1. Completed the formulation of 2024 internal audit plan. 2. It was proposed to amend the Level of Authority of Investment Cycle.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.
Mar. 12, 2024	1. 2023 self-inspection system of internal control, Statement of Internal Control System, and audit report summary. 2. 2023 business report, financial statements and Independent Auditors' report. 3. Proposal for 2023 earnings distribution. 4. Proposal for issuance of new shares from capital surplus. 5. Assessment of the independence and suitability of certified accountants and 2024 appointment and remuneration of CPAs.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.
May 2, 2024	1. Approved the financial statements and Independent Auditors' review report for the first quarter of 2024. 2. Intends to acquire a batch of equipment.	Approved by all directors unanimously.	Submitted to the Board of Directors meeting for resolution and handled in accordance to the resolution of the Board.

(II) Any resolution disapproved by the Audit Committee but approved by more than two-thirds of all Directors: None.

II. Where an independent director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the independent director, the content of proposal, the reason for recusal and the results of the voting should be stated: None.

III. Communication between Internal Audit Officer and CPAs (It shall include the major matters, methods and results of communication on the company's financial and business status):

1. Internal Audit Officer conducts an audit report to the Independent Directors at the Audit Committee meeting each quarter, and discuss the result and follow-up of the audit report.

Date	Communication with internal audit	Result
Mar.15, 2023	(1) Report on the implementation of 2022 audit plan (2) 2022 Internal Control System Effectiveness Assessment and Internal Control System Statement	No objection from Independent Directors.
May 4, 2023	Report on the implementation of the audit plan for the 1 <sup>st</sup> quarter of 2023.	No objection from Independent Directors.
Aug.8, 2023	Report on the implementation of the audit plan for the 2 <sup>nd</sup> quarter of 2023.	No objection from Independent Directors.
Nov.9, 2023	Report on the implementation of the audit plan for the 3 <sup>rd</sup> quarter of 2023.	No objection from Independent Directors.
Mar.12, 2024	(1) Report on the implementation of 2023 audit plan (2) 2023 Internal Control System Effectiveness Assessment and Internal Control System Statement	No objection from Independent Directors.
May 2, 2024	Report on the implementation of the audit plan for the 1 <sup>st</sup> quarter of 2024.	No objection from Independent Directors.

2. The members of the Audit Committee can communicate with CPAs at all times. Likewise, CPAs will report to the members of the Audit Committee in a timely fashion if special circumstances arise. No special circumstances were reported as of the publication date of the annual report.

Date	Communication with CPA	Result
Mar.15, 2023	Communicate with governance for 2022 Independent Auditors' Report.	No objection from Independent Directors.
May 4, 2023	Communicate with governance for Independent Auditors' Review Report of the 1 <sup>st</sup> quarter of 2023.	No objection from Independent Directors.
Aug.8, 2023	Communicate with governance for Independent Auditors' Review Report of the 2 <sup>nd</sup> quarter of 2023.	No objection from Independent Directors.
Nov.9, 2023	Communicate with governance for Independent Auditors' Review Report of the 3 <sup>rd</sup> quarter of 2023.	No objection from Independent Directors.
Mar.12, 2024	Communicate with governance for 2023 Independent Auditors' Report.	No objection from Independent Directors.
May 2, 2024	Communicate with governance for Independent Auditors' Review Report of the 1 <sup>st</sup> quarter of 2024.	No objection from Independent Directors.

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company’ established “Corporate Governance Best Practice Principles,” which is disclosed in the “Investors’ Section” of Transcom’s website and MOPS.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has a designated person and email to deal with shareholders’ suggestions and disputes.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) Transcom is able to track shareholding with the list of shareholders and Insider Stock Ownership provided by the hired professional shareholder services agent.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) In accordance with the law, the Company has established “Measures for Management of Transactions with Related Party, Specific Companies and Group Enterprises” and “Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises” to regulate responsibilities concerning the personnel, assets, and finances among its Affiliated Enterprises so as to avoid conflicts of interest.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company formulated the “Procedures for Preventing Insider Trading” and has also strongly advocated these rules to forbid insiders trading on undisclosed information.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	V		<p>(1) The Company formulated “Procedures for Selection and Appointment of Directors,” taking into account diverse educational background, and professional experience. The 10 Board members possess professional background and industry experience. The 4 Independent Directors have experiences in the industry and the finance and accounting fields. Combined, they comprise a well-functioning Board. To achieve the ideal goals of corporate governance, the Board of Directors as a whole should possess diverse core competencies and a diverse composition of board members. For specific management objectives and their effective implementation, please refer to pages 13-18 of this annual report for further details.</p>	None
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>		V	<p>(2) In order to optimize the decision-making function and strengthen the management mechanism, the Company has established a Remuneration Committee and an Audit Committee in accordance with the law, and will set up other functional committees in the future depending on actual operational needs.</p>	Explained in abstract illustration..

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3)Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		(3)The Company’s “Regulations Governing Self-evaluation or Peer Evaluation) of the Board of Directors” was formulated on Feb. 24, 2020. Evaluation of the performance of the Board of Directors is scheduled to be conducted using questionnaires at the end of the year accordingly. For information regarding the evaluation cycle, period, evaluation scope, methods, and evaluation content, please refer to pages 28-29 of this annual report. The evaluation results and improvement recommendations for the year 2023 have been submitted to the Board of Directors on March 12 <sup>th</sup> , 2024. The aforementioned performance evaluation results will serve as a reference basis for the selection or nomination of Directors, and the evaluation results of Directors and members of the functional committee will be used as a reference for determining their individual compensation packages.	None
(4)Does the company regularly value the independence of CPAs?	V		(4)The Company evaluates the independence of CPAs annually, whose AQI information was obtained and a written record was made. It was reviewed by the Audit Committee and the Board that they are independent and not persons paid by the Company on March 12 <sup>th</sup> , 2024. (Note)	None

<p>4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?</p>	V	<p>(1) On May 4, 2023, to implement corporate governance and strengthen the functions of the Board of Directors, the Company's Board of Directors appointed KUO, CHIA-CHE as the chief corporate governance officer to handle work related to corporate governance. Financial Manager KUO, CHIA-CHE has accumulated over three years of experience in executive positions related to finance in publicly traded companies.</p> <p>(2) major responsibilities include:</p> <ul style="list-style-type: none"> <li>A. handling work related to meetings of the board of directors and the shareholders' meetings.</li> <li>B. producing minutes of board meetings and shareholders' meetings.</li> <li>C. assisting Directors in taking office and continuing their studies.</li> <li>D. providing information for Directors to perform their functions.</li> <li>E. assisting Directors with compliance.</li> <li>F. Reporting to the Board of Directors the evaluation results of qualifications of Independent Directors during nomination, election, and their terms.</li> <li>G. handling work related to the change of Directors.</li> <li>H. other matters stipulated in the Company's Articles of Incorporation or contracts.</li> </ul> <p>(3) Status of Corporate Governance Officer's training courses:</p> <table border="1" data-bbox="759 1469 1299 1854"> <thead> <tr> <th>Date</th><th>Organizer</th><th>Course Name</th><th>Hours</th></tr> </thead> <tbody> <tr> <td>Oct. 26, 2023~ Oct. 27, 2023</td><td>Taiwan Corporate Governance Association</td><td>Net-zero sustainable talent training class 【South】 — Carbon governance and sustainable ecosystem</td><td>9</td></tr> <tr> <td>Aug. 14, 2023~ Aug. 15, 2023</td><td>Accounting Research and Development Foundation</td><td>Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges</td><td>12</td></tr> </tbody> </table>	Date	Organizer	Course Name	Hours	Oct. 26, 2023~ Oct. 27, 2023	Taiwan Corporate Governance Association	Net-zero sustainable talent training class 【South】 — Carbon governance and sustainable ecosystem	9	Aug. 14, 2023~ Aug. 15, 2023	Accounting Research and Development Foundation	Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges	12	None
Date	Organizer	Course Name	Hours												
Oct. 26, 2023~ Oct. 27, 2023	Taiwan Corporate Governance Association	Net-zero sustainable talent training class 【South】 — Carbon governance and sustainable ecosystem	9												
Aug. 14, 2023~ Aug. 15, 2023	Accounting Research and Development Foundation	Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges	12												

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has established a spokesperson and acting spokesperson system as a communication channel and built a designated section on its website for stakeholders for customers, suppliers, and the employees to communicate their needs and file complaints. A department was designated to communicate, coordinate, and respond to issues of interest to stakeholders so as to protect their rights and interests.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has commissioned the Stock Affairs Agency Department of MasterLink Securities as our stock affairs agency.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The Company’s official website has “Investors’ Section” devoted to the information related to the Company’s financial standings and the status of corporate governance for the reference of shareholders and stakeholders.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) The Company has established a spokesperson and deputy spokesperson system and appointed designated people to handle information collection and disclosure. In accordance with the law, information related to financial standings is disclosed on MOPS and the official website. Stakeholders such as foreign investors, suppliers, and customers can refer to the English website <a href="http://www.transcominc.com.tw/index.php">http://www.transcominc.com.tw/index.php</a> for more information. Investor conferences is updated and uploaded to the official website.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	(3) The Company failed to announce and report annual financial statements within two months after the end of each fiscal year due to arrangement of internal work schedule. In the future, arrangements might be adjusted, depending on actual needs.	Explained in abstract illustration
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Status of employee rights and employee wellness: In accordance with Labor Standards Act and Internal Rules and Regulations, the Company hold regular labor-management meetings to facilitate employee communication. In addition, the Company handles insurances for employees, allocates pensions, sets up employee welfare committees, organizes health checks and trips for employees to promote their physical and mental health. The Company has a grievance procedure to create a friendly environment at work and protect employee rights.	None
	V		(2) Investor relations: The Company has established a spokesperson and deputy spokesperson system to address external communication. A designated person discloses financial standings on MOPS and the Company’s website.	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
	V		(3) Supplier relationship management: The company operates on the principle of integrity to create closer, more collaborative relationships with key suppliers	None
	V		(4) Rights of Interested Parties : The Company has established a spokesperson and deputy spokesperson system as a communication channel and built a designated section on its website for stakeholders to ensure effective communication with employees, customers and suppliers and protect their rights.	None
	V		(5) Directors’ and supervisors’ training records: The Company’s Directors possess expertise and management experience and have completed the required hours of training in accordance with “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” in 2023.	None
	V		(6) Status of risk management policies and risk evaluation: The Company formulates internal regulations according to law, and conducts various risk management and assessments. In addition, the Directors of the company uphold a high degree of self-discipline, and are not allowed to participate in the discussion and vote if the proposals listed on the Board involve the interests of the Directors and cause damage to the interests of the Company.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
	V		(7) Customer service policies: The Company values customer relationship, so it continues the research of customer needs for the products for long-term cooperation.	None
	V		(8) Purchase of insurance for Directors : The Company has purchased liability insurance for its Directors and valued employees to ensure the protection of shareholders' rights and interests.	None

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures:

Prioritized issues for improvement in the 10th Corporate Governance Evaluation Indicators		
No.	Indicator Item	Priority Matters the Require Strengthening And Measures
1.2	Has the company established written regulations for financial and business-related operations with related parties, including management procedures for transactions such as purchasing and selling goods, acquiring or disposing of assets, and requiring that significant transactions be approved by the board of directors and reported to or approved by the shareholders' meeting?	The company plans to submit a proposal to the board of directors in 2024 to amend the "Rules Governing Financial and Business Matters Between the Company and its Related Parties"
2.18	Does the company conduct regular internal performance evaluations of its functional committees (At least, the audit committee and the remuneration committee should be included.) each year and disclose the implementation status and evaluation results on the company's website or annual report?	The assessment results of each committee were disclosed respectively in the 2023 annual report.

Note : Assessment for CPA's independence and competence

I. Independence requirement review		Status			
Item	Assessment Contents	Yes	No	N/A	Remarks
1	The CPA or his/her spouse or children have no investment or financial benefit sharing relationship with the Company.	✓			
2	The CPA or his/her spouse or children have no financial loan relationship with the Company. However, this shall not apply if the client is a financial institution with normal transactions.	✓			
3	The CPA firm has not issued any assurance service report regarding effective financial information system operations that the firm had assisted in the design or implementation.	✓			
4	The CPA or his/her audit service team members have not served as directors or managers of the Company or posed a significant impact on the audit work presently or in the last 2 years.	✓			
5	The non-audit services provided by the appointed CPAs to the Company have not directly affected the important items of the audit case.	✓			
6	The CPAs or members of the audit services team have not promoted or brokered shares or other securities issued by the Company.	✓			
7	Except for the business permitted by law, the CPAs or members of the audit service team have not represented the Company and other third parties in legal defense cases or other disputes.	✓			
8	The CPAs or members of the audit service team do not have no spousal, direct kinship, direct in-law, or relative relationship of the second degree or closer with the directors, managers, or persons who have a significant impact on the audit case.	✓			
9	The co-practicing CPAs who have stepped down within one year have not held a position as a director, manager, or a position with a significant influence on the audit case.	✓			
10	The CPAs or members of the audit services team have not received gifts or special offers of significant value from the Company or its directors, managers, or major shareholders.	✓			
11	The CPAs are not currently employed by the appointee or inspectee to hold regular jobs, receive a fixed salary, or serve as a director or supervisor.	✓			
12	The CPAs have not provided auditing services to the Company for 7 consecutive years.	✓			
II. Independence operational review		Status			
Item	Assessment Contents	Yes	No	N/A	Remarks
1	When a CPA has a direct or significant indirect interest in the entrusted matter that can affect the CPA's impartiality and independence, has the CPA been recused from the case?			✓	
2	When a CPA provides an audit, review, review, or ad hoc review of the financial statements and makes an opinion, has the CPA maintained formal independence in addition to its substantive independence?	✓			
3	Have the audit service team members, other co-practicing CPAs, or shareholders of corporate accounting firms, accounting firms, companies affiliated with the firm, and alliance firms also maintained independence from the Company?	✓			
4	Have the CPAs performed professional services with integrity and rigor?	✓			
5	Have the CPAs maintained a fair and objective position in the performance of their professional services and avoided prejudice, conflict of interest, or interest that might affect their professional judgment?	✓			
6	The CPAs' position of integrity, impartiality, or objectivity is not lacking or lost due to the loss of independence.	✓			

#### (IV) Composition, Responsibilities and Operations of the Remuneration Committee

##### 1. Profiles of the Members of the Compensation Committee

Title	Criteria Name	Professional qualifications and experience	Independence status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Convener)	WANG,TIEN-CHIN	Please refer to pages 14-15: Information on Directors and independence of Independent Directors.		0
Independent Director	FANG,PING-HUANG			0
Independent Director	HONG,YAO			0
Independent Director	LEE,BING-JYR			0

##### 2. Responsibilities of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the Directors' and Managers' compensation.

##### 3. Operations of the Remuneration Committee

(1) The Company's Compensation Committee consists of 4 members.

(2) Current member's tenure: The 5<sup>th</sup> term: from Aug. 11, 2022 to June 27, 2025. The Compensation Committee has convened 4 meetings in the most recent year and as of the publication date of the annual report. The attendance of the members are as follows:

Title	Name	Expected attendance (A)	Attendance in person (B)	Attendance by proxy	Percentage of actual attendance (%) (B / A)	Remarks
Convener	WANG,TIEN-CHIN	4	4	0	100.00	Newly-elected on Aug.11, 2022
Member	FANG,PING-HUANG	4	4	0	100.00	Re-elected on Aug.11, 2022
Member	HONG,YAO	4	4	0	100.00	Re-elected on Aug.11, 2022
Member	LEE,BING-JYR	4	4	0	100.00	Newly-elected on Aug.11, 2022

Other mentionable items:

1. If the board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of Directors, and the Company's response to the Remuneration Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(3) Resolutions of the Remuneration Committee in the most recent year and as of the publication date of this annual report

Date of the Committee meeting	Content of the motion	Resolution of the Remuneration Committee	Actions in response to the opinions of the Remuneration Committee
May 4, 2023	1.The proposal of the Company's 2022 compensation of employees and remuneration of the Directors. 2.The proposal of the Company's 2023 salary adjustment plan for Managers. 3.The proposal to appoint Corporate Governance officer.	After discussion of the members, the proposal was approved without any objection.	Submitted to the board of directors of the company for approval.
Aug. 8, 2023	2023 second salary adjustment for the Company's managers.	After discussion of the members, the proposal was approved without any objection.	Submitted to the board of directors of the company for approval.
Dec. 21, 2023	The 2023 year-end bonus distribution plan for managers.	After discussion of the members, the proposal was approved without any objection.	Submitted to the Board of Directors of the company for approval.
May 2, 2024	1.The proposal of the Company's 2023 compensation of employees and remuneration of the Directors. 2.The proposal of the Company's 2024 salary adjustment plan for Managers.	After discussion of the members, the proposal was approved without any objection.	Submitted to the Board of Directors of the company for approval.

(V).Sustainable Development Implementation Status and Reasons for Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”:

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract illustration	
I. Does the Company set up a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is in charge by senior management authorized by the Board of Directors, and the supervision state of the Board of Directors?		V	The Company hasn't set up a full-time (part-time) unit to promote sustainable development, but will do so in the future if necessary.	Explained in abstract illustration.
II. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	V		To promote sustainable development and effective operations, the Company formulated “Risk Management Measures” so as to assess and manage major risks related to its operations.	None
III. Environmental Issues (I)Has the company established a suitable environmental management system based on the characteristics of its industry?	V		(I)A safe working environment for employees is top priority, so the Company have personnel in charge of environmental protection, Industrial safety, and fire prevention to perform regular fire safety inspection and building inspections. The Company is committed to complying with the government's environmental protection laws and regulations to implement and achieve safety and health management goals	None
(II)Has the company committed to improving the efficiency of various resources and utilizing renewable materials that have reduced environmental impact?	V		(II)The Company devotes itself to energy saving and carbon reduction. Measures taken include recycling waste, and reduction of paper usage with a view to reducing environmental impact.	None

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies																																				
	Yes	No	Abstract illustration																																					
(III)Has the company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	V		(III)The Company installs central AC, water towers, and various fans, and performs regular checks on the efficiency of ice water machines. Employees are urged to turn off lights when not needed, while inefficient lighting is reduced outside offices, and old lighting replaced with LED lighting. Recycling is an on-going process for the purpose of energy saving and carbon reduction.	None																																				
(IV)Has the company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	V		(IV)In compliance with regulations stipulated by EPA, the Company filed regular reports about total weight of waste over the past two years. To go Green, solar energy panels are scheduled to be installed in the Company’s factories to reduce environmental impact. 1. Relevant statistics is as follows: (1) Greenhouse gas emissions : <table><tr><td>Year</td><td>2022</td><td>2023</td></tr><tr><td>Direct greenhouse gas emissions Scope 1 (tons of CO2e)</td><td>9.2223</td><td>195.3750</td></tr><tr><td>Indirect resources Scope 2 (tons of CO2e)</td><td>1,654.0554</td><td>2,249.2816</td></tr><tr><td>Intensity of greenhouse gas emissions (Scope 1+2) (tons CO2e/ million revenue)</td><td>1.6070</td><td>1.9542</td></tr></table> (2) Water resources management : <table><tr><td>Year</td><td>2022</td><td>2023</td></tr><tr><td>Water consumption (tons)</td><td>13,227</td><td>32,749</td></tr><tr><td>Intensity of water consumption (tons / million revenue)</td><td>12.7797</td><td>26.1783</td></tr></table> (3) Waste management : <table><tr><td>Year</td><td>2022</td><td>2023</td></tr><tr><td>Hazardous waste (tons)</td><td>4.3570</td><td>9.7945</td></tr><tr><td>Non-hazardous waste (tons)</td><td>24.2926</td><td>12.9323</td></tr><tr><td>Total (hazardous + non-hazardous) (tons)</td><td>28.6496</td><td>22.7268</td></tr><tr><td>Intensity of waste (tons / million revenue)</td><td>0.0277</td><td>0.0182</td></tr></table>	Year	2022	2023	Direct greenhouse gas emissions Scope 1 (tons of CO2e)	9.2223	195.3750	Indirect resources Scope 2 (tons of CO2e)	1,654.0554	2,249.2816	Intensity of greenhouse gas emissions (Scope 1+2) (tons CO2e/ million revenue)	1.6070	1.9542	Year	2022	2023	Water consumption (tons)	13,227	32,749	Intensity of water consumption (tons / million revenue)	12.7797	26.1783	Year	2022	2023	Hazardous waste (tons)	4.3570	9.7945	Non-hazardous waste (tons)	24.2926	12.9323	Total (hazardous + non-hazardous) (tons)	28.6496	22.7268	Intensity of waste (tons / million revenue)	0.0277	0.0182	None
Year	2022	2023																																						
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Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract illustration	
			<p>2. The company aims to reduce energy consumption and greenhouse gas emissions through various initiatives such as improving energy efficiency, establishing an energy management system, and conducting greenhouse gas inventories to implement total emission control.</p> <p>3. The company conducted verification related to greenhouse gas reduction investigations at the Southern Science Park and reported greenhouse gas emissions and reduction investigations.</p>	None
IV. Social Issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company formulates "work rules" and personnel management regulations in accordance with the Labor Standards Act and relevant laws to implement equal remuneration, employment, and training and promotion opportunities, so as to protect the rights and interests of employees.	None
(II) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(II) The Company formulates policies concerning remuneration, vacation and other benefits, and stipulates in the Company's articles of association that no less than 4 % should be allocated to employee remuneration according to the current year's profit, linking operating performance to employee remuneration	None



Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract illustration	
(III)Has the company provided employees with a safe and healthy working environment and routinely conducted safety and health education for employees?	V		<p>(III)The Company prioritizes providing employees with a safe, healthy, and comfortable working environment and strives to promote a harmonious and friendly work environment based on labor-management cooperation, trust, and mutual assistance. Additionally, we are committed to complying with environmental protection, safety, and health policies and relevant regulations. We provide safe and healthy working conditions and adhere to the occupational safety and health policy of "compliance with regulations, hazard prevention, continuous improvement, and full employee participation."</p> <p>1. Employee Safety Protection Measures :</p> <p>(1)The Company provides on-site contracted health services to assist colleagues in health consultation and advice. The frequency of said services is as follows:</p> <p>a. Occupational Medicine Specialist: 3 times per year, 3 hours per session.</p> <p>b. Occupational Health Service Physician: 3 times per year, 2 hours per session.</p> <p>c. Occupational Health Service Nursing Staff: 6 times per month, 2 hours per session.</p>	None

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract illustration	
			<p>(2)The Company organizes regular health examinations and one special hazard health examination annually. The on-site health service medical staff and occupational safety and health personnel provides assistance regarding the analysis and assessment of related examination results, health management, data preservation, tracking and guidance for individuals whose health examination results are abnormal, appropriate job assignment for workers, assessment and case management of workers suffering from occupational injury and illness, assessment of high-risk workers related to occupational health, and preservation of medical records.</p> <p>(3)To provide maternal health hazard protection for pregnant and postpartum workers, the company has established a designated maternity protection area. On-site health service medical staff and occupational safety and health personnel assist in job assignment and provide consulting services for these workers.</p> <p>(4)Each workplace is equipped with blood pressure monitors to show continuous care for the well-being of colleagues.</p> <p>(5)Each factory is staffed with first aid personnel, and AED (Automated External Defibrillator) devices are installed at entry and exit points. This ensures effective rescue and guidance in case of emergencies.</p>	

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract illustration	
			<p>(6)To cater to the needs of breastfeeding female employees, our company has established dedicated lactation rooms. These rooms are designed to create a warm and comfortable environment and are equipped with a temperature control system that operates round the clock. Access to the rooms is restricted through door access control, allowing only authorized individuals inside. The entrance is monitored by surveillance devices, and the rooms are equipped with comprehensive fire safety equipment, ensuring a secure environment. All facilities are in compliance with government regulations, including the Gender Equality in Employment Act. We provide thoughtful amenities such as refrigerators specifically for breast milk storage, freezer compartments, and bottle sterilizers.</p> <p>2.Work environment protection measures :</p> <p>(1)The Company assigns cleaning personnel to maintain the workplace environment on a daily basis. Additionally, regular disinfection of the work environment and cleaning of air conditioning systems are conducted every quarter to ensure a clean and hygienic workspace.</p>	

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract illustration	
			<p>(2) In accordance with ISO 45001:2018, the Company implements hazard identification and risk assessment on-site. We provide hardware protection measures for various types of hazards in the workplace, including soundproofing/silencing/acoustic devices, ventilation and exhaust systems, oxygen concentration monitoring, emergency smoke extraction devices, emergency automatic shut-off devices, etc. We also have software protection measures in place, such as automated inspection plans, regular maintenance and servicing, and documented operational standards. These software measures also include personal protective equipment (such as A-level protective clothing, C-level protective clothing, safety goggles, earplugs, masks, respirators, acid- and alkali-resistant gloves/boots) and antidotes for hazardous chemicals (such as hexafluoride, sodium hydroxide, calcium gluconate).</p> <p>(3) We engage the services of occupational health technicians to conduct semi-annual monitoring of hazardous substances and harmful materials in the work environment.</p> <p>(4) Fire safety equipment is inspected on a monthly basis, and we also engage the services of fire equipment specialists to conduct annual inspections and maintenance of fire safety equipment and handle the necessary reporting procedures. Additionally, we conduct two self-defense fire drills and prevention exercises for air pollution and toxic disasters annually.</p>	

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract illustration	
			<p>(5) Access control is implemented for entry and exit, so employees are required to wear identification badges. Visitors or external guests are guided by the reception desk for real-name registration. We have also signed a contract with Taiwan SECOM to equip the main entrance with a 24-hour monitoring system, and unauthorized access is strictly prohibited.</p> <p>(6) Smoking is strictly prohibited inside the office premises to ensure a smoke-free working environment for all employees.</p> <p>3. Safety and health education for employees :</p> <p>(1) Newly hired personnel are to undergo general safety and health education training (3 hours), For those handling hazardous chemicals, additional training (3 hours) include chemical labeling and general knowledge education.</p> <p>(2) For existing employees, an annual occupational safety and health training session (1 hour) is conducted, including specific education on hazardous chemicals. This training aims to enhance employees' awareness of hazards and promote accident prevention, thereby reducing the likelihood of incidents. This training duration complies with the regulatory requirement of three hours of training every three years.</p> <p>(3) We organize occasional health education seminars and promote health literacy to strengthen employees' self-health management. These activities aim to provide employees with valuable knowledge and information on health-related topics, empowering them to take charge of their own well-being.</p>	

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies																
	Yes	No	Abstract illustration																	
			<p>4. The company obtained verification of relevant investigations: ISO 9001:2015、ISO 17025:2017</p> <p>5. The company experienced no occupational accidents in the reporting period, and consequently, no related improvement measures were implemented.</p> <table><tr><th>Year</th><th>Employee disabling injuries (number)</th><th>Serious occupational accidents (number)</th><th>Number of casualties (%)</th></tr><tr><td>2023</td><td>0</td><td>0</td><td>0 people (0%)</td></tr></table> <p>6. The company had no fire accidents occur during the reporting period, and thus, no related improvement measures were implemented.</p> <table><tr><th>Year</th><th>Fire drills (frequency)</th><th>Fire statistics (number)</th><th>Number of casualties (%)</th></tr><tr><td>2023</td><td>2</td><td>0</td><td>0 people (0%)</td></tr></table>	Year	Employee disabling injuries (number)	Serious occupational accidents (number)	Number of casualties (%)	2023	0	0	0 people (0%)	Year	Fire drills (frequency)	Fire statistics (number)	Number of casualties (%)	2023	2	0	0 people (0%)	
Year	Employee disabling injuries (number)	Serious occupational accidents (number)	Number of casualties (%)																	
2023	0	0	0 people (0%)																	
Year	Fire drills (frequency)	Fire statistics (number)	Number of casualties (%)																	
2023	2	0	0 people (0%)																	
(IV)Has the company established an effective competency development career training program for employees?	V		(IV)The company conducts training for each new employee, and encourages personnel from all departments to actively participate in external training courses to improve their professional capabilities.	None																
(V)Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		(V)The Company follows relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services. Customer rights and interests is of importance to the Company, so it sets up a grievance system and mailbox for designated units to deal with customer complaints, ensuring follow-up on customer opinions.	None																

Implementation Items	Implementation Status			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract illustration	
(VI)Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?		V	(VI)The Company hasn’t requested suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights. However, if any violation is discovered, business with the supplier will be suspended or terminated.	Explained in abstract illustration.
V. Did the company, following internationally recognized guidelines, prepare reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	The Company hasn’t complied its Corporate Social Responsibility report, but will compile the said report based on actual needs or in accordance with the regulations of the competent authority in the future.	Explained in abstract illustration.
VI. If the company has established the sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the Principles and their implementation: The Company has established the sustainable development best practice principles, taking into account its current situation and relevant regulations. Gradual implementation and promotion of the principles is in place, so there is no material discrepancy.				
VII. Any important information helpful to facilitate the understanding of sustainable development operations: (I)Environment: The Company values energy-saving and implements various measures for energy saving and carbon reduction such as reducing the time for ACs to be on, setting ACs at a higher temperature, using energy-saving lamps, gradual phase-out of energy-consuming equipment, promotion of digital documentation to reduce paper consumption, and collaboration with suppliers to recycle and reuse cardboard boxes and packaging. (II)Safety and health : The Company is dedicated to providing a safe working environment and conducts regular employee health checks and safety and health training. (III)Human rights” The Company respects the individual differences of each employee and upholds equal employment rights for all, regardless of their nationality, age, gender, appearance, religious and cultural background, political affiliation, etc.				
Diversity in workplace		Ratio within the entire workforce		
Females		56.49%		
Physically challenged		0.70%		

(VI) Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The company submits quarterly reports to the board of directors to control the schedule and verification of greenhouse gas inventories. The schedule follows the relevant regulations issued by the competent authority.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term)	As of the publication date of the annual report, the Company has not yet completed the identification of climate risks and opportunities. The relevant content will be disclosed on the Company's official website.
3. Describe the financial impact of extreme weather events and transformative actions	As of the publication date of the annual report, the Company has not yet completed the assessment of the financial impact of extreme climate events and transformation actions. The relevant content will be disclosed on the Company's official website.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system	As of the publication date of the annual report, the Company has not completed the identification, assessment, and management process of climate risks. The relevant content will be disclosed on the Company's official website.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	As of the publication date of the annual report, the Company has not used scenario analysis to assess its resilience to climate change risks, so it is not applicable.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	As of the publication date of the annual report, the Company has not completed its transformation plan to manage climate-related risks. The relevant content will be disclosed on the Company's official website.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	As of the publication date of the annual report, the Company has not used internal carbon pricing as a planning tool, so it is not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	As of the publication date of the annual report, the company does not meet certain conditions, so it is not applicable.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	As of the publication date of the annual report, the company does not meet certain conditions, so it is not applicable.



(VII) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company have a Board- approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	V		<p>(I) The Company established the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct" as guidelines for the operation of the Board and Management and the basis on which ethical corporate management is conducted in our business activities.</p>	None
<p>(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>(II) The Company's "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" have stipulated procedures to prevent unethical conduct and implement them accordingly.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(III) In the “Procedures for Ethical Management and Guidelines for Conduct,” the Company has established preventive measures against activities with higher risk of unethical conduct, such as acceptance of unreasonable presents or hospitality so that employees won’t sacrifice the Company’s interests for their own gain.	None
II. Fulfill operations integrity policy (I) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?		V	(I) The Company hasn’t included ethics-related clauses in business contracts with our business partners. However, prior to establishing a business relationship, an integrity assessment is conducted to avoid transactions with companies or individuals with records of unethical conduct. In the future, ethics-related clauses will be included in our business contracts depending on actual needs.	Explained in abstract illustration.
(II) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(II) The Administration Department of the company is in charge of the stipulation and execution of the “Procedures for Ethical Management and Guidelines for Conduct” and report to the Board of Directors whenever necessary.	None
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct” have prevented conflicts of interest. Moreover, grievance channels and a mailbox are provided in the Stakeholders’ Section on the official website to implement the policies.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(IV) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		(IV) The Company has established accounting and internal control systems to ensure integrity in our operations. Internal auditors have carried out regular audits based on the audit programs, while CPAs have conducted reviews of the Internal Control System.	None
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(V) The Company advocate operational integrity and regulations in the internal management meetings from time to time.	None
III. Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) The Company established both a reward/report system, an integrity hotline, and procedures for processing reports in the “Procedures for Ethical Management and Guidelines for Conduct.” Grievance channels and a mailbox are provided in the Stakeholders’ Section on the official website for the accused be reached by an appropriate person for follow-up.	None
(II) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(II) It is stipulated in the “Procedures for Ethical Management and Guidelines for Conduct” that the identity of the informant and the report shall be kept confidential. After a confidential investigation, anyone who violates the regulations on operational integrity will be asked to stop the violation and proper punishment will be handled. In cases of illegal conduct, legal actions will be taken to claim damage as well to defend the reputation and rights of the Company.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(III) Does the company provide proper whistleblower protection?	V		(III) It is stipulated in the “Procedures for Ethical Management and Guidelines for Conduct” that the identity of the informant and the report shall be kept confidential as a principle and shall not be improperly dealt with as a result of the report.	None
IV. Strengthening information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		(I) The Company’s “Ethical Corporate Management Best Practice Principles”, the “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct” have been disclosed on MOPS and the Investors Section on the official website. Real-time announcements and updates will be disclosed on MOPS in accordance with the law.	None
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: There have been no differences.				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): None.				

(VIII) If the company has established the Corporate Governance Best Practice Principles and related regulations, the searching methods shall be disclosed:

1. Market Observation Post System (MOPS): <http://mops.twse.com.tw>
2. Corporate website :  
[www.transcominc.com.tw/investorsandstakeholders/corporategovernance/keyregulations](http://www.transcominc.com.tw/investorsandstakeholders/corporategovernance/keyregulations)

(IX) Other material information that can enhance the understanding of corporate governance shall be disclosed: None

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

1. Statement of Internal Control

**Transcom, Inc.**  
**Statement on Internal Control System**

Dated: March 12, 2024

According to the self-evaluation results of internal control system by the Company in 2023, we hereby states as follows:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate 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) the reliability, timeliness, transparency of report; and (c) Achieve compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- II. 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. However, Transcom, Inc.'s internal control system contains self-monitoring mechanisms and is in the process of making an accurate action should any deficiency is identified.
- III. 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 constituent element includes a number of projects. For the aforementioned project, please refer to the "Handling Guidelines".
- IV. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- V. Based on the findings of the aforementioned evaluation, Transcom, Inc. believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If any falsehood, concealment, or other illegality in the content made public in the aforementioned disclosed content, it will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. The Company hereby declares that this statement had been approved by the Board of Directors on March 12, 2024. Among the 10 attending Directors, no one raised any objection and all consented to the content expressed in this statement.

Transcom, Inc.  
Chairman: CHANG,CHIAN-SERN  
President: CHANG,CHIAN-SERN

2. The CPA's review report shall be disclosed if any CPA is commissioned to review the ICS: None.

(XI) In the most recent fiscal year as of the publication date of this Annual Report, there has been punishment of the company or its internal personnel, or punishment of the company to its internal personnel for violating internal control system regulation, and its punishment results might have significant influence on shareholders' equity or securities' price, the punishment, main deficiencies and improvements shall be listed: None.

(XII) Major resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year as of the publication date of this annual report:

1. Important resolutions and implementation of 2022 General Shareholders' Meeting:

Date	Important resolutions	Implementation
Jun. 29, 2023	<p>Ratification :</p> <p>(1) Ratification of the business report and financial statements for the year 2022.</p> <p>(2) Ratification of the proposal of earnings distribution for the year 2022.</p> <p>Discussion :</p> <p>(1) Proposal for issuance of new shares from capital surplus.</p>	<p>Proposal was ratified by shareholders meeting.</p> <p>An allotment of shares was scheduled on April 7, 2023, and the full payment was completed by April 28, 2023. (Cash dividend of NTD 3 per share was distributed.)</p> <p>The filing with the Financial Supervisory Commission's Securities and Futures Bureau took effect on July 10, 2023, with August 29, 2023, set as the ex-dividend date. All distributions were completed.</p>

2. Resolutions adopted by the Board of Directors in the most recent fiscal year as of the publication date of this annual report:

Date	Important resolutions
Mar. 15, 2023	<p>(1) Self-inspection of internal control, Internal Control System Declaration" and audit report for 2022.</p> <p>(2) Business report, financial statements, and Auditors' Report for the year 2022.</p> <p>(3) The proposal of earnings distribution for the year 2022.</p> <p>(4) Proposal for issuance of new shares from capital surplus.</p> <p>(5) The proposal of the Company's 2022 distribution of compensation of employees and remuneration of Directors.</p> <p>(6) It was proposed to amend "Sustainable Development Best Practice Principles"</p> <p>(7) It was proposed to amend the Company's "Corporate Governance Best Practice of Principles".</p> <p>(8) Assessment of CPA's Independence and Competence and 2023 appointment and remuneration of CPAs.</p> <p>(9) The convening of the Company's General Shareholders Meeting for the year 2023 and acceptance of proposals from shareholders.</p> <p>(10) Assessment report on the Company's 2022 "Assessment of the Board of Directors".</p> <p>(11) It was proposed to renew the contract for credit extensions with Bank of Panshin and Taiwan Cooperative Bank.</p>
May. 4, 2023	<p>(1) Approved the Company's financial statements for the first quarter of 2023 and auditor's review report.</p> <p>(2) The proposal of the Company's 2022 remuneration of Directors and compensation distribution for Managers.</p>

Date	Important resolutions
	(3)2023 salary adjustment plan for Managers. (4)The proposal to appoint corporate governance officer. (5)The Company is planning to establish the "Rule and Procedure for Delivering Shareholders' Meeting Souvenirs and Collecting Deposits."
Aug.8, 2023	(1)2023 second salary adjustment plan for Managers. (2)It was proposed to appoint a new CPA. (3)Approved the Company's financial report for the second quarter of 2023 and auditor's review report. (4)It was proposed to set as ex-rights date for the issuance of new shares through capital surplus increase.
Nov.9, 2023	(1)Approved the Company's financial report for the thrid quarter of 2023 and auditor's review report. (2)It was proposed to amend "Rules of Procedure of the Shareholders' Meeting"
Dec.21, 2023	(1)Completion of the 2024 Internal Audit Plan. (2)Operating plan and budge for 2024. (3)The 2023 year-end bonus distribution plan for Managers. (4)It was proposed to amend the Level of Authority of Investment Cycle.
Mar.12, 2024	(1)Self-inspection of internal control, Internal Control System Declaration" and audit report for 2023. (2)Business report, financial statements, and Auditors' Report for the year 2023. (3)The proposal of earnings distribution for the year 2023. (4)Proposal for issuance of new shares from capital surplus. (5)The proposal of the Company's 2023 distribution of compensation of employees and remuneration of Directors. (6)It was proposed to amend "Board of Directors Rules of Procedure" (7)It was proposed to amend the Company's "Audit Committee Organizational Rules" (8)The convening of the Company's General Shareholders Meeting for the year 2023 and acceptance of proposals from shareholders. (9)Assessment of CPA's Independence and Competence and 2023 appointment and remuneration of CPAs.
May 2, 2024	(1)Approved the Company's financial statements for the first quarter of 2024 and auditor's review report. (2)Intends to acquire a batch of equipment. (3)The proposal of the Company's 2023 remuneration of Directors and compensation distribution for Managers. (4)2024 salary adjustment plan for Managers. (5)It was proposed to renew the contract for credit limit with Bank. (6)It was proposed to cancel of the issued restricted employee shares and capital reduction. (7)It was proposed to amend "Rules Governing Financial and Business Matters Between the Company and its Related Parties"

(XIII) During the most recent fiscal year or during the current fiscal year as of the publication date of this Annual Report, if any Directors have expressed any dissenting opinions with respect to a material resolution passed by the Board of Directors, which has been recorded or prepared as a written declaration, the principal content thereof shall be disclosed: None.

(XIV) Resignation and dismissal of the company's Chairman, President, accounting manager, financial manager, internal audit manager, corporate governance director and R&D manager in the past fiscal year and as of the publication date of this Annual Report: None

## V. Information on CPA Professional Fees:

Unit: NT\$ thousand

CPA Firm	Name of CPA		Period Covered by CPA's Audit	Audit fees	Non-audit fees		Total	Note
					Business registration	Others (Note)		
PwC Taiwan	YEH, FANG-TING	HSU, HUEI-YU	2023	1,820	40	440	2,300	-

Note: Other non-audit fees include NT\$ 230 thousand for tax certification. NT\$ 100 thousand for translation of financial reports into English. NT\$ 50 thousand for advance expenses. NT\$ 60 thousand for insurance of new shares service.

- (I) If the auditing firm is replaced and the audit fee paid in the replacement year is lower than the audit fee in the previous year, the amount of the audit fee before and after the replacement shall be disclosed and the reason thereof shall be disclosed: None.
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: None.

## VI. Information Regarding Replacement of CPAs:

### (I) Information regarding the former CPAs

Date of replacement	Approved by the Board of Directors on Aug. 8, 2023.
Reason for replacement and explanation	The original CPAs of the Company were YEH, FANG-TING and LIN, YUNG-CHIH from PwC Taiwan. Due to internal rotation, the CPAs of the Company were changed to YEH, FANG-TING and HSU, HUEI-YU, which starting from the 2 <sup>nd</sup> quarter of 2023.
Describe whether the Company terminated or the CPA did not accept the appointment	Not applicable.
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable.
Differences with the company	Not applicable.
Other Revealed Matters	Not applicable.

### (II) Regarding the successor CPAs

CPA firm	PwC Taiwan
Name of CPA	YEH, FANG-TING & HSU, HUEI-YU
Date of appointment	Approved by the Board of Directors on Aug. 8, 2023.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not applicable.
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable.

- (III) The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations.

## VII. The company's Chairman, President, or any Managerial Officer in Charge of Finance or Accounting Operations who has Held a Position in the CPA Firm of its CPA or at a Related Company in the Most Recent Year: None.



VIII. Equity Transfer and Hypothecation Change in Shareholding and Shares Pledged by Directors, Supervisors, Managers, and Shareholders with 10% Shareholdings or more in the Most Recent Year as of the Publication Date of this Annual Report:

(I) Net change in shareholding by Directors, Supervisors, Managers, and substantial shareholders

Unit: share

Title	Name	2023		As of May 20, 2024	
		Shareholding Increase (decrease)	Pledged shares Increase (decrease)	Shareholding Increase (decrease)	Pledged shares Increase (decrease)
Chairman and CEO	CHANG,CHIAN-SERN	116,772	—	(1,000)	—
Director and Vice President	LU,FENG-CHIH	69,537	—	—	—
Director	DAVID S. WANG	64,480	—	—	—
Director	JHANG,WEI-HAN	15,656	—	—	—
Director and President	WU,CHANG-LUEN	(109,314)	—	—	—
Director	GUO,LI-JHEN	84,665	—	—	—
Independent Director	FANG,PING-HUANG	—	—	—	—
Independent Director	HONG,YAO	2,205	—	—	—
Independent Director	WANG,TIEN-CHIN	7,476	—	—	—
Independent Director	LEE,BING-JYR	1,670	—	—	—
President	CHANG,CHING-HSUEH	(28,886)	—	(14,000)	—
Vice President	CHOU,TIEN-SZU	(6,273)	—	(5,000)	—
Vice President	LIU,HUNG-CHIH	9,500	—	(2,500)	—
Vice President	KUO,NAN-CHIEN	(64,908)	—	(27,000)	—
Senior Manager	CHEN,SHENG-PIN	(3,685)	—	(13,000)	—
Accounting Officer and Corporate Governance Officer	KUO,CHIA-CHE	2,946	—	—	—

(II) Shares trading with related parties by Directors, Supervisors, Managerial Officers, and shareholders holding 10% or more of the total shares of the Company: None.

(III) Shares pledge with related parties by Directors, Supervisors, Managerial Officers, and shareholders holding 10% or more of the total shares of the Company: None.

IX. Information on the Relationship between any of the TOP 10 Shareholders (Related Party, Spouse, or Kinship within the Second Degree):

Apr. 14, 2024; Unit: share, %

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by nominees		The titles or names and relationships of the top ten shareholders who are affiliates, spouses, or relatives within the second degree of kinship.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
FANG WANG, CHING-LI	5,020,166	6.73	—	—	—	—	FANG,PIN-FEI FANG,TSUI-CHAN	Mother/Daughter Mother/Daughter	—
FANG, PIN-FEI	2,458,432	3.30	—	—	—	—	FANG WANG,CHING-LI FANG,TSUI-CHAN	Mother/Daughter Sister	—
CHANG, CHIAN-SERN	2,043,498	2.74	1,561,321	2.09	—	—	GUO,LI-JHEN	Spouse	—
GUO, LI-JHEN	1,561,321	2.09	2,043,498	2.74	—	—	CHANG,CHIAN-SERN	Spouse	—
Citibank (Taiwan) Ltd. in custody for Norges Bank	1,245,200	1.67	—	—	—	—			—
FANG, TSUI-CHAN	1,209,000	1.62	—	—	—	—	FANG WANG,CHING-LI FANG,PIN-FEI	Mother/Daughter Sister	—
Taishin Securities Investment Trust Ltd. in custody for Taishin Life Insurance Ltd.	1,150,000	1.54	—	—	—	—	—	—	—
LU, YI-FAN	1,102,000	1.48	134,239	0.18	—	—	—	—	—
FANG, LIANG-KUN	925,585	1.24	75,600	0.10	—	—	—	—	—
WU, CHANG-LUN	877,554	1.18	150,000	0.20	—	—	—	—	—

X. Information on the Number of Shares Held by the Company, Directors, Managerial Officers, and Companies Directly or Indirectly Controlled by the Company: None.

## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Source of capital

##### 1.Share type

unit: thousand shares

Share Type	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Common shares	74,560,660	15,439,340	90,000,000	Listed stock

##### 2.Equity formation

Unit: NT\$ thousand; thousand shares

Year and Month	Issued Price	Authorized Capital		Paid-in Capital		Note:		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
May 1998	10	40,000	400,000	40,000	400,000	Capital for incorporation 400,000 thousand	Technology shares 51,000 thousand	June 18, 1998 YUAN,SHANG-TZU No.015466
Oct. 2000	12	60,000	600,000	46,000	460,000	Capital increase of 60,000 thousand	—	Oct. 24, 2000 YUAN,SHANG-TZU No.023556
Aug. 2001	25	60,000	600,000	53,000	530,000	Capital increase of 70,000 thousand	—	Nov. 2, 2001 YUAN,SHANG-TZU No.028124
Nov. 2002	20	60,000	600,000	56,500	565,000	Capital increase of 35,000 thousand	—	Feb. 21, 2003 NAN,ERH-TZU No. 0920002841
Dec. 2003	12	90,000	900,000	67,500	675,000	Capital increase of 110,000 thousand	—	Feb. 17, 2004 NAN,SHANG-TZU No. 0930002845
Aug. 2008	10	90,000	900,000	22,500	225,000	Capital reduction of 450,000 thousand	—	Aug. 22, 2008 NAN,SHANG-TZU No. 0970019711
Dec. 2008	10	90,000	900,000	24,000	240,000	Capital increase of 15,000 thousand	—	Jan. 17, 2009 NAN,SHANG-TZU No. 0980001540
Sep. 2010	11.90	90,000	900,000	25,055	250,550	Employee Stock Option conversion of 10,550 thousand	—	Oct. 15, 2010 NAN,SHANG-TZU No. 0990022817
Oct. 2012	12	90,000	900,000	26,555	265,550	Capital increase of 15,000 thousand	—	Oct. 18, 2012 NAN,SHANG-TZU No. 1010025689
Aug. 2014	12	90,000	900,000	28,555	285,550	Capital increase of 20,000 thousand	—	Sep. 5, 2014 NAN,SHANG-TZU No. 1030022838
Apr. 2015	20	90,000	900,000	30,555	305,550	Capital increase of 20,000 thousand	—	April 23, 2015 NAN,SHANG-TZU No. 1040009641
Oct. 2015	20	90,000	900,000	33,555	335,550	Capital increase of 30,000thousand	—	Nov. 16, 2015 NAN,SHANG-TZU No. 1040029075

Year and Month	Issued Price	Authorized Capital		Paid-in Capital		Note:		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
Apr. 2016	19.44	90,000	900,000	34,001	340,010	Employee Stock Option conversion of 4,460 thousand	—	May 10, 2016 NAN,SHANG-TZU No. 1050011144
Apr. 2017	19.44	90,000	900,000	34,411	344,110	Employee Stock Option conversion of 4,100 thousand	—	May 4, 2017 NAN,SHANG-TZU No. 1060010915
Aug. 2018	19.44	90,000	900,000	34,804	348,040	Employee Stock Option conversion of 3,930 thousand	—	Aug. 23, 2017 NAN,SHANG-TZU No. 1070024314
May 2019	19.44	90,000	900,000	35,012	350,120	Employee Stock Option conversion of 2,080 thousand	—	May 10, 2019 NAN,SHANG-TZU No. 1080012336
Sep. 2019	10	90,000	900,000	36,763	367,626	Recapitalization of retained earnings 17,506 thousand	—	Sep. 16, 2019 NAN,SHANG-TZU No. 1080025361
Oct. 2019	0	90,000	900,000	37,763	377,626	New restricted employee shares of 10,000 thousand	—	Oct. 15, 2019 NAN,SHANG-TZU No. 1080028126
Mar. 2020	17.73	90,000	900,000	37,771	377,706	Employee Stock Option conversion of 80 thousand	—	Mar. 17, 2020 NAN,SHANG-TZU No. 1090006460
Dec. 2020	75	90,000	900,000	41,271	412,706	Capital increase of 35,000 thousand	—	Dec. 9, 2020 NAN,SHANG-TZU No. 1090032775
May 2021	10	90,000	900,000	60,292	602,918	Capital increased by capital surplus 40,471 thousand Recapitalization of retained earnings 149,741 thousand	—	May 24, 2021 NAN,SHANG-TZU No. 1100014982
Nov. 2021	104.49	90,000	900,000	67,829	678,288	Capital increase of 75,370 thousand	—	Nov. 1, 2021 NAN,SHANG-TZU No. 1100031858
Nov. 2022	10	90,000	900,000	67,821	678,208	Cancellation of new restricted employee shares of 80 thousand	—	Nov. 21, 2022 NAN,SHANG-TZU No. 1110034462
Sep. 2023	10	90,000	900,000	74,564	745,637	Capital increased by capital surplus 67,429 thousand	—	Sep. 7, 2023 NAN,SHANG-TZU No. 1120025461
May 2024	10	90,000	900,000	74,561	745,607	Cancellation of new restricted employee shares of 30 thousand	—	May 14, 2024 NAN,SHANG-TZU No. 1130014416

3.Information related to the general declaration system: Not applicable.

## (II) Shareholder structure

Apr. 14, 2024

Shareholder Structure Quantity	Government Institution	Financial Institution	Other Institutional Investors	Individual	Foreign Institutions and Individual Shareholders	Total
Number of shareholders	—	4	216	19,816	58	20,094
Shareholding (shares)	—	1,693,000	2,297,800	66,911,785	3,661,075	74,563,660
Percentage (%)	—	2.27	3.08	89.74	4.91	100.00

## (III) Shareholding distribution status

## 1. Common share

Apr. 14, 2024

Shareholding classification	Number of shareholders	Shareholding (shares)	Percentage (%)
1 to 999	11,364	709,900	0.95
1,000 to 5,000	7,113	12,580,540	16.87
5,001 to 10,000	790	5,832,851	7.82
10,001 to 15,000	254	3,121,328	4.19
15,001 to 20,000	153	2,737,340	3.67
20,001 to 30,000	135	3,333,872	4.47
30,001 to 40,000	70	2,475,545	3.32
40,001 to 50,000	43	1,962,326	2.63
50,001 to 100,000	82	5,855,102	7.85
100,001 to 200,000	49	6,868,591	9.21
200,001 to 400,000	21	5,521,624	7.41
400,001 to 600,000	5	2,380,373	3.19
600,001 to 800,000	4	2,784,897	3.74
800,001 to 1,000,000	3	2,609,754	3.50
Over 1,000,001 shares	8	15,789,617	21.18
Total	20,094	74,563,660	100.00

## 2. Preferred share: Not applicable.

## (IV) List of major shareholders

Apr. 14, 2024

Name	Shares	Shareholding (shares)	Percentage (%)
FANG WANG, CHING-LI		5,020,166	6.73
FANG, PIN-FEI		2,458,432	3.30
CHANG, CHIAN-SERN		2,043,498	2.74
GUO, LI-JHEN		1,561,321	2.09
Citibank (Taiwan) Ltd. in custody for Norges Bank		1,245,200	1.67
FANG, TSUI-CHAN		1,209,000	1.62
Taishin Securities Investment Trust Ltd. in custody for Taishin Life Insurance Ltd.		1,150,000	1.54
LU, YI-FAN		1,102,000	1.48
FANG, LIANG-KUN		925,585	1.24
WU, CHANG-LUN		877,554	1.18

## (V) Market price, net value, earnings, and dividends per share

Unit: NT\$, thousand shares

Item		Year	2022 (Note 1)	2023 (Note 1)	Current Fiscal Year As of March 31, 2024
Market Price per share	Highest		216.00	223.50	187.50
	Lowest		114.00	135.50	157.50
	Average		142.32	171.27	170.79
Net Value per share	Before Distribution		29.58	30.23	—
	After Distribution		26.60	26.24	—
Earnings per share	Weighted Average Shares		73,969	74,222	74,368
	Earnings per share (before retrospective)		3.71	5.88	0.96
	Earnings per share (after retrospective)		3.37	5.88	—
Dividends per share	Cash Dividends		3	4	—
	Stock Dividends	Retained earnings	—	—	—
		Capital surplus	1	—	—
	Accumulated undistributed dividends		—	—	—
Return on Investment	Price-to-earnings ratio (Note 2)		38.36	29.13	—
	Price-to-dividend (Note 3)		47.44	42.82	—
	Cash dividend yield (Note 4)		2.11%	2.34%	—

Note 1: The financial information for 2022 and 2023 have been audited by CPAs.

Note 2: Price-to-earnings (P/E) ratio = Average closing price/Earnings per share.

Note 3: Price/Dividend ratio = Average closing price per share/Cash dividends per share.

Note 4: Cash dividend yield = Cash dividend per share/Average closing price per share.

## (VI) The Company Dividend Policy and its Operations

### 1. Dividend policy

If there is any profit after closing account in a fiscal year, the Company shall first pay tax due, cover accumulated loss and set aside ten percent (10%) of it as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. And then the Company set aside or reverse a special reserve in accordance with laws and regulations. The Board of Directors shall prepare the proposal for distribution and be resolved in the shareholders' meeting if there is retained earnings.

According to Article 240 of the Company Act, the Company may distribute all or part of retained earnings, capital surplus or legal reserve as stock dividend after a resolution in the shareholders' meeting.

The Company authorizes the Board of Directors to distribute all or part of the retained earnings, capital surplus or legal reserve in cash to shareholders after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy shall take the future planning, investment environment, capital needs, shareholders' benefit and other factors into consideration. The Company shall not distribute less than 40% of the retained earnings to shareholders, however it may not distribute if the retained earnings less than 10% of common stock. The Company may distribute the retained earnings to shareholders in shares or cash, and the cash dividends shall not less than 10% of the total dividends.

### 2. The proposal of dividend distribution in this Shareholders' Meeting:

(1)The Company distributed dividends of NT\$4 per share, totaled in NT\$297,470,640, which was approved by the Board of Directors on March 12, 2024. Any fractional amount less than NT\$1 for the cash dividends shall be recognized as other income.

(2)On March 12 2024, it was proposed by the Board of Directors to distribute 2023 capital reserve by issuing shares, pending the resolution of the 2024 general shareholders' meeting. The allotment of stock dividends is NT\$ 1 (issue 100 new shares as stock dividends for every thousand capital reserve shares)

### 3. When there is expected to be a significant change in the dividend policy, it shall be explained:

No change is expected.

## (VII) Impact of the stock dividend proposed in this Shareholders' Meeting on the Company's business performance and earnings per share (EPS):

The Company's financial forecast isn't on public. It is not applicable in accordance with the provisions of No. 00371 from the Ministry of Finance, dated February 1, 1989.

## (VIII) Remuneration of Employees, Directors, and Supervisors

1. If there is any profit in the year, Transcom, Inc. shall allocate more than 4% of the profit as employee's remuneration, which shall be distributed by shares or cash by the resolution of the Board of directors, including employees of the parent company or subsidiaries meeting the requirements of laws and regulations. In addition, Transcom, Inc. shall allocate no more than 2%

of the profit as director's remuneration by the resolution of the Board of directors. The remuneration for employees and Directors should be submitted to the general shareholders' meeting. However, the Company's accumulated losses shall have been covered.

2. Accounting treatment for the basis of estimating the amount of the employees' compensations and Directors' remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employee compensation, and for any discrepancy between the actual amount distributed and the estimated figures.

The estimation basis of employees' compensations and Directors' remuneration is based on the aforementioned Articles of Incorporation and estimated annually. If the actual distribution amounts differ from the and estimated amount, it will be regarded as changes in accounting estimates, the difference and will be accounted for as profit or loss of the period in the resolution of the Board of Directors.

3. Information on any approval by the Board of Directors of distribution of remuneration:

- (1) If the employee's compensations and director's remuneration distributed in cash or shares differ from the annual estimated amount of the recognized expenses, the difference, cause and treatment shall be disclosed:

On March 12 2024, the Board of Directors approved the cash distribution of 2023 employee compensation of NT\$ 28,561,400 and, remuneration to Directors of NT\$ 11,424,500. The amount was resolved to be rounded up, leading to an increase of estimate of NT\$13, which has been treated as a change in accounting estimate in 2024.

- (2) Amount of compensations of employees distributed in shares, and its percentage to the sum of net profit after tax stated in the parent company-only or individual financial statements of the current period and the total amount: None.

4. Actual distribution of employees' and Directors' compensation for the previous fiscal year:

On March 15 2023, the Board of Directors approved the cash distribution of 2022 employee compensation of NT\$ 18,500,000 and, remuneration to Directors of NT\$ 6,912,200. The amount was resolved to be rounded up, leading to an increase of estimate of NT\$1,190,463, which has been treated as a change in accounting estimate in 2023.

(IX) Buyback of Treasury Stock: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depositary Receipts: None



## V. Issuance of Employee Stock Option:

1. Status of unexercised employee stock option as of publication date, and the impact on shareholders' equity:

May 20, 2024

Type of Employee Stock Option	2022 Employee Stock Option										
Effective registration date	Dec. 9, 2022										
Total number of units	700										
Issue date	Dec. 19, 2022										
Units granted	700										
Number of units available for issuance	0										
Issued employee option shares to total issued shares(%)	0.94%										
Duration	6 years										
Exercise method	Issuance of new common shares										
Vesting period and percentage (%)	<p>Holders of employee stock option may exercise in two years later after the granted date according to the following schedule:</p> <table> <tr> <th>Period</th><th>Cumulative percentage</th></tr> <tr> <td>2 years</td><td>40%</td></tr> <tr> <td>3 years</td><td>60%</td></tr> <tr> <td>4 years</td><td>80%</td></tr> <tr> <td>5 years</td><td>100%</td></tr> </table>	Period	Cumulative percentage	2 years	40%	3 years	60%	4 years	80%	5 years	100%
Period	Cumulative percentage										
2 years	40%										
3 years	60%										
4 years	80%										
5 years	100%										
Exercised Shares	0 Shares										
Exercised Amount (NT\$)	NT\$ 0										
Unexercised Units	700										
Exercise price for unexercised units (NT\$)	NT\$ 119										
Unexercised shares to total issued shares (%)	0.94%										
Impact on shareholders' equity	Holders of employee stock option may exercise the options as the schedule. The impact on shareholder equity is limited and no significant impact										

Note: Calculated based on the total issued shares (74,560,660 shares) as of May 20, 2024.

## 2. List of executive officers and TOP 10 employee granted Employee Stock Option:

May 20, 2024

Title	Name	Number of Option Shares	Option Shares as a Percentage of Shares issued	Exercised				Unexercised			
				No. of Shares Converted	Subscription Price(NT\$)	Amount (NT\$ thousand)	Subscribed Shares as a Percentage of Shares issued	No. of Shares Converted	Subscription Price(NT\$)	Amount (NT\$ thousand)	Subscribed Shares as a Percentage of Shares issued
Management	C.E.O.	CHANG,CHIAN-SERN	290,000	0	0	0	0.00%	290,000	119.00	34,510	0.39%
	President	CHANG,CHING-HSUEH									
	President	WU,CHANG-LUEN									
	Senior Vice President	LU,FENG-CHIH									
	Vice President	LIU,HUNG-CHIH									
	Vice President	KUO,NAN-CHIEN									
	Vice President	CHOU,TIEN-SZU									
	Senior Manager	CHEN,SHENG-PIN									
	Senior Manager	FANG,LIANG-KUN									
	Accounting Officer	KUO,CHIA-CHE									
Staff	Manager	CHEN,YU-HSUN	325,000	0	0	0	0.00%	325,000	119.00	38,675	0.44%
	Manager	HSU,CHIA-JUNG									
	Manager	JING,SHIANG-LING									
	Manager	CHEN,JUI-CHANG									
	Manager	TSAI,WEI-CHEN									
	Manager	LIU,GENG-WEI									
	Manager	WU,TSUNG-TA									
	Engineer	FANG,YEN-CHUNG									
	Auditor	SHIH,HSIAO-CHUN									
	Manager	CHEN,YEN-HSING									
	Assistant Manager	SHIEH,MING-YI									
	Engineer	TSAL,MING-HSIU									
	Engineer	CHA,HSIEN-FEI									
	Engineer	HUANG,CHAO-ZONG									
	Engineer	LIN,KUAN-YU									
	Engineer	LIN,MENY-LEE									
	Engineer	LUO,YU-JING									
	Engineer	SIE,CHENG-EN									
	Secretary	HUANG,HSIANG-LING									
	Engineer	LIN,YU-CHE									
	Engineer	LI,CHANG-HAO									

Note: Calculated based on the total number of issued shares (74,560,660 shares) as of May 20, 2024.

## VI. Issuance of New Restricted Employee Shares:

### 1. The status of new restricted employee shares:

May 20, 2024

Type of new restricted employee shares	The 1st of new restricted employee shares
Effective registration date	Jan. 10, 2019
Total number of shares	1,000,000 shares
Issue date	Sep. 30, 2019
Number of new restricted employee shares issued	1,000,000 shares
Number of new restricted employee shares available for issuance	0 share
Issue price	NT\$ 0
Ratio of the number of new restricted employee shares issued to the total number of issued shares (Note)	1.34%
Vesting conditions of the new restricted employee shares	<p>In accordance with this policy, after employees are granted restricted stock, those who have been evaluated as excellent or outstanding in their annual performance review, or who have made substantial contributions and have been approved by the board of directors upon recommendation by their supervisors and the general manager, will be entitled to the following shareholding ratios if they are still employed and have complied with the service regulations, labor contracts, and work rules without any violation at the following vesting periods:</p> <ol style="list-style-type: none"> <li>1. One year after being granted the shares: 20% of the granted shares, subject to meeting the performance criteria set by the Company.</li> <li>2. Two years after being granted the shares: 20% of the granted shares, subject to meeting the performance criteria set by the Company.</li> <li>3. Three years after being granted the shares: 20% of the granted shares, subject to meeting the performance criteria set by the Company.</li> <li>4. Four years after being granted the shares: 20% of the granted shares, subject to meeting the performance criteria set by the Company.</li> <li>5. Five years after being granted the shares: 20% of the granted shares, subject to meeting the performance criteria set by the Company.</li> </ol> <p>However, those who are deemed to have met the vesting conditions will not be subject to this limitation.</p>
Restrictions on rights in the new restricted employee shares	<ol style="list-style-type: none"> <li>1. Prior to meeting the vesting conditions specified in the preceding clause, employees may not sell, pledge, transfer, gift, or otherwise dispose of the restricted stock granted to them under this policy.</li> </ol>

	<p>2. Restrictions on attendance, proposal, speech, and voting rights at shareholders' meetings: Prior to meeting the vesting conditions, the restricted stock granted under this policy does not confer attendance, proposal, speech, or voting rights at shareholders' meetings.</p> <p>3. Restrictions on shareholder's subscription (rights) and dividend rights: Prior to meeting the vesting conditions, the restricted stock granted under this policy does not confer the right to participate in the original shareholder's subscription (rights) or dividends.</p> <p>4. From the date on which the transfer of free shares, cash dividends, or cash subscription of new shares is suspended by the Company, or from the period during which the transfer of shares is suspended under Article 165, Paragraph 3 of the Company Law or other legally prescribed period of suspension until the record date for the distribution of rights, employees who have met the vesting conditions during this period shall have the restrictions on their vested shares lifted in accordance with the trust custody agreement or relevant regulations regarding the timing and procedures for lifting restrictions on shares.</p>
Custody of the new restricted employee shares	Prior to meeting the vesting conditions, the shares shall be delivered to a trust custody for safekeeping.
Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares	Employees who have been granted restricted stock under this policy but have not yet met the vesting conditions shall have all the shares granted under this policy fully and unconditionally recovered and cancelled by the Company.
Number of new restricted employee shares that have been or bought back	11,000 shares
Number of released revoked new restricted shares	796,000 shares
Number of unreleased new restricted shares	193,000 shares
The ratio of the number of unreleased new restricted shares to total issued shares (%) (Note)	0.26%
Impact on shareholders' equity	The number of unreleased restricted shares is approximately 0.26% of total issued shares. The impact on the equity of existing shareholders is gradually diluted each year, and the dilution effect is still relatively limited.

Note: Calculated based on the total number of issued shares (74,560,660 shares) as of May 20, 2024.

## 2. New Restricted Employee Share Granted to Management Team and TOP 10 Employees:

May 20, 2024

	Title	Name	No. of Restricted Shares Granted (Shares)	Restricted Shares as a Percentage of Shares issued (Note 1)	Released				Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousand)	Released Shares as a Percentage of Shares Issued (Note 1)	No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousand)	Unreleased Shares as a Percentage of Shares issued (Note 1)
Management	CEO	CHANG,CHIAN-SERN	510,000	0.68%	408,000	0	0	0.54%	102,000	0	0	0.41%
	President	WU,CHANG-LUEN										
	President	CHANG,CHING-HSUEH										
	Senior Vice President	LU,FENG-CHIH										
	Vice President	CHOU,TIEN-SZU										
	Vice President	LIU,HUNG-CHIH										
	Vice President	KUO,NAN-CHIEN										
	Senior Manager	CHEN,SHENG-PIN										
	Senior Manager	FANG,LIANG-KUN (Note 2)										
	Accounting Officer	KUO,CHIA-CHE										
Staff	Manager	JING,SHIANG-LING	305,000	0.41%	244,000	0	0	0.33%	61,000	0	0	0.08%
	Manager	CHEN,JUI-CHANG										
	Manager	LIU,GENG-WEI										
	Manager	CHENG,CHIH-TA										
	Manager	CHEN,YU-HSUN										
	Manager	HSU,CHIA-JUNG										
	Auditor	SHIH,HSIAO-CHUN										
	Engineer	SHIEH,MING-YI										
	Engineer	FANG,YEN-CHUNG										
	Manager	CHEN,YEN-HSING										
	Manager	WU,TSUNG-TA										
	Engineer	TSAI,MING-HSIU										
	Engineer	CHA,HSIEN-FEI										
	Engineer	HUANG,CHAO-ZONG										
	Engineer	LIN,KUAN-YU										
	Engineer	LIN,MENY-LEE										
	Engineer	LUO,YU-JING										

Note1: Calculated based on the total number of issued shares (74,560,660 shares) as of May 20, 2024.

Note2: Senior Manager FANG,LIANG-KUN was promoted on Apr. 24, 2024.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

VIII. Capital Utilization Plan and Its Implementation: None.

## Chapter 5

### Operational Highlights

#### I. Business Scope

##### (I) Business scope

###### 1. Major Business:

Transcom, Inc. is mainly engaged in the design, development, production, and sale of GaAs (Gallium Arsenide) low-noise amplifier, Solid State Power Amplifier (SSPA) product, and Microwave sub-systems.

###### 2. Operating Revenue Breakdown:

Unit: NT\$ thousand

Year Product Category	2022		2023	
	Amount	%	Amount	%
Microwave Amplifier	826,418	79.87	970,677	77.60
Microwave Sub-Systems	180,699	17.47	264,928	21.18
Others	27,543	2.66	15,204	1.22
Total	1,034,660	100.00	1,250,809	100.00

###### 3. Existing Products (Services):

The Company offers microwave components, monolithic microwave integrated circuits (MMICs), and power amplifier modules designed and manufactured using gallium arsenide or gallium nitride chips and microwave sub-systems, including:

###### (1) Microwave amplifier

The Company provides solid-state power amplifiers (SSPAs), low-noise amplifiers (LNAs), and modules with a frequency range of 0GHz to 40GHz, both broadband and narrowband, with various power levels and low noise figures, as well as high power amplifiers (HPAs) and LNAs

###### (2) Microwave sub-systems

The Company provides various high-frequency microwave modules for L band, S band, C band, X band, Ku band and Ka-band applications, including transceiver (T/R) modules, up-converters, down-converters, synthesizers, and other related components.

###### (3) Others

The Company also offers products such as Field-Effect Transistor (FET) devices and Monolithic Microwave Integrated Circuit (MMIC) components.

###### 4. New products and services to be developed:

(1) New Microwave components: GaN power transistors for various frequency bands.

(2) High power solid-state amplifiers: X Band 1.6 KW SSPA 、X Band 100W GaN CW-mode SSPA 、X Band and Ku Band GaAs 30 W CW-mode SSPA

(3) Microwave sub-systems module: Customized new radar receiver modules and synthesizers for various frequency bands (S/C/X band).

(4) 5G mobile communication: S/X/Ka Bands digital control phase shifter 、S/X/Ka Bands digitally controlled attenuator 、Ka Band MMIC

(5) X Band 15W GaN MMIC

## (II) Industry overview

### 1. Current state and development of the industry

#### (1) Product description

The Company is a professional integrated device manufacturer (IDM) of microwave power amplifiers using gallium arsenide (GaAs) and gallium nitride (GaN). We cover everything from upstream IC design and wafer fabrication to production of power amplifier and integration of various components into Microwave sub-systems products. Our product offerings include field effect transistors (FETs), monolithic microwave integrated circuits (MMICs), solid-state power amplifiers (SSPAs), low noise amplifiers (LNAs), and microwave sub-systems, etc. The Company specializes in high-frequency and high-power products, primarily selling to domestic and foreign defense and communication customers. Our products are mainly used in the defense industry and communications and satellite related(5G/B5G/6G), among other fields.

#### (2) Current state of the industry and market size:

Microwave components can be roughly divided into two categories based on their functions: military and commercial, and the basic principles of microwave technology are the same for both. In the past, there were differences in working frequencies and output power between military and commercial microwave components, making the products less versatile. Military applications have a wider range of working frequencies and require high output power to reach greater distances. On the other hand, commercial communications typically operate at lower frequencies and use lower power. The differences in working frequencies and output power lead to differences in the selection of materials and technical approaches between military and commercial microwave components. Commercial microwave products emphasize low cost, while their military counterparts require long-term reliability. However, as commercial 5G microwave communication components expand to higher frequency bands, they are becoming more similar to defense microwave components. For example, the US-based company Qorvo produces not only power amplifiers (PA) for wireless base stations but also single-chip microwave integrated circuits (MMIC) for use in naval, airborne, and ground-based radar systems as well as communication and electronic warfare systems for defense applications.

In the future, the integration and sharing of microwave products between defense and commercial applications will become a trend, which will further expand the overall market opportunities. According to A2Z Market Research, the global market size of power amplifiers is estimated to be \$26.134 billion in 2023 and is expected to grow to \$33.818 billion by 2027, with a compound annual growth rate of 6.65%.

Global market size of power amplifiers and predictions



Source: A2Z Market Research 2021

#### A. Overview of defense technology in Taiwan

The government recognizes that national defense security must rely on independent development of defense technology. In order to achieve the goal of national defense autonomy, Article 22 of the National Defense Act of Taiwan stipulates that the government should join forces with civil power to develop defense technology and obtain weapons and equipment with a goal of national defense autonomy. In 2016, the Administrative Yuan included the defense industry in the "5+2 Industrial Innovation Program". This program aims to support economy with defense technology, which in turn supports national defense. In accordance with this policy, the government has selected the aerospace, shipbuilding, and cybersecurity industries as the basis for combining its resources with private enterprises for R & D, production, and maintenance of the necessary weapons and equipment. By formulating the "National Defense Industry Development Act", the government has attracted and protected domestic manufacturers to invest in the defense industry supply chain, effectively combining government resources with private sectors to expand the market and enable sustainable development of the defense industry, achieving the win-win goal of "meeting needs for national defense security " and "creating industrial economic benefits" With the implementation of policies to revitalize the defense industry , the budget for national defense was NT\$ 342.2 to 409.2 billion from 2019 to 2023. There has been a stable growth trend since 2019. The budget allocation was NT\$ 342.2 billion in 2019, NT\$ 351.2 billion in 2020, NT\$ 361.8 billion in 2021, NT\$ 368.5 billion in 2022, NT\$ 409.2 billion in 2023, finally reaching NT\$ 434.5 billion in 2024, which is a NT\$ 25.3 billion (6.18%) increase, making it the highest-ever national defense budget. To implement the national defense self-reliance policy, the defense budget is partially managed by defense units. In recent years, the budget scale from 2020 to 2023 ranged between NT\$ 53 billion and NT\$ 120.8 billion. After the release of the 2024 budget of NT\$ 110.8 billion, although there was a slight decrease compared to the 2023 operating budget of NT\$ 120.8 billion, it still exceeded the NT\$ 100 billion mark for two consecutive years. Additionally, out of the special budget of NT\$ 236.9 billion from 2022 to 2026, a significant portion of NT\$ 176.2 billion is managed by defense units. This includes procurement from domestic manufacturers and a five-year phased release plan, focusing on the research and development, production, maintenance, and training related to military equipment. Specifically, the amount allocated for the domestically-produced missiles reaches NT\$ 88.8 billion, which constitutes a major part of the special budget, with a five-year plan for phased releases. This indirectly stimulates defense-related business opportunities for private enterprises.

In addition to the fixed annual defense budget mentioned above, the government hopes to balance between the development of military capabilities and autonomy in defense systems. It also strives for the rapid enhancement of military capabilities and defense systems in the shortest possible time, so as to maximize the effectiveness of defense resources. The public-private partnerships aim to reduce restrictions on private businesses in the military equipment industry, enhance competitiveness, and drive the development of the defense industry. In January 2022, the "Sea-Air Defense Enhancement Project Procurement Special Act" was passed by vote in the Legislative Yuan, giving the Ministry of National Defense a legal basis to allocate a special budget of up to NT\$ 240 billion for the procurement of eight major categories of domestically produced military equipment. The Act has been made public and will be effective until the end of 2026.



Special budget allocation for sea defense includes a shore-based anti-ship missile system plan of NT\$ 79.7 billion, Navy High-Performance Vessel Plan of NT\$ 69.2 billion, and Coast Guard vessels installation of wartime weapon systems plan of NT\$ 3.2 billion. As for air defense, the budget for Field Air Defense System Plan is NT\$ 8.9 billion, while land-based air defense system plan has a budget of NT\$ 34.7 billion. Budget in the countermeasure aspect is the unmanned attack vehicle system plan of NT\$ 12 billion, Ten Thousand Swords Missile System Plan of NT\$ 12.6 billion, and Long Soar Missile System Project of NT\$ 17 billion.

Budgets under the jurisdiction of the Ministry of National Defense  
and the total budget of the central government.



【108-112 年度國防部主管預算編列概況圖】

Source : 2023 ROC National Defense Report

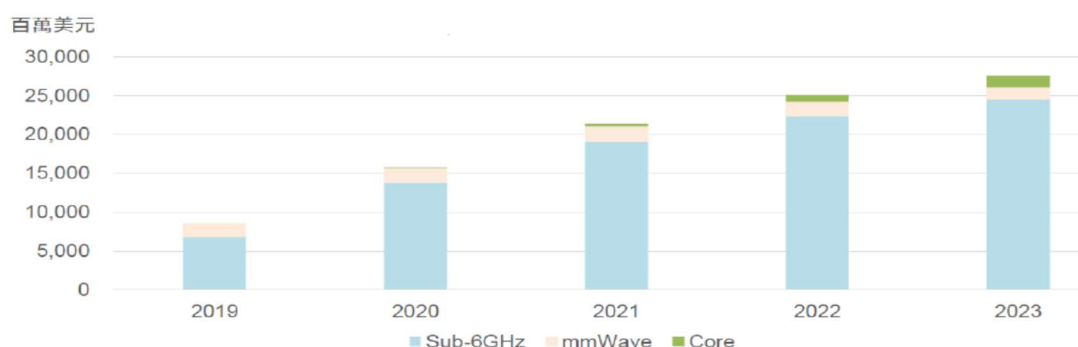
In recent years, the Ministry of National Defense has relied on the strength of research and development of defense technology. Through dual-use technology integration, it promotes technology transfer across defense and civil systems, enhances domestic industrial standards, and creates economic benefits for defense R&D. Take for example, the "Aerospace-grade Large-scale Laminated Manufacturing Technology Development and Verification Program" in 2018. This aims to establish a demonstration production line for the production, testing, and verification of aerospace-grade large-scale laminated manufacturing powders. In the future, this technology can be applied to the production of large and complex processing parts for military and civilian use, component lightweighting, and the implementation of the "High Power Module Industry and Application Plan" to establish a domestic gallium nitride power semiconductor industry chain. This dual-use technology in the defense and civilian areas can see applications in radar high-power modules, 5G communication, green energy, and electric vehicles. In the future, the Ministry of National Defense will continue to actively transform the results of defense technology R&D into civilian applications, enforce intellectual property rights, maximize the benefits of defense R&D, and provide greater opportunities for businesses in the defense industry.

## B. Overview of 5G Communication Technology

With the booming development of emerging technologies such as mobile networks, cloud computing, social media, big data, and the Internet of Things (IoT), the number of interconnected devices continues to increase, leading to a surge in mobile network traffic and driving continuous growth in the global communications market. According to research firm IDC, it is estimated that by 2025, the global number of IoT connections will reach 41 billion, generating a huge demand for data transmission from various connected devices. The global demand for network bandwidth has been growing exponentially, and if the network transmission level does not improve, it will not be able to meet the needs of various connected users.

Existing 4G networks have a limited frequency band, with the highest carrier frequency at around 2GHz, and a usable frequency spectrum of only 100MHz. This cannot support the massive data transmission and networking needs of the future. To address the high-speed and high-volume transmission needs of future wireless networks, fifth-generation mobile communication technology (5G) will be used. In terms of the 28GHz and 60GHz frequency bands (millimeter wave bands) that 5G may use, the available frequency bandwidth of the 28GHz band can reach 1GHz, while the available signal bandwidth of each channel in the 60GHz band can reach 2GHz. Compared to the 4G frequency band, 5G has a spectrum bandwidth that is more than 10 times larger, and transmission rates can be greatly improved. Under the demand for existing communication equipment upgrades and the layout of new-generation communication facilities invested by telecom operators in various countries, 5G-related products and communication environments have gradually been developed and deployed. According to GII's 5G equipment market report analysis, the global 5G equipment market is expected to reach USD 1,110.8 billion by 2030, with a compound annual growth rate (CAGR) of 45.1% from 2024 to 2030. The main drivers of this market are the growing demand for high-speed internet, the increasing data requirements driven by streaming media and gaming, the growth of IoT devices, and the continuous connectivity needs of applications using augmented reality (AR) and virtual reality (VR). The future of the global 5G equipment market looks promising, with opportunities in sub-6 GHz, millimeter wave, and both spectrum bandwidths. Due to increasing urbanization and smartphone usage, the Asia-Pacific region will remain the largest market throughout the forecast period, with customers keen to leverage the high-speed capabilities of the region's 5G networks.

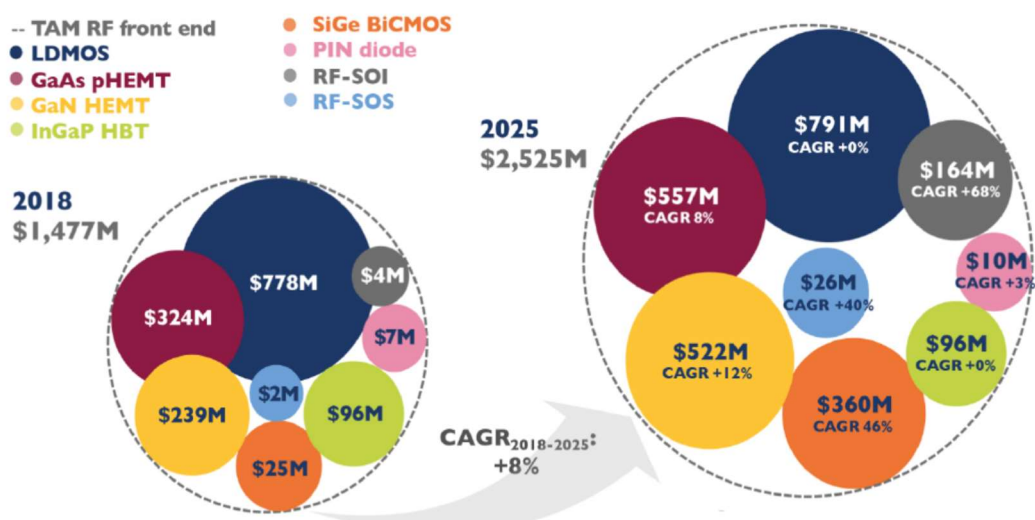
The Global 5G Infrastructure Market Size



Source : Omdia (2020) ; Industrial Economics & Knowledge Center, IEK (Feb, 2021)

With the development of 5G technology, it is expected that download speeds will increase and waiting time will decrease. Therefore, microwave communication that demands fast and low-latency performance places a premium on high-frequency characteristics of components. Critical components must provide high output power at high operating frequencies or amplify signals with extremely low noise, resulting in relatively strict requirements for components. Silicon-based components are proven unable to compete with gallium arsenide and gallium nitride components in power amplifiers and RF switches due to their innate physical limitations, such as their inability to withstand high breakdown voltages, rapid silicon substrate loss at high frequencies, and poor signal isolation. Currently, gallium arsenide (GaAs) and gallium nitride (GaN) compound semiconductors with features such as high voltage resistance, high frequency transmission speed, low noise, and low power consumption have become essential components in microwave communication. They are widely used in mainstream commercial mobile phones and wireless local area networks (WLANs), optical communications, and advanced defense, aviation, and satellite communication applications.

As the deployment of 5G networks gradually expands, the usage of RF components will double compared to the 4G era. According to a report by Yole Development in 2020, the global value of telecommunications infrastructure will increase from 1.477 billion USD in 2018 to 2.525 billion USD in 2025, with a compound annual growth rate (CAGR) of 8.0%. The RF front-end module technology divides the market into two. The GaAs component market size will grow from 324 million USD in 2018 to approximately 557 million USD in 2025, while the GaN component market size will grow from 239 million USD in 2018 to approximately 522 million USD in 2025.

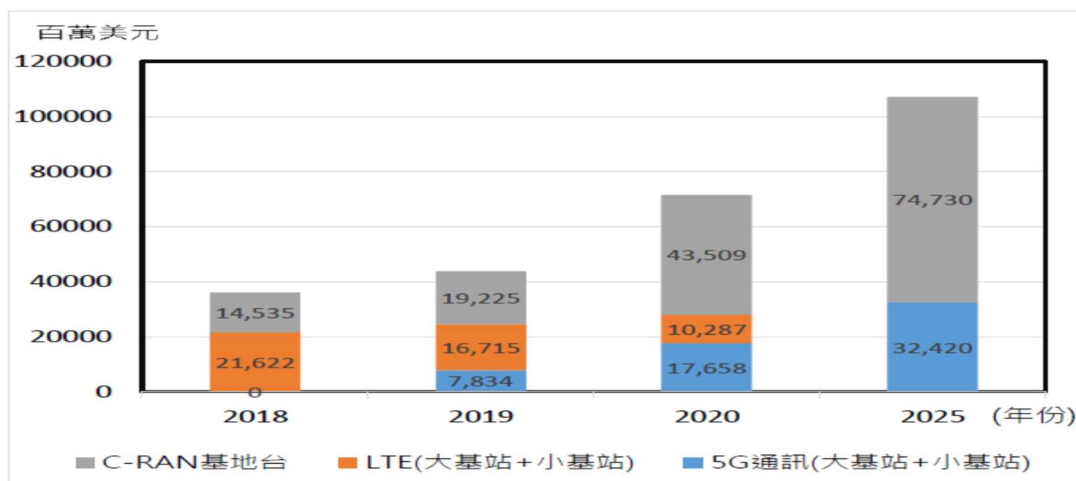


Source : Yole(2020) ; Industrial Economics & Knowledge Center, IEK (Feb, 2021)

The next generation 5G communication system can be roughly divided into two mainstream frequency bands: Sub 6GHz (frequencies below 6GHz) and millimeter wave (mmWave) frequencies above 24GHz. Whether it is the widely adopted 3.5GHz band or the higher-frequency mmWave bands (28GHz/39GHz) that will be gradually promoted in the future, the main frequency bands used in 5G are higher than those in the existing 4G bands. As higher

frequencies have shorter wavelengths, signals are more likely to be affected by obstacles or blockages, making the transmission distance of 5G shorter than that of the lower-frequency 4G bands. Therefore, more base stations are needed to ensure signal transmission. According to estimates made by Fuji Chimera Research Institute, Inc. (FCR), the investment in 5G infrastructure by various telecom operators will benefit the base station and equipment markets, leading to gradual growth of the global base station market. The market size of 5G communication base stations will increase from \$17.66 billion in 2020 to \$32.42 billion in 2025, and the deployment of a large number of base stations will drive significant growth in the demand for microwave power amplifiers and RF components.

Prediction of overall market size for base stations:



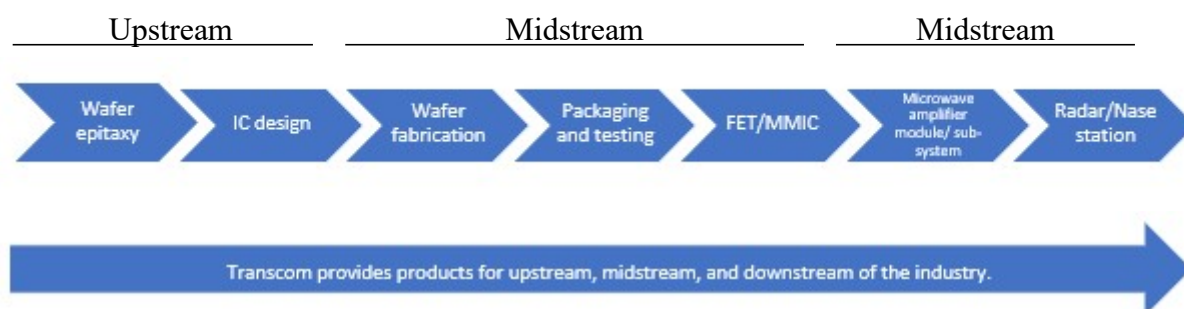
Source : Fuji Chimera Research Institute, Inc. (FCR) ; Industrial Economics & Knowledge Center, IEK (July, 2020)

In summary, microwave communication is a dual-use technology. Military microwave products require high frequency, high power, and high stability, while commercial microwave products require high transmission rates and low latency for 5G communication. Communication components are also developing towards higher frequencies and higher power. As the demand evolves, companies with relevant technology in high-specification microwave communication products in the military sector will have tremendous business opportunities in the huge 5G market.

The government is promoting a policy of autonomy in national defense and supporting the defense industry through expansion of military procurement. Countries continue to improve the performance of their defense equipment, but the limited sources of supply in the market presents great growth opportunities for the military-grade microwave component market. The explosive growth of mobile network traffic and the popularization of the concept of the Internet of Things (IoT) in the next few years will lead the world into the era of 5G. As 5G communication technology standards are established, countries worldwide are actively investing in the infrastructure of 5G networks. This trend, along with the wide deployment of microwave base stations, results in a significant growth in the demand for high-frequency, high-power components. In the future, with the improved performance of defense equipment and the deployment of 5G devices, the microwave communication industry is sure to bring significant growth opportunities.

## 2. Correlation among upstream, midstream, and downstream of the industry

Our company is a professional manufacturer of power amplifier integration components, whose manufacturing process includes the design and production of compound semiconductor gallium arsenide and gallium nitride wafers, as well as packaging and testing in the later stages. We also extend our services to the production of amplifier products and the integration of other components into microwave sub-systems modules. The upstream consists of gallium arsenide or gallium nitride epitaxial wafers and IC design, the midstream includes wafer manufacturing, packaging, and testing of components such as field-effect transistors (FETs) and microwave integrated circuits (MMICs). The downstream then combines these components with other components to form microwave power amplifier modules or sub-systems, which are used in radar or Microwave Stations.



## 3. Product development trends and competition

The continuous strengthening of defense detection and communication capabilities in various countries worldwide will drive the continuous growth of demand for military-grade microwave communication components. In addition, the continued growth and popularity of applications such as IoT, virtual reality, remote medical care, and cloud computing have pushed for the establishment of 5G communication, resulting in an increase in demand for microwave communication components such as base stations and mobile phones. Both defense applications and 5G communication require microwave components with characteristics such as high voltage resistance, high temperature resistance, and high-frequency operation, therefore, high-frequency, and high-power microwave component products will become the mainstream market in both military and commercial communications.

Gallium arsenide (GaAs) semiconductors are mainly divided into heterojunction bipolar transistors (HBT) and pseudomorphic high electron mobility transistors (pHEMT) according to their different structures and characteristics. HBT has the characteristics of low standby power consumption and small size, which reflect the trend of mobile phone products, so it has become the mainstream technology for mobile phones and wireless local area network (WLAN) power amplifiers (PA) in the market. pHEMT, on the other hand, has the advantages of ultra-high frequency and low noise, making it suitable for high-power base stations, low-noise amplifiers (LNA), and RF switches. In terms of communication RF applications, HBT and pHEMT have also been developed into monolithic microwave integrated circuits (MMIC), which can be applied in satellite communication, direct broadcast satellite (DBS), point-to-point microwave communication, aviation radar, automotive collision avoidance radar systems, and fiber optic communication systems. The following are the major applications of the Company's products.

- A. The increasing demand for defense and communication applications drives the evolution of and demand for microwave component technology.

High-frequency and high-power microwave components have always played an indispensable and crucial role in the field of defense communication applications, and have contributed to the advance of defense technology. With the increasing importance of electronic warfare in military conflicts in the future, the standards for microwave components for defense-related radar, communication, and electronic warfare equipment will be higher. Microwave components will take up even greater proportion in the overall value of military equipment. Take military radar for example. The evolution of electronic interference technology has driven the need for enhanced radar search technology. Compared to mechanical scanners, phased-array radar, composed of thousands of transmitting and receiving modules with power transmission functions, can quickly change the beam direction to change the scanning direction in a very short period of time. This increases not only the search speed and accuracy to cope with increasingly advanced electronic warfare techniques but also the demand for microwave components due to the popularization of phased-array radar. Furthermore, the emergence of stealth aircraft poses a serious challenge to existing radar search capabilities. To achieve the same detection distance for both stealth aircraft and non-stealth aircraft, the transmitting power of existing radar systems must be increased by one hundred times, which in turn leads to a significant increase in the transmitting power and number of T/R modules in the phased-array radar. Therefore, with the evolution of technology, the demand for improved radar search capabilities and efficiency in electronic warfare will drive the continued growth of the microwave component market.

- B. The application of new generation semiconductor materials is on the rise.

In the early stage of semiconductor material applications, silicon (Si) and germanium (Ge) single-element semiconductors were the main materials. When faced with the communication needs for wireless communication, radar, aviation, satellites, fields requiring high-frequency and high-voltage resistance characteristics, silicon components are limited by their inherent limitations, such as inability to withstand high voltage and poor high-frequency characteristics, so compound semiconductors such as gallium arsenide (GaAs) and gallium nitride (GaN) are used to fulfill these requirements. GaAs and GaN compound semiconductors can withstand high breakdown voltage, have a larger bandwidth, and have good voltage resistance and high-temperature resistance performance. Therefore, they are suitable for the production of high-frequency and high-power radio frequency components. GaAs has excellent physical performance advantages in high-power transmission fields and is widely used in fields such as mobile phones, wireless local area networks, fiber-optic communications, satellite communications, and satellite positioning. GaN has the advantages of low conduction loss and high current density, which can significantly reduce power loss and thermal load, and can be applied to fields such as frequency converters, stabilizers, transformers, and wireless charging.



C. 5G mobile communications and satellite requires greater bandwidth, and millimeter wave technology will become a popular solution.

With the establishment of standards for 5G mobile communication and the increasing need for various communication applications of 5G networks in the future, wireless communication will feature higher speed and larger bandwidth. However, the spectrum used in the low-to-medium frequency band below 6GHz is already very crowded. Therefore, applications of millimeter wave above 24GHz have become the focus of future wireless communication technology. Compared to the spectrum below 6GHz, the abundance of millimeter wave spectrum means high-frequency millimeter wave technology will be adopted in 5G, boosting transmission rates to a maximum of 20Gbps. Millimeter waves (mmWave) are electromagnetic waves with a frequency range from 30GHz to 300GHz, in the wavelength range that overlaps between microwaves and far infrared waves, possessing characteristics of both spectrums. Their main applications include electronic communication, defense communication, scientific research, and medical fields, and are also a key factor in the development of 5G wireless communication. As the demand for higher transmission rates accelerates with the commercialization of 5G, and the fact that millimeter wave array antennas present characteristics such as wideband, small size, solid-state, and integration, the market for millimeter wave technology applications will gradually expand.

Our government continues to implement the policy of national defense autonomy and promote the upgrading of the domestic defense industry in our country. Business opportunities related to the research, production, and maintenance of defense equipment will continue to be contracted out to private sector. In addition, other countries continue to develop more advanced defense equipment, strengthen defense detection and communication capabilities, driving the continuous growth of demand for military-grade microwave communication components. Furthermore, the global demand for internet bandwidth is continuing to grow due to the widespread applications such as the Internet of Things, autonomous driving, remote healthcare, and cloud computing. The construction of network hardware is also rapidly growing, leading to an increase in the demand for microwave communication components related to 5G communication. Due to the requirements for high voltage resistance, high temperature resistance, and high frequency and power operation in both defense communication and 5G communication and satellite, microwave components have become an ideal technology for 5G communication. Therefore, high-frequency and high-power microwave products will become the mainstream of future market demand.

#### 4. Competition

The Company mainly develops microwave power amplifiers with high frequency communication, high output power, and high reliability. Our products can be applied to defense radar systems, artificial satellites, and in commercial areas such as aircraft communication, weather radar, and maritime navigation systems. Due to the customization and strict quality standards compliance of products in the defense and aerospace markets, which are oligopolistic markets, the selling price of our products is much higher than that of general consumer power amplifiers. Moreover, there are few competitors in the market, making it possible to avoid price competition with low-end mobile phones and communication products. In addition, the

certification period for military-grade products is long and the technical specifications required are higher than those for regular mobile phones or wireless networks, so the barriers to entry are high.

The Company's microwave components and related products have obtained certification from our country's defense units and have been adopted by overseas customers in defense industry for long-term use. We are one of the few domestic manufacturers capable of providing critical components for military-grade microwave communication products. We have advantages over foreign suppliers in terms of delivery time, product pricing, and timely service. Furthermore, the United States, Japan, and countries in the European Union have export restrictions on certain microwave components, limiting the selection of high-frequency microwave component sources, which is beneficial to the competitiveness of our products. As our government actively promotes autonomy in defense technology and increases the defense budget, growth of our company's operations is promising. In addition, as foreign markets continue to improve the performance of their defense equipment, along with limited supply sources on the market, our military-grade microwave components still have tremendous growth potential in overseas markets.

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

#### **1. R&D overview**

At the technical level, the key technologies of our microwave communication products include the design and manufacturing capabilities of transistor components, integrated circuits, thin-film passive components and circuits, amplifier modules, and sub-systems.

In order to meet the requirements of satellite communication and high-speed, broadband, and high-power information communication, proper structural design and process parameter adjustment are required for the components to ensure that the receiver or transmitter products meet the specifications. Detailed theoretical simulations need to be conducted for the characteristics of the components, input and output impedance matching, frequency, and bandwidth requirements, in order to achieve perfect design and meet the specifications, thereby improving product yield. To achieve the characteristics of broadband and high-power, the selection of active component materials and the method of modeling are crucial. Good active components will demonstrate the broadband characteristics of the entire circuit, while accurate modeling can make the design process more efficient.

In response to the future trend of high-frequency microwave communication, the Company's management team is committed to improving the efficiency, quality, and technological level of our amplifiers. The direction for future research and development will mainly focus on the development of high-frequency and high-power components, solid-state amplifiers, and microwave sub-systems. The application fields include electronic warfare detection systems, aviation monitoring systems, microwave measurement equipment, remote control and remote sensing equipment, satellite communications, phased-array radar, short-range radar systems, and high-speed highway sensing systems. By gradual research and mass production of critical components, our company aims to gradually expand its business scale.



2. R&D Investments in the most recent year and as of the publication date of this annual report:

Unit: NT\$ thousand

Item \ Year	2023	2024 Q1
Research and development expenses	57,849	14,816
Net Operating Revenue	1,250,809	278,099
Ratio of R&D expenses to operating revenue (%)	4.62%	5.33%

3. Successfully developed technologies or products in the past years

- (1) Development of X Band Synthetic Aperture Radar (SAR) 750W SSPA for space use
- (2) Development of X Band 20W SSPA for ship transmission use for foreign use.
- (3) Development of customized microwave components for radar receivers
- (4) Development of customized low-power microwave amplifiers for domestic and foreign use
- (5) GaN power transistors for high-gain applications.
- (6) Ka band GaAs 0.5W and 2W MMIC
- (7) X Band 30W and 50W GaN CW-mode SSPA
- (8) Ku Band 200W and 400W GaN SSPA

**(IV) Long-term/Short-term business development plans**

1. Short-term development plans

- (1) Establish an information network system with customers, and actively participate in the Design-in of new products with customers to form a solid customer relationship.
- (2) Produce products with the best features and excellent reliability, and enter the market with a competitive price through a global sales network. Meanwhile, continue to research and develop new materials and products, improve product characteristics, with a goal of achieving market leadership with QRSP (Q: Quality, R: Reliability, S: Service, P: Price).
- (3) Enhance the management and training of production technicians and provide reasonable resource allocation of production lines to boost production efficiency, stabilize production quality, and improve product yield.
- (4) Recruit high-quality R&D personnel, improve the quality and quantity of technology development, and strive for better communication with customers so as to promptly develop production processes that meet their product specifications and testing requirements.
- (5) Refine employee training and talent development, establish comprehensive employee welfare and performance evaluation systems, and boost employee cohesiveness to enhance business performance.

2. Long-term development plans

- (1) Establish strategic alliances with customers and upstream/downstream manufacturers to integrate distribution channels and supply chains to increase market share.
- (2) Recruit excellent professional talent, enhance employees' professional capabilities, cost awareness, and quality mindset, and actively train middle and senior management to meet the human resources needs for business growth.
- (3) Continue the research and development of new materials and technologies for microwave communication to maintain our competitive advantage.
- (4) After entering the capital market, use diverse and low-cost fundraising channels timely to respond to the needs for various development plans and expansion in the future, and provide reasonable returns on investment to shareholders in a timely manner.

## II. Market and Sales Overview

### (I) Market analysis

#### 1. Sales regions of main products

Unit: NT\$ thousand ; %

Item \ Year		2022		2023	
		Amount	%	Amount	%
Domestic sales		972,316	93.98	1,166,463	93.26
Foreign sales	Israel	33,099	3.20	49,796	3.98
	China	10,642	1.03	10,983	0.88
	USA	9,135	0.88	8,877	0.71
	Germany	4,053	0.39	4,239	0.34
	Others	5,415	0.52	10,451	0.83
Total		1,034,660	100.00	1,250,809	100.00

#### 2. Market share

Our company's main products are power amplifiers, modules, and sub-system products for microwave communication, which are made by integrating other self-made components. The sales in 2023 was NT\$ 1.251 billion. According to the research by A2Z Market Research, the global defense military power amplifier market is estimated to reach USD 2.372 billion in 2023. Converted at an exchange rate of approximately 31.155 TWD to USD, the market size is approximately NT\$ 73.9 billion. The percentage of sales revenue of the Company's power amplifier products in the global defense military power amplifier market was about 1.69%.

#### 3. The supply/demand status and growth potential of the future market

##### (1) Military-grade microwave power amplifiers

Microwave power components mainly serve as key components in radar communication for defense applications. The functions of radar detection, reconnaissance, and warning are essential in modern defense equipment. With rapid technological advancements, defense equipment systems have become highly digitized and stealth weapons and various radar countermeasures roll out. In order to gain precious intelligence and response time, the radar's search speed, range, and resolution must be enhanced. With the increasing demand for radar search efficiency and range, the need to increase signal transmission energy and response speed will drive the continuous growth of the high-frequency and high-power component market. According to a research report by A2Z Market Research, the global market size of military power amplifiers is expected to grow from USD 2.372 billion in 2023 to USD 2.956 billion in 2027, with a compound annual growth rate of 5.68%. The main driving force for this growth comes from the enhancement of defense security functions worldwide.

Global market size for national defense amplifiers:



Source : A2Z Market Research 2021

## (2) Microwave power amplifiers for communications

The rapid growth of the global market for mobile broadband and cloud computing, combined with the widespread use of handheld devices and applications in areas such as automotive, industrial, and defense, has led to a significant increase in demand for power amplifiers. According to the A2Z Market Research report, the global telecommunications power amplifier market is expected to grow from USD 8.235 billion in 2023 to USD 10.618 billion in 2027, with a compound annual growth rate of 6.55%.

Global market size for amplifiers for telecom applications:



Source : A2Z Market Research 2021

## 4. Competitive niche

### (1) Barriers to entry are high in the defense and aerospace markets

Our company primarily develops microwave power amplifier components for high-frequency communication, high-output power, and high-reliability. Currently, our main application is in defense radar. The products require a long certification period and have stricter technical requirements than those needed for regular mobile phones or wireless networks. As a result, there are high barriers to entry in the market, and there are fewer competitors."

- (2) Due to the oligopoly in the market, the selling price and gross profit margin are higher.

Due to the high level of customization and strict technical requirements in the defense and aerospace markets, which are oligopolies, the selling prices of our products are much higher than those of regular consumer power amplifiers. Moreover, the limited competition allows us to avoid price wars with low-end commercial mobile phones and communication amplifier products.

- (3) Proficient research and development capabilities.

Our company has an experienced R&D team with autonomy in technology and full control over the integration of component matching circuits. We possess advanced and critical production technology and integration manufacturing know-how, and our complete product line provides various frequency components ranging from low to high frequencies to meet customer needs in various application areas.

- (4) Effective control of capital expenditures.

The characteristics of the gallium arsenide industry are different from those of the silicon wafer industry. There is no need for large-scale equipment updates and investments. In addition, our technical team can improve the performance of related equipment through modifications, which can effectively control capital expenditures and enhance production efficiency.

- (5) Fast and convenient after-sales repair service

Repairs are often time-consuming when problems arise because domestic defense units use products manufactured with foreign components, which affects the development schedule of military products. Our technical team has extensive experience and can provide immediate solutions to eliminate any problems with our products, thus avoiding delays in production processes or affecting the operation of defense equipment.

## 5. Favorable and unfavorable factors of development prospect and response measures

- (1) Favorable factors

- A. The industry in which the Company operates has high growth potential.

Compound semiconductors, such as gallium arsenide (GaAs) and gallium nitride (GaN), are critical components in the wireless communication industry. As the trend for lighter, thinner, shorter, and smaller components in wireless devices continues, compound semiconductors have become indispensable power components in mobile phones and various wireless communication equipment. With the sustained demand for wideband wireless communication in commercial applications and the continuous advancement of defense technology, power components such as GaAs will be more widely applied in high-frequency, high-power, and low-noise wireless products and optoelectronic components, driving the demand for the GaAs industry. With the rapid growth of the 5G communication market and the continuous demand for high-frequency components in defense communication, the Company's expertise in the special process technology for high-frequency components has become a favorable factor for future development.

- B. Diverse advanced technologies and proficient R&D capabilities.

Since its establishment in 1998, our company has completed the establishment of a semiconductor plant, the development of pHEMT device integrated circuit processes, the training of microwave circuit design talents, and the construction of a complete assembly and testing production line, all of which were accomplished by the management team and R&D team together. Currently, we have become a supplier of comprehensive solutions for microwave transceiver subsystems. We are equipped with the capability to develop and complete component structures, large-signal models, high-power matching circuit design,

GaAs and GaN wafer processes, assembly, packaging technology, integration, testing, and more. Our R&D team also has experience in developing kilowatt-level solid-state amplifier subsystems, which can fully meet the needs of customers.

C. The government actively enhances the autonomy of defense technology.

The government is actively promoting the autonomy in defense technology, encouraging private sector to participate in or assist with the development of defense technology through defense procurement. The Ministry of Economic Affairs has commissioned the National Chung-Shan Institute of Science and Technology to execute projects of promoting the research and development of "dual-use technology" to cultivate the process technology for domestic manufacturers. With the increase in the amount of defense procurement, the proportion of domestic manufacturers' procurement by government agencies will gradually increase, accelerating the improvement of technological capabilities of related manufacturers' and international competitiveness. Our company has been involved in the development of microwave communication products for defense purposes for many years and is expected to grow in revenue in the future.

(2) Unfavorable factors and response measures

A. Defense policies and regulations vary from country to country, and our customers are often subject to strict controls and limitations.

Both the United States and China prescribes a certain percentage of key defense-related components from domestic manufacturers. Germany, Japan, and Italy, as defeated countries in World War II, are restricted from developing defense and military systems. Our country also needs to comply with trade laws and regulations on the import and export of strategic high-tech goods, which restrict the sales targets and regions for our company.

**Response Strategy:** Utilize accumulated R&D experience and technology for product diversification. In addition to enhancing the functionality of existing products, to increase revenue, the Company continues to develop niche products for different application fields and new markets.

B. Confidentiality clauses restrict publicity or advertising, limiting our distribution channels.

Due to the involvement of national defense secrets of various countries, our company has signed confidentiality agreements with some customers. Therefore, promotion and advertisement are prohibited, and we are restricted in the sales promotion of our products. Our products can only be passively searched through our company's website or promoted through distributors.

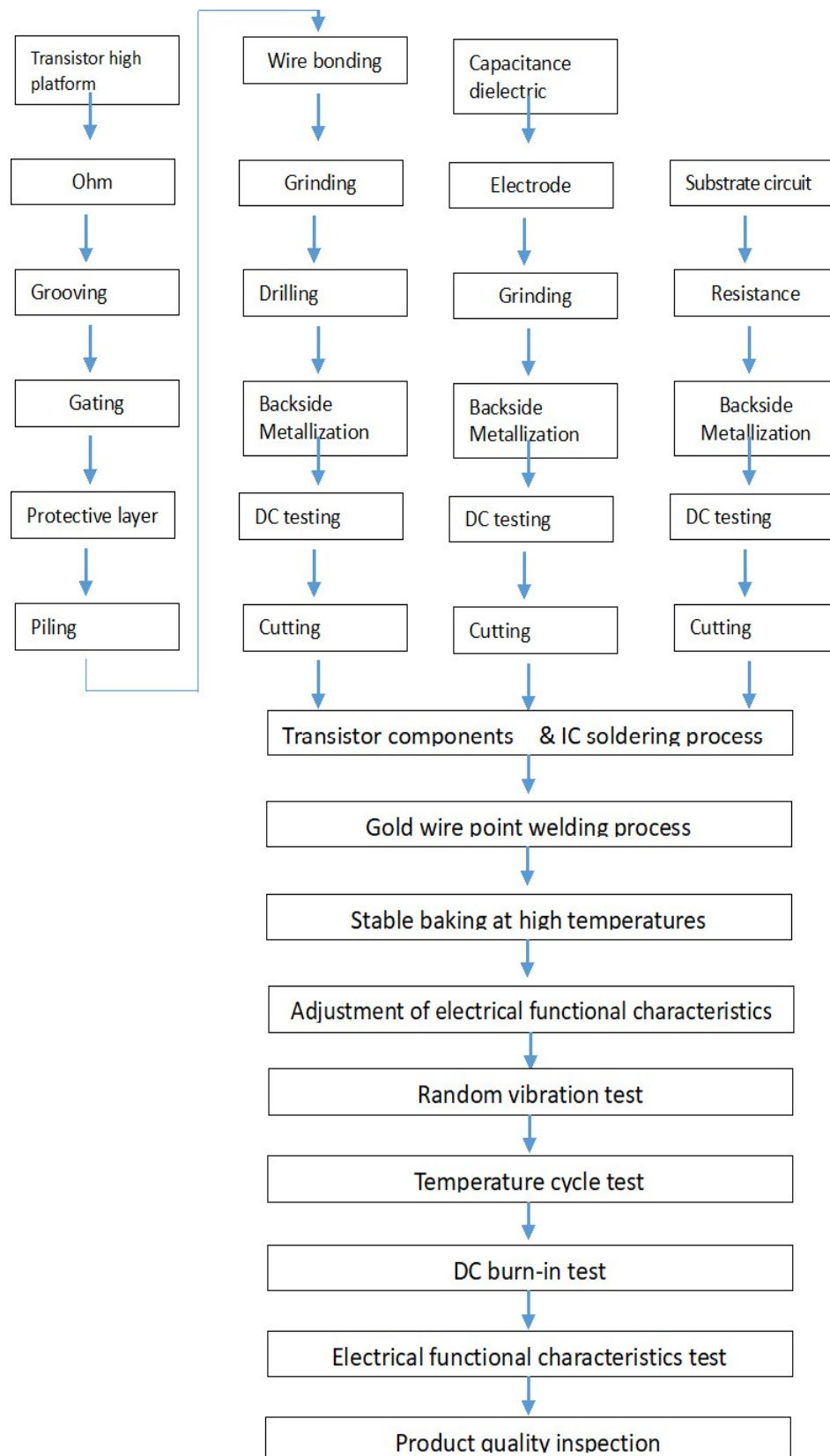
**Response Strategy:** Although limited by confidentiality agreements, our company maintains long-term and solid relationships with domestic and foreign agents, which has made our company well-known in the industry. In addition, since the specifications and quality requirements for defense products are higher, there are fewer competitors. Furthermore, some countries only produce military-grade components for their own use and do not sell them overseas, so we have more opportunities to sell our products to customers in need.

## (II) Applications and production process of the main products

### 1. Key functions of main products

Products		Main purposes or functions
Microwave Amplifier		Military communication systems, aviation communication systems, microwave testing equipment, fiber optic communication systems, microwave communication systems, radar systems, remote control systems, remote sensing systems, and electronic reconnaissance equipment.
Microwave Sub-Systems		Integrating some microwave components such as power amplifiers, low noise amplifiers, mixers, filters, oscillators, circulators, and switches into transmit and receive modules, which is an important subsystem for various wireless communication devices.
Others	Microwave IC Components	Microwave integrated circuits (MICs) are essential for microwave communications due to their features of high integration, low price, small size, and high reliability. Transcom's integrated circuit products include amplifiers and Low Noise Amplifiers (LNA).
	Transistor Components	Our products include five types of high linear and high-efficiency power components, including 0.5W, 1W, 2W, 3W, and 10W. Using self-designed and manufactured power components, along with highly competitive packaging and assembly capabilities, Transcom produces various components required for Microwave sub-systems.

## 2. Production process



### (III) Supply of primary raw materials

Our main raw materials are epitaxial wafers of gallium arsenide and gallium nitride, connectors, power converters, passive components, microwave substrates, and mechanical components. We primarily source from stable, reliable, and long-term suppliers to establish a mutually beneficial relationship in terms of pricing, quality, and delivery time for procurement.

### (IV) List of major customers and suppliers accounting for 10% or more of the net amount of procurement (sales) in any of the last two years and the reasons for the increase/decrease

#### A. Major Suppliers

Unit: NT\$ thousands

Item	2022				2023				2024 Q1			
	Company Name	Amount	Proportion to net purchase of the year (%)	Relationship with the issuer	Company Name	Amount	Proportion to net purchase of the year (%)	Relationship with the issuer	Company Name	Amount	Proportion to net purchase of the year (%)	Relationship with the issuer
1	Supplier B	78,707	21.29	None	Supplier A	64,845	21.97	None	Supplier A	13,889	19.32	None
2	Supplier A	56,961	15.40	None	Supplier B	49,419	16.75	None	Supplier B	10,466	14.56	None
	Others	234,092	63.31	—	Others	180,832	61.28	—	Others	47,523	66.12	—
	Net Purchase	369,760	100.00	—	Net Purchase	295,096	100.00	—	Net Purchase	71,878	100.00	—
Explanation of the increase/decrease : As the projects require different raw materials, the major suppliers of each project are different. The Company purchase raw materials according to the production schedule of projects, which lead to the ranking of the major suppliers list change.												

#### B. Major Customers

Unit: NT\$ thousands

Item	2022				2023				2024 Q1			
	Company Name	Amount	Proportion to net sale of the year (%)	Relationship with the issuer	Company Name	Amount	Proportion to net sale of the year (%)	Relationship with the issuer	Company Name	Amount	Proportion to net sale of the year (%)	Relationship with the issuer
1	Customer A	928,545	89.74	None	Customer A	1,054,001	84.27	None	Customer A	227,111	81.67	None
	Others	106,115	10.26	—	Others	196,808	15.73	—	Others	50,988	18.33	—
	Net Sales	1,034,660	100.00	—	Net Sales	1,250,809	100.00	—	Net Sales	278,099	100.00	—
Explanation of the increase/decrease : The continued mass production of the project in collaboration with Customer A from the previous year and the increase of orders for new products in 2023 resulted in an increase in shipments to Customer A in 2023, and significant growth in revenue.												



### (V) Production in the most recent two years

Unit: NT\$ thousand; PCS

Production volume and value Main products	Year	2022			2023		
		Production capacity (Note)	Production volume	Production value	Production capacity (Note)	Production volume	Production value
Microwave Amplifier		—	3,103	368,289	—	2,672	443,376
Microwave Sub-Systems		—	1,072	47,019	—	1,582	74,231
Others		—	149,243	5,291	—	83,239	5,284

Note: The company's products are mostly customized and produced on a made-to-order basis. The production time varies depending on the complexity of the product, and the production equipment is mostly shared, making it difficult to estimate production capacity.

### (VI) Sales in the most recent two years

Unit: NT\$ thousand; PCS

Sales Volume Main products	Year	2022				2023			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Microwave Amplifier		578	801,524	1,311	24,894	609	912,509	2,499	58,168
Microwave Sub-Systems		1,034	162,139	97	18,560	1,437	251,459	154	13,469
Others		6,863	8,653	128,886	18,890	2,518	2,495	79,642	12,709
Total		8,475	972,316	130,294	62,344	4,564	1,116,463	82,295	84,346

### III. Information on the Number of Employees, Average Years of Service, Average Age, and Educational Level Distribution Ratio in the Most Recent Two Years as of the Publication Date of this Annual Report:

Year		2022	2023	As of May 20, 2024
Item				
Number of employees (Persons)	Administration	28	34	34
	R & D	23	28	29
	Production	191	223	216
	Total	242	285	279
Average age (years old)		36	36	37
Average year of service (years)		7.8	7.4	8.3
Education distribution ratio (%)	Ph.D.	1.65	1.40	1.42
	Master	7.02	8.42	8.54
	University/College	62.81	63.51	62.99
	Senior high school	26.45	24.91	25.27
	Below senior high school	2.07	1.76	1.78

#### IV. Environmental Protection Expenditure

- (I) Total amount of losses (including compensation) and penalties due to environmental pollution in the most recent year as of the publication date of this annual report and response strategy (including countermeasures) and possible expenditure:

The Company has not incurred any losses resulting from penalties imposed by relevant units due to environmental pollution incidents in the most recent year as of the publication date of this annual report.

- (II) Current and future response strategies and possible expenses :

For those companies which should apply for and get the pollution facility establishment permit or pollution emission permit or pay the pollution prevention expenses or establish the personnel of the unit exclusively in charge of environmental protection in accordance with the statutory regulations, describe the conditions of their application, payment or establishment:

- (1) The status of applying for pollution facility installation permits or pollution emission permits:

Item	Name and content of permits
Stationary Pollution Source Installation Permit	On Oct. 6, 2003, the Southern Taiwan Science Park Administration of the Ministry of Science and Technology granted the company the "Integrated Circuit Manufacturing Process (M01) Stationary Pollution Source Installation Permit"(NAN KE KONG CAO ZHENG ZI No. R0022-00), which is valid until October 5, 2008. The permit was valid at that time, and obtaining the operation permit indicates that the installation has been completed. However, if there are any changes to the stationary pollution source equipment, or to the raw materials, fuel, or products, an application for a change of installation permit must be submitted. Our company has not made any relevant installation changes since October 5, 2008, so there is no need to change the content of the installation permit and the original permit is kept for reference.
Stationary Pollution Source Operating Permit	On Oct. 3, 2018, the Southern Taiwan Science Park Administration of the Ministry of Science and Technology granted our company the "Integrated Circuit Manufacturing Process (M01) Stationary Pollution Source Installation Permit" (NAN KE KONG CAO ZHENG ZI No. D 0017-05) , which is valid until Feb. 1, 2029.
Water Pollution Discharge Permit	The Permit Letter (Permit Number: Nan Huan Zi No. 1110036205) for the plant 1 was approved by the Southern Taiwan Science Park Administration, National Science and Technology Commission on Dec. 2, 2022. The company's CHUANG YE Plant obtained approval from the Southern Taiwan Science Park Administration of the Ministry of Science and Technology to be included in the managed list on Nov. 30, 2021 (Permit Number: Nan Huan Zi No. 1100035218). The company's HUAN DONG Plant obtained approval from the Southern Taiwan Science Park Administration of the Ministry of Science and Technology to be included in the managed list on Nov. 30, 2021 (Permit Number: Nan Huan Zi No. 1100035216).
Water Pollution Control Permit	The company was granted a water pollution prevention and control permit by the Southern Taiwan Science Park Bureau, Ministry of Science and Technology on May 11, 2022 ( NAN KE HUAN SHUI XU ZI D0061-04), which is valid until June 1, 2027

Item	Name and content of permits
Business waste cleanup plan	On Nov. 28, 2022, the Company's Plant 1 obtained the approval for the amendment of its Business Waste Cleanup Plan from the Southern Taiwan Science Park Administration of the National Science and Technology Commission (Permit No. Nan Huan Zi No. 1110035509). On Feb. 21, 2022, the Company's CHUANG YE Plant obtained the approval for the amendment of its Business Waste Cleanup Plan from the Southern Taiwan Science Park Administration of the National Science and Technology Commission (Permit No. Nan Huan Zi No. 1110004979).( Non-hazardous waste.) On Feb. 21, 2022, the Company's HUAN DONG Plant obtained the approval for the amendment of its Business Waste Cleanup Plan from the Southern Taiwan Science Park Administration of the National Science and Technology Commission (Permit No. Nan Huan Zi No. 1110004978).( Non-hazardous waste.)
Toxic Chemical Substance Approval Document	The Company was granted an extension permit for the operation of toxic chemicals by the Tainan City Environmental Protection Bureau (Permit No.: Huan Shui Zi No. 1100041000): Chlorine (listed number: 04901) and Chlorobenzene (listed number: 09001), Permit number: Tainan City Toxi-chem No. 000279, valid until August 22, 2026. On July 1, 2022, the Company obtained approval from the Environmental Protection Bureau of Tainan City Government for the issuance (modification) of the Chemical Substance Operation Permit, with the addition of hydrogen fluoride (hydrofluoric acid) as a regulated chemical substance. The permit number is HUAN SHUI ZI No.1110072328, and it includes hydrogen fluoride (hydrofluoric acid) and nitrogen dioxide (controlled code for operational site: R0301621) , valid until April 21, 2026.

(2) Payment status of pollution prevention and control fees.

Unit: NT\$ thousand

Item	2022	2023
Sewage and wastewater usage fee	151	334
Waste disposal fee	173	70

(3) Personnel responsible for environmental protection unit:

Class A Air Pollution Prevention Specialist:

WU, CHANG-LUN (2001), EPA training certificate No. FA180143

Proxy of Class A Air Pollution Prevention Specialist :

CHEN,RUI-ZHANG

Professional technical personnel for Class A waste :

HSU,CHIA-JUNG (2016) ,EPA training certificate No. HA390067

## V. Labor Relations

- (I) Transcom, Inc.'s employee welfare policies, continuing education, training, retirement systems and implementation status, and the agreement between employees and employer and employees' rights and interests:

1. Implementation status of employee welfare, training and professional development

Our company complies with relevant laws and regulations to allocate employee welfare funds and establish an employee welfare committee to plan, supervise, and implement matters concerning employee welfare. Employees are entitled to three festival bonuses and year-end bonuses, as well as subsidies for marriage, bereavement, and childbirth, for better care of their lives. In addition to providing labor insurance and health insurance in accordance with Labor Standards Law and related laws, our company also provides measures such as employer liability insurance to safeguard employees' security. We also offer employees opportunities to participate in various training and workshops to broaden their horizons and improve work efficiency.

2. Implementation of retirement system

The Company has established Defined benefit pension plan in accordance with the provisions of the "Labor Standards Act", which are applicable to service years of all regular employees before the implementation of the "Labor Pension Regulations" on July 1, 2005, and the follow-up service years of employees who choose to comply with the Labor Standards Act after the implementation of the "Labor Pension Regulations". For employees who meet the retirement conditions, the pension payment is calculated based on the length of service and the average salary of the 6 months before retirement. Two bases are given for each year of service within 15 years (inclusive), and one base is given for each year of service over 15 years, but the cumulative maximum is limited to 45 bases. The Company allocates 2% of the total salary per month as the retirement fund, which is deposited in Bank of Taiwan by a special account named the Labor Pension Fund Supervisory Committee.

Since the implementation of the new labor pension regulations on July 1, 2005, those who choose to adopt the new system will have the Company set aside no less than 6% of the monthly salary of the laborer to the labor retirement account every month in accordance with the Labor Retirement Pension Act. Besides, the Company handles retirement matters in accordance with this Act.

3. Agreements between labor and management and measures to protect the rights and interests of employees

The Company complies with labor laws and relevant regulations, and labor and management handle affairs based on employment contracts, work rules, and various management regulations. Since its establishment, the Company has emphasized two-way communication with employees, and labor-management relations have been harmonious. As of now, there have been no losses due to labor disputes, and the Company's grievance channels are open to safeguard employee rights and interests.

- (II) Explain any losses incurred due to labor disputes in the most recent year and as of the publication date of this annual report, and disclose estimated amounts that may occur at present and in the future, as well as countermeasures for such circumstances:

All of our company's regulations follow the Labor Standards Act as the guiding principle, and our labor-management relationship is harmonious. There have been no major labor disputes in recent years, up until the publication of the annual report. The Company regards employees as its greatest asset and upholds humanistic management, maintaining a good interaction between labor and management. Therefore, there should be no risk of suffering losses due to labor disputes in the future.

## VI. Information Security Management:

- (I) Information security risk management framework, information security policies, specific management schemes and resources invested in information security management:

### 1. Information security Risk Management Structure

- (1) Our company's Information Department is responsible for information security risk management. It is responsible for formulating, planning, and implementing information security risk management policies and giving regular reports to the Chairman of the Company on the implementation of information security.
- (2) Our company's audit department is the supervisory unit for information security management. It is responsible for supervising the implementation of information security management. If any deficiencies are found during the audit, the audited unit is required to submit relevant improvement plans and specific actions, and the effectiveness of the improvements is regularly monitored to reduce information security risks.

### 2. Information security policy

- (1) Our company has established an operation procedure for information security inspections to implement internal control systems and maintain information security policies. We regularly review and evaluate the security regulations and procedures to ensure their appropriateness and effectiveness.
- (2) Transcom obtained Information Security Management Standard Certification (ISO/IEC 27001:2013) in March, 2023.
- (3) We have established and announced our information security policy, set up an information security committee to strengthen our security protection measures, and implemented information security risk assessment and management procedures to ensure the confidentiality, integrity, and availability of the Company's information assets and the protection of personal data.

### 3. Management approach

- (1) USB Control: Control the use of USB flash drives to prevent data leakage and spread of computer viruses.
- (2) Disaster Recovery (DR) Plan for Remote Backup Systems: Regularly backup data; regularly conduct disaster recovery drills for core systems.
- (3) Endpoint Security: Establish endpoint anti-virus measures, strengthen detection of malicious software, and replace all Win7 computers.
- (4) Vulnerability Scanning: Conduct annual vulnerability scans of servers and internal networks to fix software security vulnerabilities.
- (5) Penetration Testing: Conduct annual penetration testing of servers to fix security vulnerabilities.
- (6) Information Security Education: Conduct employee security awareness training at irregular intervals every month.
- (7) Cybersecurity: Implement NGFW firewall to enhance cybersecurity protection.
- (8) Social Engineering Drills: Conduct annual drills to simulate phishing techniques to strengthen employee security awareness, and urge supervisors to strengthen the security awareness of their subordinates.

- (9) Document Encryption: Control the use of documents to prevent data leakage.
- (10) Outsourced Document Encryption Management: Control the use of documents provided to suppliers or customers to prevent data leakage.
- (11) Document Watermarking: Prevent documents from being improperly taken out.
- (12) Information Security Threat Detection and Management (SOC): Respond to cybersecurity incidents immediately to minimize damage.
- (13) Information Security Assessment: Conduct annual asset identification and inventory, review network architecture, analyze network behavior and malicious activities, perform packet capture and deep packet analysis, and provide risk assessment with recommended improvement measures.
- (14) Two-Factor Authentication: Requires two different authentication factors, not just a username and password, to prevent malicious actors from accessing networks and systems.
- (15) Complex Password Policy: Strengthen password rules by adopting the Government Configuration Baseline (GCB) password policy.

#### 4. Investment of resources

- (1) A total of 22 case studies of information security and enhancing information security awareness in 2023.
  - (2) Software inventory: Once a year, to ensure the legal use of authorized software and prevent malicious software.
  - (3) Endpoint protection: Daily checks for virus code updates and Microsoft OS updates.
  - (4) Threat detection and response service: MDR is fully introduced to X86 servers and personal computers.
  - (5) Disaster recovery (DR) drill: Core system recovery drills are conducted once every quarter.
  - (6) Personal computer/server/WWW site vulnerability scanning: Conducted once a year to fix security vulnerabilities.
  - (7) Cloud system: Fully adopt Azure/Office 365/Google Workspace, with no interruption of services.
  - (8) Penetration testing: Conducted once a year to reduce risks to servers and fix website security vulnerabilities.
  - (9) Vulnerability Scanning: Conducted annually to patch software vulnerabilities.
  - (10) Social Engineering Drills: Conducted annually to enhance employees' cybersecurity awareness.
  - (11) Information Security Threat Detection and Management (SOC): Respond to cybersecurity incidents promptly and minimize damage.
  - (12) Information Security Assessment: Conducted annually to provide risk assessment and recommended measures.
  - (13) (MA) Maintenance contract: System and equipment maintenance contracts are in place to reduce operational risks and shorten downtime.
  - (14) Introduction of ISO/IEC 27001:2013 Information Security Management Standard.
- (II) For the most recent year and as of the publication date of this annual report, if the loss, possible impact and response measures suffered due to major information security events cannot be reasonably estimated, the facts that cannot be reasonably estimated shall be explained: None.

## VII. Material Contracts:

Valid contracts and contracts that are set to expire in the current fiscal year, including supply contracts, technical cooperation agreements, engineering contracts, long-term loan contracts, and other material contracts that affect shareholder's equity as of the publication date of this annual report:

May 20, 2024

Type of Contract	Party	Period	Content	Restrictions
Land Lease	Southern Taiwan Science Park Administration	Oct. 14, 2018~ Oct. 13, 2038	Lease partial of "ZHUAN 16 land" in the Science Park	Cannot be subleased or loaned to others for use."
Land Lease	Southern Taiwan Science Park Administration	Dec. 2, 2019 ~ Dec. 2, 2049	Lease partial of "ZHUAN 17 land" in the Science Park	Cannot be subleased or loaned to others for use.
Short-term Loan Contract	Taiwan Cooperative Bank	Apr. 14, 2023~ Mar. 24, 2024	Short-term credit limit 70 million NTD	None
Short-term Loan Contract	Bank of Panhsin	Mar. 31, 2023~ Mar. 31, 2024	Short-term credit limit 30 million NTD	None
Short-term Loan Contract	Taiwan Cooperative Bank	Apr. 10, 2024~ Apr. 10, 2025	Short-term credit limit 70 million NTD	None
Short-term Loan Contract	First Bank	Apr. 30, 2024~ Apr. 30, 2025	Short-term credit limit 30 million NTD	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Mar. 5, 2020 ~ Nov. 25, 2024	Solid-State Amplifier Control Combination	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Nov. 25, 2020 ~ May 20, 2024	Ka-band Solid-State Amplifier Assembly	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Sep. 14, 2021 ~ Aug. 29, 2024	Receiver Modules	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Mar. 29, 2022 ~ Aug. 21, 2023	C-band Solid-State High-Power Amplifier	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Jul. 7, 2022 ~ May 27, 2024	Power Amplifier Module	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Sep. 2, 2022 ~ Aug. 18, 2025	X-Band Transceiver Module	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Nov. 29, 2022 ~ Nov. 28, 2025	X-Band Solid-State Amplifier	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Dec. 20, 2022 ~ May 23, 2025	Solid-State Amplifier Control Combination	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Dec. 27, 2022 ~ Jul. 19, 2024	Power Amplifier Module	None
Sales Contract	National Chung-Shan Institute of Science & Technology	May 23, 2023 ~ Jul. 22, 2023	Ka-Band Solid-State Power Amplifier Assembly	None

Type of Contract	Party	Period	Content	Restrictions
Sales Contract	National Chung-Shan Institute of Science & Technology	Jun. 27, 2023 ~ Apr. 17, 2025	Doppler Transceiver	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Jul. 21, 2023 ~ Jul. 10, 2025	Ku-Band Solid-State Power Amplifier Assembly	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Jul. 21, 2023 ~ Jan. 16, 2025	C-Band Solid-State Amplifier	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Aug. 25, 2023 ~ Jun. 28, 2024	Single Pulse Calibrator	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Sep. 27, 2023 ~ Aug. 17, 2025	Power Amplifier Module	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Nov. 13, 2023 ~ Aug. 31, 2024	S-Band Solid-State High-Power Amplifier	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Dec. 14, 2023 ~ Aug. 5, 2025	Doppler Transceiver	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Jan. 9, 2024 ~ Nov. 15, 2024	Millimeter-Wave Upconverter	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Dec. 6, 2023 ~ Jun. 4, 2024	Power Amplifier	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Dec. 7, 2023 ~ Sep. 3, 2024	Analog Signal Distributors	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Feb. 26, 2024 ~ Dec. 18, 2025	Ku-Band Solid-State Amplifier Assembly	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Apr. 18, 2024 ~ Feb. 12, 2025	High-Purity Multi-Output Frequency Generator Module	None
Sales Contract	National Chung-Shan Institute of Science & Technology	Apr. 8, 2024 ~ Oct. 15, 2024	Synthesizer Module	None



## Chapter 6

### Financial Information

#### I. Condensed Balance Sheet and Comprehensive Income Statement

##### (I) Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousand

Years Items		Financial Summary For The Last Five Years (Note)					Year ended as of March 31, 2024 (Note)
		2019	2020	2021	2022	2023	
Current Assets		491,835	760,466	1,656,067	1,402,316	1,934,086	1,400,751
Property, Plant, and Equipment		165,001	223,521	329,515	438,179	457,959	447,866
Intangible Assets		4,223	3,323	2,476	10,490	8,637	10,984
Other Assets		201,140	205,197	321,891	550,607	268,101	998,685
Total Assets		862,199	1,192,507	2,309,949	2,401,592	2,668,783	2,858,286
Current Liabilities	Before Distribution	198,913	180,003	215,858	253,655	273,929	624,573
	After Distribution	309,225	240,710	451,159	455,941	571,400	624,573
Non-Current Liabilities		120,228	121,928	114,766	141,706	140,852	151,935
Total Liabilities	Before Distribution	319,141	301,931	330,624	395,361	414,781	776,508
	After Distribution	429,453	362,638	565,925	597,647	712,252	776,508
Equity Attributable to Owners of Parent Company		543,058	890,576	1,979,325	2,006,231	2,254,002	2,081,778
Share Capital		377,626	412,706	678,288	678,208	745,637	745,637
Capital Surplus	Before Distribution	76,564	306,121	1,036,491	1,023,598	969,558	972,840
	After Distribution	—	225,179	1,023,045	956,169	895,190	898,472
Retained Earnings	Before Distribution	152,342	205,934	282,157	312,055	544,731	318,314
	After Distribution	42,030	35,957	60,302	109,769	247,260	—
Other Equity		(63,474)	(34,185)	(17,611)	(7,630)	(5,924)	44,987
Treasury Stock		—	—	—	—	—	—
Non-Controlling Equity		—	—	—	—	—	—
Total Equity	Before Distribution	543,058	890,576	1,979,325	2,006,231	2,254,002	2,081,778
	After Distribution	432,746	829,869	1,744,024	1,803,945	1,956,531	2,081,778

Note: The financial information of the last five years above has been audited by CPAs, while the financial data of Q1, 2024 has been reviewed by CPAs.

**(II) Condensed Income Statement - Based on IFRS**

Unit: NT\$ thousand

Items \ Year	Financial Summary For The Last Five Years (Note)					Year ended as of March 31, 2024(Note)
	2019	2020	2021	2022	2023	
Operating Revenue	569,727	706,035	916,696	1,034,660	1,250,809	278,099
Gross Profit	310,981	385,064	494,700	564,789	695,866	131,720
Operating Gain or Loss	181,995	206,517	312,313	364,869	465,707	79,864
Non-Operating Income and Expenses	(14,039)	(9,446)	(7,396)	(43,066)	65,533	9,078
Pretax profit	167,956	197,071	304,917	321,803	531,240	88,942
Net Income from Continuing Operations	140,816	164,118	246,600	249,469	436,535	71,054
Loss from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	140,816	164,118	246,600	249,469	436,535	71,054
Other Comprehensive Income (Loss) (Net Income After Tax)	(3,009)	(214)	(401)	2,284	(5,371)	50,202
Total Comprehensive Income (Loss)	137,807	163,904	246,199	251,753	431,164	121,256
Net Income Attributable to Owners of Parent Company	140,816	164,118	246,600	249,469	436,535	71,054
Net Income Attributable to Non-Controlling Interests Equity	—	—	—	—	—	—
Total Comprehensive Income (Loss) Attributable to Owner of Parent Company	137,807	163,904	246,199	251,753	431,164	121,256
Comprehensive Income (Loss) Attributable to Non- Controlling Interests	—	—	—	—	—	—
Earnings Per Share	3.84	4.42	4.04	3.37	5.88	0.96

Note: The financial information of the last five years above has been audited by CPAs, while the financial data of Q1, 2024 has been reviewed by CPAs.

**(III) Auditors' Opinions In The Past Five Years**

Year	CPA Firm	Name of CPA	Audit opinion
2019	PwC Taiwan	LIN,TZU-YU 、 TIEN,GHUNG-YU	Unqualified opinion
2020	PwC Taiwan	TIEN,GHUNG-YU 、 LIN,YUNG-CHIH	Unqualified opinion
2021	PwC Taiwan	TIEN,GHUNG-YU 、 LIN,YUNG-CHIH	Unqualified opinion
2022	PwC Taiwan	YEH,FANG-TING 、 LIN,YUNG-CHIH	Unqualified opinion
2023	PwC Taiwan	YEH,FANG-TING 、 HSU,HUEI-YU	Unqualified opinion

## II. Financial Analysis - Based on IFRS

<div> <div>Year</div> <div>Item</div> </div>		Financial Analysis for The Last Five Years (Note 1)					Year ended as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Financial structure	Debt ratio (%)	37.01	25.31	14.31	16.46	15.54	27.16
	Long-term Capital to Property, Plant, and Equipment ratio (%)	401.99	452.97	635.50	490.19	522.94	498.74
Solvency	Current ratio (%)	247.26	422.47	767.20	552.84	706.05	224.27
	Quick ratio (%)	120.31	229.13	608.12	368.94	538.36	152.01
	Interest earned ratio (Times)	95.89	54.38	158.99	129.57	178.85	110.80
Operation performance	Receivables turnover (Times)	8.31	6.95	9.60	8.36	6.99	5.17
	Average collection days	44	53	38	44	52	71
	Inventory turnover rate (times)	1.17	1.10	1.25	1.19	1.22	1.30
	Payables turnover rate (Times)	10.04	12.82	15.53	14.47	19.87	22.09
	Average days for sale	312	332	292	307	299	281
	Property, plant, and equipment turnover (Times)	4.25	3.63	3.32	2.70	2.79	2.46
	Total asset turnover (Times)	0.81	0.69	0.52	0.44	0.49	0.40
Profitability	Return on assets, ROA (%)	20.22	16.26	14.16	10.67	17.31	10.37
	Return on equity, ROE (%)	29.54	22.89	17.18	12.51	20.49	13.11
	Ratio of pretax income to paid-up capital (%)	44.48	47.75	44.95	47.44	71.24	47.71
	Net profit margin (%)	24.72	23.24	26.90	24.11	34.90	25.54
	Earnings per share (NT\$)	3.84	4.42	4.04	3.71	5.88	0.96
Cash flow	Cash flow ratio (%)	38.73	97.97	157.02	88.09	165.45	100.48
	Cash flow adequacy ratio (%)	64.96	75.08	113.75	74.04	88.99	102.84
	Cash reinvestment ratio (%)	7.79	5.83	14.44	0.07	9.67	6.40
Leverage	Operating leverage	1.13	1.20	1.15	1.15	1.15	1.24
	Financial leverage	1.01	1.02	1.01	1.01	1.01	1.01

Reasons for changes of up to 20% in various financial ratios in the most recent two years:

(I) Solvency:

- Increase in Current ratio and Quick ratio: Mainly due to the company's dispose of "financial assets at fair value through profit or loss - non-current" in 2023, which resulted in a decrease in current assets.
- Increase in Interest earned ratio: Mainly due to the company's operational growth in the fiscal year 2023, resulting in an increase in pre-tax net profit.

(II) Operation performance:

- Increase in Payables turnover rate: Mainly due to the company's operational growth in 2023, the cost of goods sold increases accordingly, and most of the payments for goods are due and completed by the end of the year, resulting in a decrease in accounts payable at the end of the period and an increase in the turnover rate of accounts payable.

(III) Profitability:

- Increase in ROA 、 ROE 、 Ratio of pretax income to paid-up capital 、 Net profit margin and Earnings per share: Mainly due to the company's operational growth in the fiscal year 2023, resulting in an increase in pre-tax net profit.

(IV) Cash flow:

- Increase in Cash flow ratio 、 Cash flow adequacy ratio 、 Cash reinvestment ratio: The company's operational growth in 2023 significantly increased the net cash inflow from operating activities, resulting in a rise in the related ratio.

Note 1: The financial information of the last five years above has been audited by CPAs, while the financial data of Q1, 2024 has been reviewed by CPAs.

Note 2: Calculation formulas for financial analysis:

1. Financial structure

- (1) Debt ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to Property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.
- (3) Interest earned ratio = Net profit before tax and interest/Interest expenses.

3. Operation performance

- (1) Receivables turnover rate (including notes receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including notes receivable resulting from accounts receivable and business operations).
- (2) Average collection days = 365/Receivables turnover rate.
- (3) Inventory turnover rate = Cost of sales/Average inventory.
- (4) Payables turnover rate (including notes payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including notes payable resulting from accounts payable and business operations).
- (5) Average days for sale = 365/Inventory Turnover Rate.
- (6) Property, plant, and equipment turnover rate = Net sales/Average net Property, Plant, and Equipment.
- (7) Total asset turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets (ROA) = [ Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
- (2) Return on Equity = Net income after tax/Average equity.
- (3) Net margin = Net income/Net sales.
- (4) Earnings per Share (EPS) = (Net income (loss) attributable to owners of parent company – dividends on preferred shares)/Weighted average number of issued shares.

5. Cash flow

- (1) Cash flow ratio = Net operating cash flow/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 flow reinvestment ratio = (Net cash flow from operating activities – Cash dividend)/(Gross fixed assets value + Long-term investment + Other assets + Working capital).

6. Degree of leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

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

## **Transcom, Inc.**

### **Audit Committee's Review Report**

Hereby approved

The Board of Directors has submitted the 2023 Business Report, Financial Statements and Earnings Distribution Proposal of the Company. The Financial Statements have been audited by CPAs Yeh, Fang-Ting and Hsu, Huei-Yu of PricewaterhouseCoopers (PwC), Taiwan, and audit report has been issued. The above-mentioned business report, financial statements and earning distribution proposal have been reviewed and approved by the Audit Committee. All members believe that there is no disagreement. The above documents have been reported according to Article 14(4) of the Securities Exchange Law and Article 219 of the Company Law. Please kindly check.

Sincerely,

Annual Shareholders' Meeting of Transcom Inc, (2024)

Transcom Inc,

Convener of the Audit Committee : WANG, TIEN-CHIN

March 12, 2024

IV. Financial Statements:

Please refer to pages 115-202 of this Annual Report.

V. Individual Financial Statements:

The Company does not have any subsidiary. The Company only prepare financial statements as stated above.

VI. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and as of the Publication Date of this Annual Report, and the Impact on the Company's Financial Position: None

## Chapter 7

### Review and Analysis of Financial Status, Financial Performance and Risk Management

#### I. Financial Status - Based on IFRS

##### (I) Explanations for the change in assets, liabilities, and equity in the most recent two years

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	1,402,316	1,934,086	531,770	37.92
Property, Plant, and Equipment	438,179	457,959	19,780	4.51
Other Non-Current Assets	561,097	276,738	(284,359)	(50.68)
Total Assets	2,401,592	2,668,783	267,191	11.13
Current Liabilities	253,655	273,929	20,274	7.99
Non-Current Liabilities	141,706	140,852	(854)	(0.60)
Total Liabilities	395,361	414,781	19,420	4.91
Share Capital	678,208	745,637	67,429	9.94
Capital Surplus	1,023,598	969,558	(54,040)	(5.28)
Retained Earnings	312,055	544,731	232,676	74.56
Other Equity	(7,630)	(5,924)	1,706	(22.36)
Total Shareholder Equity	2,006,231	2,254,002	247,771	12.35
Explanations: (changes over 20% and difference amount over NT\$10 million) : 1. Current Assets: The company's disposal of securities in 2023, which resulted in a decrease in cash and cash equivalents. 2. Other Non-Current Assets: Mainly due to the Company's disposal of securities. 3. Retained Earnings: The company's operational growth in the fiscal year 2023, resulting in an increase in net profit compared to the previous year.				

##### (II) Future plans for significant changes:

In response to business expansion and diversified investments, the Company will continue to plan capital expenditure budgets and control working capital in a proper manner.

## II. Financial Performance

(I) Explanations for the change in operating revenue, net operating profit and net profit before tax in the most recent two years

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Operating Revenue	1,034,660	1,250,809	216,149	20.89
Operating Costs	469,871	554,943	85,072	18.11
Gross Profit	564,789	695,866	131,077	23.21
Operating Expenses	199,920	230,159	30,239	15.13
Operating Profit	364,869	465,707	100,838	27.64
Non-Operating Income and Expenses	(43,066)	65,533	108,599	252.17
Net Income Before Tax	321,803	531,240	209,437	65.08
Income Tax Expense	72,334	94,705	22,371	30.93
Net Income	249,469	436,535	187,066	74.99
Other Comprehensive Income	2,284	(5,371)	(7,655)	(335.16)
Total Comprehensive Income	251,753	431,164	179,411	71.26

Explanations: (changes over 20% and difference amount over NT\$10 million) :

1. Operating Revenue 、Gross Profit and Operating Profit: Mainly due to the Company's operational growth in 2023, which led to an increase in operating revenue, gross profit, and operating net profit.
2. Non-Operating Income and Expenses: Mainly due to the fair value profit recognized on the Company's investment in securities.
3. Net Income Before Tax: Mainly due to the Company's operational growth, resulting in an increase in net income before tax compared to the previous year.
4. Income Tax Expense: The increase in the pre-tax income in 2023, which led to an increase in Income Tax Expense.
5. Net Income: Mainly due to the Company's operational growth, resulting in an increase in net income compared to the previous year.
6. Total Comprehensive Income: Mainly due to the Company's operational growth, resulting in an increase in total comprehensive income compared to the previous year.

(II) The expected sales and its basis, and the possible impact on Transcom, Inc.'s future financial operations and response plans for the coming year:

Based on estimated customer demand, the overall market, and past performance, the Company forecasts a steady growth in sales for the upcoming years. The Company will continue to focus on developing its core business and make appropriate use of funds. As there are no significant changes expected in the future operations, the Company does not anticipate any significant impact on its financial operations.



### III. Cash flow

#### (I) Cash Flow Analysis for the most recent year

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Remedies for Cash Deficit	
				Investment plans	Financing plans
575,630	453,222	112,713	1,141,565	None	None
Analysis of the changes in cash flow: Operating activities: Mainly due to operational growth in 2023, resulting in net cash inflows. Investment and financing: The company's disposal of securities in 2023, resulting in an increase in net cash inflow.					

(II) Improvement plans for liquidity shortage: Not applicable.

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

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Remedies for Cash Deficit	
				Investment Plans	Financing Plans
1,141,565	461,997	(1,112,636)	490,926	None	None
Analysis of change in cash flow: Operating activities: Mainly due to the estimated increase in net cash inflows from the Company's operations. Investment and financing: Mainly due to the net cash outflow generated from investing in securities and distributing cash dividends.					

#### IV. Effect of Major Capital Expenditures on Financial Operations in the Most Recent Fiscal Year:

The company has no major capital expenditures in the most recent year.

#### V. Reinvestment Policies of the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans for the Upcoming Year: None

#### VI. Risk Analysis and Assessment

##### (I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

###### 1. Interest rate:

The Company's bank loan interest for the fiscal years 2022 and 2023 were NT\$514 thousand and NT\$632 thousand respectively, accounting for 0.05% and 0.05% of the net revenue for the period. This is mainly due to the interest for borrowing from financial institutions generated from the Company's operational needs, and the fluctuation in interest rates did not have a significant impact on the Company's operations.

The Company maintains a good relationship with multiple banks, continuously monitors information related to interest rate changes, judges the trend of future interest rates, and adjusts the scheduling of funds accordingly. The financial situation of our company is stable, and our fund planning is conservative and prudent. We expect that any future interest rate changes will not have a significant impact on the overall operations of our company.

## 2. Foreign exchange rates:

The Company's main currencies for purchase and sales transactions are New Taiwan Dollars and US Dollars. The net gain (loss) from foreign currency exchange for the fiscal years 2022 and 2023 were NT\$3,050 thousand and (NT\$275) thousand respectively, accounting for 0.29% and (0.02%) of the net revenue for the period. The impact of exchange rate fluctuations on our company is not significant. In addition to natural hedging of receipts and payments in the same currency, our company also constantly collects information concerning the trends of exchange rate, and refers to relevant information provided by our partner banks to adjust our foreign currency assets and liabilities accordingly to reduce the impact of exchange rate fluctuations on our company's operations

## 3. Inflation:

The Company does not sell products directly to general consumers, so inflation does not have a direct and immediate impact on our company. We always pay attention to fluctuations in prices of the raw materials on the market and maintain good relationships with our customers and suppliers. If inflation leads to an increase in procurement costs, our company will adjust product prices appropriately to reduce the impact of cost changes on our company's profits

(II) Policies, main reasons for the profits or losses generated thereby, and future response measures to be undertaken on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading:

1. Our company focuses on the development of our core business, and in recent years, we have not engaged in high-risk, high-leverage investments, lending funds to others, endorsement guarantees, or derivative transactions that could result in profits or losses for our company.
2. Our company has established “Procedures for Acquisition and Disposal of Assets”, “Procedures for Lending”, and “Procedures for Endorsement Guarantee”. When acquiring or disposing of assets, or when lending funds to others or providing endorsement guarantees in the future as required by our operational needs, the C company will follow the relevant procedures that we have established.

(III) Future research & development projects and corresponding budget:

### 1. Future research & development projects

The Company upholds the concept of sustainable management and focuses on our development in the microwave module related industry. The Company will continue to allocate annual budgets to develop high-frequency and high-power components, solid-state power amplifiers (SSPA), high-frequency transceivers (T/R), and microwave sub-systems modules, and establish a complete microwave product supply chain. The following are the product development projects planned for the future:

- A. Develop GaN/SiC high-power components and monolithic integrated circuits for high-frequency applications
- B. C Band 4KW amplifier and 6~18GHz 50W amplifier
- C. Customized (ODM) analog signal processing modules for various frequency band transceivers
- D. Develop MMIC and transceiver modules related to 5G.
- E. Ka Band GaN 5W & 10W MMIC
- F. X Band 1.6KW SSPA
- G. Ku Band 1KW GaN SSPA

## 2. Estimated R & D expenses

The R&D expenses that the Company plans to invest in are gradually allocated based on the progress in development of new product and technology. In the past three years, R&D expenses accounted for approximately 5.10%, 4.47%, and 4.62% of the Company's operating revenue, respectively. The Company expects to invest NT\$57,451 thousand in R&D expenses in 2024.

### (IV) Effects of and response to changes in policies and regulations relating to corporate finance and sales :

When necessary, the Company consults with professionals such as lawyers and accountants on important domestic and international policies and legal changes, or delegates them to evaluate and provide recommendations and plans for response measures to ensure compliance and minimize the impact on the Company's financial operations. As of the most recent fiscal year and as of the publication date of this annual report, there have been no significant impacts on our company's financial operations resulting from important domestic and international policy and legal changes.

### (V) Effects of and response to changes in technology and the industry relating to corporate finance and sales :

The Company pays close attention to the development and changes in relevant technologies within the industry, and assigns personnel or forms project teams to evaluate and study the impact on the Company's future development and financial operations, as well as corresponding measures. In the most recent year and as of the publication date of this annual report, there have been no significant technological changes or industry changes that have had a significant impact on the Company's financial operations.

The Company's Information Department is responsible for managing information security risks. In order to ensure the security of the Company's information, the "Computerized Information System Cycle" and "Information and Communications Security Inspection Operation Procedures" have been formulated and implemented to manage information equipment, network security, network resources, system backup, and other related matters. The Audit Department also occasionally conducts information security audits to ensure the effectiveness of the Company's information security operations. The Information Department executes the Company's operating procedures to ensure the security of the Company's information. In the most recent year and as of the publication date of this annual report, the Company has not experienced any major network attacks or other information security incidents that have resulted in significant operational risks for the Company.

### (VI) The impact of changes in corporate image on corporate risk management, and the Company's response measures:

Since its establishment, the Company has been actively strengthening internal management, enhancing management quality and performance, and committed to maintaining a positive corporate image and complying with relevant laws and regulations. In the most recent year and as of the publication date of this annual report, there have been no incidents that have affected the Company's image.

### (VII) Expected benefits from, risks relating to and response to merger and acquisition plans:

Transcom, Inc. has no merger and acquisition plans as of the publication date of this Annual Report.

### (VIII) Expected benefits from, risks relating to and response to Factory Expansion Plans:

The company has not undertaken any plant expansion in the most recent year or up to the date of the annual report's publication.

(IX) Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

1. Risks relating to excessive concentration of purchasing sources

The Company is a professional company that specializes in the research and development, design, production, and sales of microwave amplifiers and subsystems. Our main raw materials include gallium arsenide, gallium nitride, epitaxial wafers, microwave carriers, passive microwave components, and mechanical parts. We purchase these materials from multiple domestic and foreign suppliers, and there is no centralized purchase.

2. Risks relating to excessive customer concentration

The Company is a professional components company that specializes in gallium arsenide. Our product applications primarily focus on defense and high-end niche power amplifiers. In 2023, Sales to National Chung-Shan Institute of Science & Technology account for 84.27% of our annual revenue, indicating a situation of sales concentration.

The Company is one of the few domestic manufacturers capable of supplying critical components for military microwave products. We have the capability of independent IC design, wafer manufacturing, amplifier module design, assembly, and testing. Our products have undergone rigorous testing and certification by National Chung-Shan Institute of Science & Technology and have become the primary domestic supplier of microwave amplifiers, modules, and subsystems for National Chung-Shan Institute of Science & Technology. Due to the strict scrutiny and export controls imposed by foreign suppliers in countries such as the United States, Japan, and the European Union on military-grade power components, along with long lead times and the inability to provide remote services in a timely manner, and with our country's implementation of a policy of military autonomy, defense needs take priority and cooperation with domestic manufacturers is required. With the annual increase in defense budgets and expanding demand from National Chung-Shan Institute of Science & Technology for military-grade power components, along with the facts that we are recognized for our quality and foreign competitors find it difficult to enter the market, there is sales concentration with National Chung-Shan Institute of Science & Technology.

The Company's products have high reliability and have been recognized by National Chung-Shan Institute of Science & Technology for long-term cooperation, meanwhile there is stable growth in the number of foreign customers. In the future, we will continue to leverage our expertise in high-frequency and high-power microwave component development to continuously develop new products and diversify our customer base. Recently, we have completed the development of 5G microwave amplifier components and will work with our customers to integrate them into 5G mmWave small cell front-end RF module solutions, expanding into the field of commercial communication products. We will expand our production capacity as needed, either through outsourcing or increasing capacity, increase the number of core foreign customers, increase the proportion of exports, and actively explore new customers in other commercial fields to reduce the risk of sales concentration. Recently, we have completed the development of 5G microwave amplifier components and will cooperate with customers to integrate them into the solution of the 5G millimeter-wave small base station front-end RF module to expand our business in the commercial communication product field. In the future, we will timely increase production capacity or expand capacity through outsourcing to increase the number of core foreign customers and actively explore new customers in other commercial areas to reduce the risk of sales concentration and increase the proportion of exports.

- (X) Effects of, risks relating to and response to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%: None
- (XI) Effects of, risks relating to and response to the changes in management rights: None
- (XII) Litigation or non-litigation matters, any significant lawsuits, non-litigation, or administrative disputes involving the company, its directors, supervisors, general manager, substantial responsible persons, major shareholders holding more than 10% of the shares, and subsidiaries, whether they have been conclusively adjudicated or are still pending, that could significantly impact shareholder equity or the stock price: None.
- (XIII) Other significant risks and the Company's response measures:None

VII. Other Significant Matters: None.

## **Chapter 8**

### **Special Disclosures**

I. Summary of Affiliated Companies: None

II. Private Placement of Securities in the Most Recent Fiscal Year as of the Publication Date of this Annual Report: None.

III. Shares of the Company Held or Disposed by Subsidiaries in the Most Recent Year as of the Publication Date of this Annual Report: None.

IV. Other Required Supplementary Information: None.

V. Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which might materially Affect Shareholders' Equity or Price of the Company's Securities in the Most Recent Year as of the Publication Date of this Annual Report: None

**TRANSCOM, INC.**

**FINANCIAL STATEMENTS AND INDEPENDENT**

**AUDITORS' REPORT**

**DECEMBER 31, 2023 AND 2022**

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For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Transcom, Inc.

### **Opinion**

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

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

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the 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 judgement, were of most significance in our audit of the Company's 2023 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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



## **Cut-off of revenue**

### Description

Refer to Note 4(26) for accounting policies on revenue recognition.

The Company derives its revenues from the sales of microwave semiconductor devices. Sales revenue is recognized when risk and reward of the goods have been transferred upon acceptance by customers according to the terms specified in the contracts. As the revenue recognition procedure involves manual procedures and has significant impact on financial statements, we considered the cut-off of revenue a key audit matter for this year's audit.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding and assessed the accounting policies of revenue recognition.
- B. Obtained an understanding and assessed the internal controls over revenue recognition, and tested the effectiveness of internal controls including the delivery process and the timing of revenue recognition.
- C. Performed cut-off tests on sales revenue transactions that took place during a certain period before and after the balance sheet date to confirm whether revenue was recognized when risks and rewards of goods have been transferred and revenue was recognized and recorded in the proper period.

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

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

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 financial statements of the current period 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.

Yeh, Fang-Ting

Independent Accountants

Hsu, Hui-Yu

PricewaterhouseCoopers, Taiwan  
Republic of China  
March 12, 2024

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

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

TRANSCOM, INC.  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Zealand dollars)					(		Adjusted		)
Assets			Notes		December 31, 2023		December 31, 2022		
					AMOUNT		AMOUNT		%
					%				
Current assets									
1100	Cash and cash equivalents	6(1)	\$	1,141,565	43	\$	575,630	24	
1136	Current financial assets at amortised cost	6(2)		120,965	4		212,960	9	
1170	Accounts receivable, net	6(3) and 12(2)		210,592	8		147,267	6	
1200	Other receivables			1,610	-		-	-	
130X	Inventories	6(4)		453,047	17		453,114	19	
1410	Prepayments			6,307	-		13,345	-	
11XX	Total current assets			1,934,086	72		1,402,316	58	
Non-current assets									
1510	Non-current financial assets at fair value through profit or loss	6(5)		-	-		328,575	14	
1517	Non-current financial assets at fair value through other comprehensive income	6(6)		28,194	1		-	-	
1535	Non-current financial assets at amortised cost	6(2) and 8		5,437	-		5,437	-	
1600	Property, plant and equipment	6(7)		457,959	17		438,179	18	
1755	Right-of-use assets	6(8)		111,838	4		116,508	5	
1780	Intangible assets	6(9)		8,637	1		10,490	1	
1840	Deferred income tax assets	3(1) and 6(26)		33,267	2		28,227	1	
1915	Prepayments for equipment	6(7)		6,504	-		13,213	1	
1920	Guarantee deposits paid	6(10)		82,861	3		58,647	2	
15XX	Total non-current assets			734,697	28		999,276	42	
1XXX	Total assets		\$	2,668,783	100	\$	2,401,592	100	

(Continued)

TRANSCOM, INC.  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		( Adjusted )	
			AMOUNT	%	December 31, 2022	%
			AMOUNT		AMOUNT	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 40,000	2	\$ 40,000	1
2130	Current contract liabilities	6(19)	12,120	-	2,071	-
2150	Notes payable		730	-	18,824	1
2170	Accounts payable		18,238	1	18,055	1
2200	Other payables	6(12)	114,496	4	102,911	4
2230	Current income tax liabilities	6(26)	59,214	2	45,804	2
2250	Current provisions	6(4)(13)	25,988	1	22,909	1
2280	Current lease liabilities	6(8)	3,143	-	3,081	-
21XX	<b>Total current liabilities</b>		<u>273,929</u>	<u>10</u>	<u>253,655</u>	<u>10</u>
<b>Non-current liabilities</b>						
2527	Non-current contract liabilities	6(19)	5,649	-	4,792	-
2550	Non-current provisions	6(13)	23,571	1	23,105	1
2570	Deferred income tax liabilities	3(1) and 6(26)	5,103	-	5,183	-
2580	Non-current lease liabilities	6(8)	89,947	4	93,090	4
2640	Net defined benefit liabilities - non current	6(14)	16,582	1	15,536	1
25XX	<b>Total non-current liabilities</b>		<u>140,852</u>	<u>6</u>	<u>141,706</u>	<u>6</u>
2XXX	<b>Total liabilities</b>		<u>414,781</u>	<u>16</u>	<u>395,361</u>	<u>16</u>
Share capital		6(15)(17)				
3110	Common stock		745,637	28	678,208	28
3200	Capital surplus	6(16)(17)	969,558	36	1,023,598	43
Retained earnings		6(18)				
3310	Legal reserve		84,921	3	59,746	2
3350	Unappropriated retained earnings		459,810	17	252,309	11
3400	Other equity interest	6(6)(17)	( 5,924 )	-	( 7,630 )	-
3XXX	<b>Total equity</b>		<u>2,254,002</u>	<u>84</u>	<u>2,006,231</u>	<u>84</u>
Significant contingent liabilities and unrecognised contract commitments		6(17) and 9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,668,783</u>	<u>100</u>	<u>\$ 2,401,592</u>	<u>100</u>

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

TRANSCOM, INC.  
STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19)		\$ 1,250,809	100	\$ 1,034,660	100
5000 Operating costs	6(4)(8)(9)(13)(14)					
	(17)(24)(25)	(	554,943)	( 44)	( 469,871)	( 46)
5900 Net operating margin			695,866	56	564,789	54
Operating expenses	6(8)(9)(14)(17)(24)(25), 7 and 12(2)					
6100 Selling expenses		(	17,888)	( 1)	( 12,675)	( 1)
6200 General and administrative expenses		(	157,329)	( 13)	( 139,569)	( 14)
6300 Research and development expenses		(	57,849)	( 5)	( 46,204)	( 4)
6450 Expected credit gain (loss)			2,907	-	1,472	-
6000 Total operating expenses		(	230,159)	( 19)	( 199,920)	( 19)
6900 Operating profit			465,707	37	364,869	35
Non-operating income and expenses						
7100 Interest income	6(2)(20)		14,604	1	5,219	-
7010 Other income	6(5)(21)		10,287	1	19,216	2
7020 Other gains and losses	6(5)(22)		43,629	4	( 64,998)	( 6)
7050 Finance costs	6(8)(13)(23)	(	2,987)	-	( 2,503)	-
7000 Total non-operating income and expenses			65,533	6	( 43,066)	( 4)
7900 Profit before income tax			531,240	43	321,803	31
7950 Income tax expense	6(26)	(	94,705)	( 8)	( 72,334)	( 7)
8200 Profit for the year			\$ 436,535	35	\$ 249,469	24
<b>Other comprehensive (loss) income, net</b>						
<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>						
8311 Remeasurement of defined benefit obligation	6(14)	( \$	1,966)	-	\$ 2,855	-
8316 Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(6)					
		(	3,798)	( 1)	-	-
8349 Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)		393	-	( 571)	-
8300 Total other comprehensive (loss) income for the year		( \$	5,371)	( 1)	\$ 2,284	-
8500 Total comprehensive income for the year			\$ 431,164	34	\$ 251,753	24
<b>Earnings per share (in dollars)</b>						
9750 Basic	6(27)		\$ 5.88		\$ 3.37	
9850 Diluted			\$ 5.83		\$ 3.34	

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

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

		Capital Surplus					Retained Earnings		Other Equity Interest		
									Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	
	Notes	Share capital - common stock	Additional paid- in capital	Employee stock options	Employee restricted stock	Others	Legal reserve	Unappropriated retained earnings			Total
<u>Year ended December 31, 2022</u>											
Balance at January 1, 2022		\$ 678,288	\$ 974,184	\$ -	\$ 61,853	\$ 454	\$ 35,126	\$ 247,031	\$ -	( \$ 17,611 )	\$ 1,979,325
Profit for the year		-	-	-	-	-	-	249,469	-	-	249,469
Other comprehensive income for the year		-	-	-	-	-	-	2,284	-	-	2,284
Total comprehensive income		-	-	-	-	-	-	251,753	-	-	251,753
Distribution of 2021 net income:											
Legal reserve	6(18)	-	-	-	-	-	24,620	( 24,620 )	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	( 221,855 )	-	-	( 221,855 )
Capital surplus used to issue cash to shareholders	6(16)	-	( 12,992 )	-	-	( 454 )	-	-	-	-	( 13,446 )
Compensation cost of employee stock options	6(17)(25)	-	-	473	-	-	-	-	-	-	473
Retirement of employee restricted stocks	6(15)	( 80 )	-	-	80	-	-	-	-	-	-
Compensation cost of employee restricted stock	6(17)(25)	-	-	-	-	-	-	-	-	9,981	9,981
Balance at December 31, 2022		\$ 678,208	\$ 961,192	\$ 473	\$ 61,933	\$ -	\$ 59,746	\$ 252,309	\$ -	( \$ 7,630 )	\$ 2,006,231
<u>Year ended December 31, 2023</u>											
Balance at January 1, 2023		\$ 678,208	\$ 961,192	\$ 473	\$ 61,933	\$ -	\$ 59,746	\$ 252,309	\$ -	( \$ 7,630 )	\$ 2,006,231
Profit for the year		-	-	-	-	-	-	436,535	-	-	436,535
Other comprehensive loss for the year	6(6)	-	-	-	-	-	-	( 1,573 )	( 3,798 )	-	( 5,371 )
Total comprehensive income (loss)		-	-	-	-	-	-	434,962	( 3,798 )	-	431,164
Distribution of 2022 net income:											
Legal reserve	6(18)	-	-	-	-	-	25,175	( 25,175 )	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	( 202,286 )	-	-	( 202,286 )
Capitalisation of capital surplus	6(15)(16)	67,429	( 67,429 )	-	-	-	-	-	-	-	-
Compensation cost of employee stock options	6(17)(25)	-	-	13,389	-	-	-	-	-	-	13,389
Compensation cost of employee restricted stock	6(17)(25)	-	-	-	-	-	-	-	-	5,504	5,504
Balance at December 31, 2023		\$ 745,637	\$ 893,763	\$ 13,862	\$ 61,933	\$ -	\$ 84,921	\$ 459,810	( \$ 3,798 )	( \$ 2,126 )	\$ 2,254,002

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

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

		Year ended December 31	
	Notes	2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 531,240	\$ 321,803
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit or loss	6(5)(22)	( 52,863 )	65,781
Expected credit (gain) loss	12(2)	( 2,907 )	1,472
Loss on inventory market price decline	6(4)	20,720	17,742
Depreciation	6(7)(8)(24)	69,145	52,587
Loss (gain) on disposal of property, plant and equipment	6(22)	1,590	( 493 )
Amortization	6(9)(24)	2,692	3,008
Provisions	6(4)(13)	15,562	17,229
Interest income	6(20)	( 14,604 )	( 5,219 )
Dividend income	6(5)(21)	( 10,154 )	( 18,681 )
Interest expense	6(23)	2,987	2,503
Compensation cost of employee stock options	6(17)(25)	13,389	473
Compensation cost of employee restricted stock	6(17)(25)	5,504	9,981
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	1,142
Accounts receivable		( 60,418 )	( 49,847 )
Other receivables		( 1,443 )	-
Inventories		( 20,653 )	( 137,956 )
Prepayments		7,038	( 2,857 )
Changes in operating liabilities			
Current contract liabilities		10,049	( 2,188 )
Notes payable		( 16,017 )	860
Accounts payable		183	7,528
Other payables		28,513	3,575
Current provisions	6(13)	( 12,483 )	( 11,676 )
Non-current contract liabilities		857	-
Net defined benefit liabilities-non current		( 920 )	( 1,012 )
Cash inflow generated from operations		517,007	275,755
Dividends received		10,154	18,681
Interest received		14,604	5,219
Interest paid		( 2,521 )	( 2,464 )
Income tax paid		( 86,022 )	( 73,723 )
Net cash flows from operating activities		453,222	223,468

(Continued)



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

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in current financial assets at amortised cost		\$ 91,995	(\$ 177,960 )
Acquisition of non-current financial assets at fair value through profit or loss		( 1,923 )	( 267,765 )
Proceeds from disposal of non-current financial assets at fair value through profit or loss	6(28)	383,194	-
Cash paid for acquisition of non-current financial assets at fair value through other comprehensive income		( 31,992 )	-
Cash paid for acquisition of property, plant and equipment	6(28)	( 69,851 )	( 81,085 )
Proceeds from disposal of property, plant and equipment		-	495
Acquisition of intangible assets	6(9)	( 839 )	( 11,022 )
Increase in prepayments for equipment		( 28,290 )	( 46,812 )
Increase in guarantee deposits paid		( 24,214 )	( 13,013 )
Net cash flows from (used in) investing activities		<u>318,080</u>	<u>( 597,162 )</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	-	10,000
Payment of lease liabilities	6(29)	( 3,081 )	( 3,020 )
Capital surplus used to issue cash to shareholders	6(16)	-	( 13,446 )
Payments of cash dividends	6(18)	( 202,286 )	( 221,855 )
Net cash flows used in financing activities		<u>( 205,367 )</u>	<u>( 228,321 )</u>
Net increase (decrease) in cash and cash equivalents		565,935	( 602,015 )
Cash and cash equivalents at beginning of year	6(1)	<u>575,630</u>	<u>1,177,645</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,141,565</u>	<u>\$ 575,630</u>

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

TRANSCOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

**1. HISTORY AND ORGANIZATION**

- (1) Transcom, Inc. (the “Company”) was incorporated on June 17, 1998 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company is primarily engaged in research, development, production, manufacturing and sale of microwave semiconductor devices, integrated circuits and their subsystems.
- (2) The common stocks of the Company were originally listed on emerging stock market of the Taipei Exchange from December 19, 2012, and have been authorized to trade in Taiwan Stock Exchange since October 25, 2021.

**2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These financial statements were authorized for issuance by the Board of Directors on March 12, 2024.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’. The amendments require an entity to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Company recognizes deferred income tax assets and liabilities for all deductible and taxable temporary differences related to decommissioning liabilities and the corresponding right-of-use assets. As of December 31, 2022, the deferred income tax assets and liabilities increased both by \$4,613.

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, these financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities are recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires that use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5, "Critical accounting judgements, estimates and key sources of assumption uncertainty".

(3) Foreign currency translation

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

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. In the statement of comprehensive income, all foreign exchange gains and losses are presented in "Other gains and losses".

(4) Classification of current and non-current items

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

(5) Cash equivalents

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

(6) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial. Cash and cash equivalents pledged to others are consistent with the definition of financial assets at amortized cost.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. When the cost of inventory is higher than net realizable value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(12) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value: The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Useful lives</u>
Buildings and structures	10 ~ 27 years
Machinery and equipment	3 ~ 10 years
Transportation equipment	5 years
Other equipment	3 ~ 10 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following: (a) the amount of the initial measurement of lease liability, and (b) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(15) Intangible assets

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the



impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings comprise long-term and short-term banks loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings 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 borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Provisions

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(22) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
  - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
  - (b) Before meeting the vesting conditions, it has no right to participate in the original shareholders' distribution (subscription) of shares and dividends.
  - (c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

Sales of goods

- A. The Company manufactures and sells microwave semiconductor devices, integrated circuits and their subsystems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have no significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand	\$ 125	\$ 80
Checking accounts and demand deposits	<u>640,296</u>	<u>191,992</u>
	<u>640,421</u>	<u>192,072</u>
Cash equivalents:		
Time deposits	501,144	333,623
Bills under repurchase agreement	<u>-</u>	<u>49,935</u>
	<u>501,144</u>	<u>383,558</u>
	<u>\$ 1,141,565</u>	<u>\$ 575,630</u>

- A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Company has no cash and cash equivalents pledged to others as of December 31, 2023 and 2022.

### (2) Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits with a maturity of over three months	<u>\$ 120,965</u>	<u>\$ 212,960</u>
Non-current items:		
Pledged time deposits	<u>\$ 5,437</u>	<u>\$ 5,437</u>

- A. The Company recognized interest income in profit or loss on financial assets at amortized cost amounting to \$6,360 and \$2,071 for the years ended December 31, 2023 and 2022, respectively.
- B. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was its book value.
- C. For more information about the Company's financial assets at amortized cost pledged to others as collateral as of December 31, 2023 and 2022, refer to Note 8, 'Pledged assets'.
- D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 212,370	\$ 151,952
Less: Allowance for uncollectible accounts	( 1,778)	( 4,685)
	<u>\$ 210,592</u>	<u>\$ 147,267</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	December 31, 2023	December 31, 2022
	Accounts receivable	Accounts receivable
Not past due	\$ 172,411	\$ 146,022
Less than 90 days	39,352	5,831
91 to 180 days	546	99
Over 181 days	61	-
	<u>\$ 212,370</u>	<u>\$ 151,952</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of notes and accounts receivable from contracts with customers amounted to \$103,247.

C. As of December 31, 2023 and 2022, the Company does not hold any collateral as security for notes and accounts receivable.

D. Information relating to credit risk is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 103	(\$ 52)	\$ 51
Raw materials	190,867	( 58,695)	132,172
Supplies	25,066	( 8,111)	16,955
Work in progress	229,373	( 3,588)	225,785
Semi-finished goods	30,266	( 10,587)	19,679
Finished goods	63,659	( 5,254)	58,405
	<u>\$ 539,334</u>	<u>(\$ 86,287)</u>	<u>\$ 453,047</u>

December 31, 2022			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 100	(\$ 52)	\$ 48
Raw materials	189,988	( 41,929)	148,059
Supplies	20,673	( 1,652)	19,021
Work in progress	230,185	( 7,688)	222,497
Semi-finished goods	23,579	( 7,955)	15,624
Finished goods	54,156	( 6,291)	47,865
	<u>\$ 518,681</u>	<u>(\$ 65,567)</u>	<u>\$ 453,114</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 514,482	\$ 428,411
Provisions for warranty	15,562	17,229
Whole batch damaged in production and reclassified to cost of goods sold	6,058	6,688
Allowance for inventory market price decline	20,720	17,742
Loss on physical inventory	2	49
Revenue from sale of scraps	( 1,881)	( 248)
	<u>\$ 554,943</u>	<u>\$ 469,871</u>

(5) Non-current financial assets at fair value through profit or loss

	December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	\$ 391,991
Valuation adjustment	( 63,416)
	<u>\$ 328,575</u>

There was no such situation as of December 31, 2023.

- A. The Company recognized net gain (loss) of \$52,863 and (\$65,781) on financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, respectively (listed as “Other gains and losses”).
- B. For the years ended December 31, 2023 and 2022, the Company’s dividend income recognized in profit or loss on financial assets mandatorily measured at fair value through profit or loss (shown as “Other income”) was \$10,154 and \$18,681, respectively.
- C. The Company has no financial assets at fair value through profit or loss pledged to others as of December 31, 2023 and 2022.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial instruments’.

(6) Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>
Equity instruments	
Unlisted stocks	\$ 31,992
Valuation adjustment	( 3,798)
	<u>\$ 28,194</u>

There was no such situation as of December 31, 2022.

- A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments approximately equals the carrying amount as of December 31, 2023.
- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the year ended December 31, 2023</u>
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive loss	(\$ <u>3,798</u> )

There was no such situation for the year ended December 31, 2022.

- C. The Company has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2023.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.



(7) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
At January 1, 2023					
Cost	\$ 190,642	\$ 352,488	\$ 1,250	\$ 43,738	\$ 588,118
Accumulated depreciation	( 191)	( 130,214)	( 113)	( 19,421)	( 149,939)
	<u>\$ 190,451</u>	<u>\$ 222,274</u>	<u>\$ 1,137</u>	<u>\$ 24,317</u>	<u>\$ 438,179</u>
2023					
At January 1	\$ 190,451	\$ 222,274	\$ 1,137	\$ 24,317	\$ 438,179
Additions	6,866	40,865	2,310	805	50,846
Transferred from prepayments for equipment	8,598	25,341	1,060	-	34,999
Depreciation	( 7,524)	( 51,043)	( 711)	( 5,197)	( 64,475)
Disposals — Cost	-	( 11,515)	-	( 5,396)	( 16,911)
— Accumulated depreciation	-	11,515	-	3,806	15,321
At December 31	<u>\$ 198,391</u>	<u>\$ 237,437</u>	<u>\$ 3,796</u>	<u>\$ 18,335</u>	<u>\$ 457,959</u>
At December 31, 2023					
Cost	\$ 206,106	\$ 407,179	\$ 4,620	\$ 39,147	\$ 657,052
Accumulated depreciation	( 7,715)	( 169,742)	( 824)	( 20,812)	( 199,093)
	<u>\$ 198,391</u>	<u>\$ 237,437</u>	<u>\$ 3,796</u>	<u>\$ 18,335</u>	<u>\$ 457,959</u>

	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2022</u>						
Cost	\$ -	\$ 281,617	\$ 3,047	\$ 40,753	\$ 116,274	\$ 441,691
Accumulated depreciation	-	( 90,542)	( 2,872)	( 18,762)	-	( 112,176)
	<u>\$ -</u>	<u>\$ 191,075</u>	<u>\$ 175</u>	<u>\$ 21,991</u>	<u>\$ 116,274</u>	<u>\$ 329,515</u>
<u>2022</u>						
At January 1	\$ -	\$ 191,075	\$ 175	\$ 21,991	\$ 116,274	\$ 329,515
Additions	420	45,089	1,250	7,597	36,317	90,673
Transferred from prepayments for equipment	35,151	27,821	-	1,293	2,480	66,745
Transferred after acceptance inspection	155,071	-	-	-	( 155,071)	-
Depreciation	( 191)	( 41,711)	( 288)	( 6,562)	-	( 48,752)
Disposals — Cost	-	( 2,039)	( 3,047)	( 5,905)	-	( 10,991)
— Accumulated depreciation	-	2,039	3,047	5,903	-	10,989
At December 31	<u>\$ 190,451</u>	<u>\$ 222,274</u>	<u>\$ 1,137</u>	<u>\$ 24,317</u>	<u>\$ -</u>	<u>\$ 438,179</u>
<u>At December 31, 2022</u>						
Cost	\$ 190,642	\$ 352,488	\$ 1,250	\$ 43,738	\$ -	\$ 588,118
Accumulated depreciation	( 191)	( 130,214)	( 113)	( 19,421)	-	( 149,939)
	<u>\$ 190,451</u>	<u>\$ 222,274</u>	<u>\$ 1,137</u>	<u>\$ 24,317</u>	<u>\$ -</u>	<u>\$ 438,179</u>

- A. As of December 31, 2023 and 2022, the Company's property, plant and equipment were owner-occupied.
- B. For the years ended December 31, 2023 and 2022, no borrowing costs were capitalized as part of property, plant and equipment.
- C. As of December 31, 2023 and 2022, no property, plant and equipment were pledged to others as collateral.

(8) Leasing arrangements — lessee

- A. The Company leases land in Southern Taiwan Science Park Bureau of the Ministry of Science and Technology. Rental contracts are typically made for a period of 20 ~ 30 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amount:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 111,838	\$ 116,508

Depreciation charge:

	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
	<u>2023</u>	<u>2022</u>
Land	\$ 4,670	\$ 3,835

- C. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
<u>Items affecting profit or loss</u>	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 1,889	\$ 1,950
Expense on short-term lease contracts and leases of low-value assets	\$ 2,813	\$ 3,452

- D. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$7,783 and \$8,422, respectively.

(9) Intangible assets — Software

	2023	2022
<u>At January 1</u>		
Cost	\$ 19,566	\$ 8,544
Accumulated amortization	( 9,076)	( 6,068)
	<u>\$ 10,490</u>	<u>\$ 2,476</u>
<u>For the year end December 31</u>		
At January 1	\$ 10,490	\$ 2,476
Additions — acquired separately	839	11,022
Amortization	( 2,692)	( 3,008)
Write-off — Cost	( 5,442)	-
— Accumulated amortization	5,442	-
At December 31	<u>\$ 8,637</u>	<u>\$ 10,490</u>
<u>At December 31</u>		
Cost	\$ 14,963	\$ 19,566
Accumulated amortization	( 6,326)	( 9,076)
	<u>\$ 8,637</u>	<u>\$ 10,490</u>

A. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2023	2022
Operating costs	\$ -	\$ 12
Administrative expenses	1,354	1,156
Research and development expenses	1,338	1,840
	<u>\$ 2,692</u>	<u>\$ 3,008</u>

B. For the years ended December 31, 2023 and 2022, no borrowing costs were capitalized as part of intangible assets.

C. As of December 31, 2023 and 2022, no intangible assets were pledged to others as collateral.

(10) Guarantee deposits paid

	December 31, 2023	December 31, 2022
Performance guarantee	\$ 60,924	\$ 38,126
Warranty guarantee	20,948	19,028
Others	989	1,493
	<u>\$ 82,861</u>	<u>\$ 58,647</u>

(11) Short-term borrowings

Nature	December 31, 2023	Interest rate	Collateral
Bank unsecured borrowings	\$ 40,000	1.89%	None

Nature	December 31, 2022	Interest rate	Collateral
Bank unsecured borrowings	\$ 40,000	1.70%	None

For more information about interest expense recognized by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(23), 'Finance costs'.

(12) Other payables

	December 31, 2023	December 31, 2022
Accrued salaries and bonuses	\$ 43,655	\$ 36,942
Employees' compensation and directors' remuneration payable	39,986	24,222
Employee unused compensated absences bonus payable	7,739	6,500
Equipment payable	5,179	22,107
Others	17,937	13,140
	<u>\$ 114,496</u>	<u>\$ 102,911</u>

(13) Provisions

For the year ended December 31, 2023					
	At January 1	Additional provisions	Used during the year	Unwinding of discount	At December 31
Warranty	\$ 22,909	\$ 15,562	(\$ 12,483)	\$ -	\$ 25,988
Decommissioning liabilities	23,105	-	-	466	23,571
	<u>\$ 46,014</u>	<u>\$ 15,562</u>	<u>(\$ 12,483)</u>	<u>\$ 466</u>	<u>\$ 49,559</u>

For the year ended December 31, 2022					
	At January 1	Additional provisions	Used during the year	Unwinding of discount	At December 31
Warranty	\$ 17,356	\$ 17,229	(\$ 11,676)	\$ -	\$ 22,909
Decommissioning liabilities	-	23,066	-	39	23,105
	<u>\$ 17,356</u>	<u>\$ 40,295</u>	<u>(\$ 11,676)</u>	<u>\$ 39</u>	<u>\$ 46,014</u>

Analysis of total provisions:

	December 31, 2023	December 31, 2022
Current	<u>25,988</u>	<u>22,909</u>
Non-current	<u>23,571</u>	<u>23,105</u>

- A. The Company provides 1~3 years warranties on certain products. Provision for warranty is estimated based on historical warranty data of those products. Liability obligations are classified as current as they are expected to be occurred within 1 year.
- B. According to the land leasing contract, the Company bears dismantling, removing the asset and restoring the site obligations for the buildings on the land in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will occur when the land leasing contract expired.

(14) Pensions

- A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. Information on the Company's aforementioned pension plan is as follows:

- (a) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 49,910)	(\$ 47,213)
Fair value of plan assets	<u>33,328</u>	<u>31,677</u>
Net defined benefit liability	<u>(\$ 16,582)</u>	<u>(\$ 15,536)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2023</u>			
At January 1	(\$ 47,213)	\$ 31,677	(\$ 15,536)
Interest (expense) income	( 614)	412	( 202)
	<u>( 47,827)</u>	<u>32,089</u>	<u>( 15,738)</u>
Remeasurements:			
Return on plan assets	-	117	117
Change in financial assumptions	( 397)	-	( 397)
Experience adjustments	( 1,686)	-	( 1,686)
	<u>( 2,083)</u>	<u>117</u>	<u>( 1,966)</u>
Pension fund contribution	-	1,122	1,122
At December 31	<u>(\$ 49,910)</u>	<u>\$ 33,328</u>	<u>(\$ 16,582)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2022</u>			
At January 1	(\$ 47,702)	\$ 28,299	(\$ 19,403)
Interest (expense) income	( 191)	114	( 77)
	<u>( 47,893)</u>	<u>28,413</u>	<u>( 19,480)</u>
Remeasurements:			
Return on plan assets	-	2,175	2,175
Change in financial assumptions	2,539	-	2,539
Experience adjustments	( 1,859)	-	( 1,859)
	<u>680</u>	<u>2,175</u>	<u>2,855</u>
Pension fund contribution	-	1,089	1,089
At December 31	<u>(\$ 47,213)</u>	<u>\$ 31,677</u>	<u>(\$ 15,536)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate

in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases	2.25%	2.25%

Assumptions regarding future mortality experience are set based on the sixth experience life table of Taiwan life insurance industry for the years ended December 31, 2023 and 2022, respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 981)	\$ 1,018	\$ 912	(\$ 884)

<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 989)	\$ 1,029	\$ 929	(\$ 899)

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

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

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$1,125.



(f) As of December 31, 2023, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	15,430
1-2 years		2,285
2-5 years		4,431
Over 5 years		33,028
	\$	<u>55,174</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$9,137 and \$7,876, respectively.

(15) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2023	2022
Beginning number of the year	67,821	67,829
Capitalization of capital surplus	6,743	-
Retirement of employee restricted stocks	-	(8)
Ending number of the year	<u>74,564</u>	<u>67,821</u>

B. To attract and retain talented employees, create maximum interests for the Company and shareholders, the shareholders during their special meeting on October 31, 2018 adopted a resolution to issue employee restricted ordinary shares at no consideration in the total amount of 1,000 thousand shares, with the effective date set on September 30, 2019. The Company set the vesting condition of employees achieving both standards of personal retain seniority and annual performance appraisal, as well as had rights to redeem at no consideration and retire all employee restricted stocks that were not meeting the vesting condition. As of December 31, 2023, the vested employee stocks amounted to 796 thousand shares.

C. As the employee restricted stocks of 8 thousand shares distributed to certain employees did not meet the vesting conditions in accordance with the terms of restricted shares in November 2022. On November 10, 2022, the Board of Directors resolved to redeem and retire those restricted stocks for capital reduction. The registration of the retirement had been completed on November 21, 2022 and share capital and capital surplus in the amount of \$80 were written off.

- D. On March 15, 2023, the Company's Board of Directors proposed for the Company's capital increase through capital surplus of \$67,429 (NT\$1 (in dollars) per share). On June 29, 2023, said capital increase was approved by the shareholders and the Company approval from the Financial Supervisory Commission. The effective date of capitalization was set on August 29, 2023.
- E. As of December 31, 2023, the Company's authorized capital was \$900,000 (including \$50,000 reserved for employee stock options), and the paid-in capital was \$745,637 (74,564 thousand shares) with par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. On March 17, 2022, the Company's Board of Directors resolved to distribute cash from capital surplus of \$13,446 (NT\$0.2 (in dollars) per share).
- C. On June 29, 2023, the Company's shareholders resolved to increase capital through capital surplus of \$67,429 (NT\$1 (in dollars) per share).
- D. On March 12, 2024, the Company's Board of Directors proposed for the capital increase through capital surplus of \$74,368 (NT\$1 (in dollars) per share) and it has not yet been resolved by the shareholders.

(17) Share-based payment

- A. Restricted stocks to employees

The Company issued 1,000 thousand shares of compensatory employee restricted stocks as approved by the Financial Supervisory Commission on January 10, 2019 and set September 30, 2019 as the grant date as resolved by the Boards of Directors. After the allocation of restricted stocks, employees receive 20% of the allocated stocks every year. The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralized, or disposed in any other method during the vesting period, has no right to participate in the distribution of dividends and shares in original shareholders, and has no right to attend, propose, speak and vote in the shareholders' meeting.

- (a) Details of the aforementioned restricted stocks to employees are as follows (unit: thousand shares):

<u>Restricted stocks to employees</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Stocks outstanding at January 1	392	600
Stocks redeemed and retired	- (	8)
Stocks vested for the year	( 196)	( 200)
Stocks outstanding at December 31	<u>196</u>	<u>392</u>

- (b) For transactions of restricted stocks to employees granted by the Company, the stock price was not a clear public transaction price since the Company was an emerging company at the time of granting. The Company used price-earnings ratio and price book ratio as multiples by evaluating the stock price on grant date of listed company in the similar industry and estimated the fair value amounting to NT\$72.94 dollars by taking into account the restrictions of the stock. The Company recognized unearned compensation amounting to \$71,853 (shown as “other equity”) for the year ended December 31, 2019. As of December 31, 2023 and 2022, the balance of the unearned compensation amounted to \$2,126 and \$7,630, respectively. For the years ended December 31, 2023 and 2022, the Company recognized compensation cost of employee restricted stocks amounting to \$5,504 and \$9,981, respectively.

#### B. Employee stock options

On December 9, 2022, the Company issued compensatory stock option plan of 700 units as approved by the Financial Supervisory Commission and set December 19, 2022 as the grant date as resolved by the Boards of Directors. Employees can subscribe for ordinary shares of 1,000 shares per unit of the options at a subscription price of NT\$137 (in dollars) per share, which was set up based on no lower than the market price of the Company’s socks on the grant date. The exercise price would be adjusted according to specific formulas if there is any change in the Company’s ordinary shares after the issuance of stock options. The life of the options is 6 years. After 2 year from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.

- (a) Details of the number of options and weighted average exercise price of compensatory stock option plan for the years ended December 31, 2023 and 2022 are as follows:

Stock options	For the years ended December 31,			
	2023		2022	
	Number of options (unit)	Weighted average exercise price	Number of options (unit)	Weighted average exercise price
Options outstanding at January 1	700		-	
Options granted during the year	-		700	
Options outstanding at December 31	700	122.1	700	137
Options exercisable at December 31	-	—	-	—

- (b) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Weighted average information and fair value of each factor are as follows:

Grant date	December 19, 2022
Dividend rate	—
Expected price volatility	50.21%
Risk-free interest rate	1.02% ~ 1.06%
Expected option life	4 ~ 5.5 years
Weighted-average fair value (per share)	NTD\$54.25 (in dollars)

- (c) The compensation cost recognized for the above employee stock options for the years ended December 31, 2023 and 2022 were \$13,389 and \$473, respectively.

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated deficit from prior years, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. The Company may then appropriate or reverse a certain amount as a special reserve according to the relevant regulations. The remainder, if any, may be appropriated along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders as bonus to shareholders. The Board of Directors is authorised to resolve the distribution of the abovementioned earnings, legal reserve and capital surplus which distributed in the form of cash, by the resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported it to the shareholders; the proposal of appropriation shall be approved by the shareholders according to the regulations if dividends would be distributed by issuing new shares. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment and capital needs, along with the consideration of shareholders' interest. Every year,

the dividend must not be less than 40% of the distributable earnings. However, in the case where accumulated distributable earnings is less than 10% of paid in capital, the Company may choose not to distribute dividends. The bonus can be distributed in cash or shares, among which the cash dividend must not be less than 10% of the appropriated dividend.

- B. The appropriations of 2022 and 2021 earnings were resolved by the Board of Directors on March 15, 2023 and March 17, 2022, respectively.

Details of the above resolutions are as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 25,175	\$ -	\$ 24,620	\$ -
Cash dividends	202,286	3.0	221,855	3.3
	<u>\$ 227,461</u>	<u>\$ 3.0</u>	<u>\$ 246,475</u>	<u>\$ 3.3</u>

- C. On March 12, 2024, the Company's Board of Directors resolved the appropriations of 2023 earnings as follows:

	For the year ended December 31, 2023	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 43,496	\$ -
Special reserve	3,798	-
Cash dividends	297,471	4.0
	<u>\$ 344,765</u>	<u>\$ 4.0</u>

For information about earnings appropriation, which was approved by the Board of Directors, refer to the website of "Market Observation Post System".

(19) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 1,250,809</u>	<u>\$ 1,034,660</u>

- A. The Company derives revenue from the transfer of goods at a point in time. Revenue from contracts with customers are disaggregated in major product lines. Details are provided in Note 14, Segment Information.

B. Contract liabilities

- (a) The Company has recognized revenue-related contract liabilities related to the contract revenue of \$17,769, \$6,863 and \$9,051 as of December 31, 2023, December 31, 2022 and January 1, 2022, respectively.

(b) The revenue recognized that were included in the contract liability balance at the beginning of 2023 and 2022 amounted to \$1,215 and \$3,513 for the years ended December 31, 2023 and 2022, respectively.

(20) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 8,244	\$ 3,148
Interest income from financial assets measured at amortized cost	6,360	2,071
	<u>\$ 14,604</u>	<u>\$ 5,219</u>

(21) Other income

	For the years ended December 31,	
	2023	2022
Dividend income	\$ 10,154	\$ 18,681
Other income, others	133	535
	<u>\$ 10,287</u>	<u>\$ 19,216</u>

(22) Other gains and losses

	For the years ended December 31,	
	2023	2022
Gain (loss) on financial assets at fair value through profit or loss	\$ 52,863	(\$ 65,781)
Currency exchange (loss) gain	( 275)	3,050
(Loss) gain on disposal of property, plant, and equipment	( 1,590)	493
Other losses	( 7,369)	( 2,760)
	<u>\$ 43,629</u>	<u>(\$ 64,998)</u>

(23) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 632	\$ 514
Interest expense on lease liabilities	1,889	1,950
Other interest expense	466	39
	<u>\$ 2,987</u>	<u>\$ 2,503</u>

(24) Expenses by nature

For the year ended December 31, 2023			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 156,104	\$ 150,285	\$ 306,389
Depreciation	57,227	11,918	69,145
Amortization	-	2,692	2,692
	<u>\$ 213,331</u>	<u>\$ 164,895</u>	<u>\$ 378,226</u>
For the year ended December 31, 2022			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 132,815	\$ 114,740	\$ 247,555
Depreciation	44,353	8,234	52,587
Amortization	12	2,996	3,008
	<u>\$ 177,180</u>	<u>\$ 125,970</u>	<u>\$ 303,150</u>

(25) Employee benefit expense

For the year ended December 31, 2023			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 132,362	\$ 110,328	\$ 242,690
Compensation costs of employee stock options	383	13,006	13,389
Compensation costs of employee restricted stock	337	5,167	5,504
Labor and health insurance expense	13,527	6,042	19,569
Pension costs	6,726	2,613	9,339
Directors' remuneration	-	12,206	12,206
Other personnel expenses	2,769	923	3,692
	<u>\$ 156,104</u>	<u>\$ 150,285</u>	<u>\$ 306,389</u>
For the year ended December 31, 2022			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 113,027	\$ 89,214	\$ 202,241
Compensation costs of employee stock options	14	459	473
Compensation costs of employee restricted stock	601	9,380	9,981
Labor and health insurance expense	11,462	5,179	16,641
Pension costs	5,799	2,154	7,953
Directors' remuneration	-	7,642	7,642
Other personnel expenses	1,912	712	2,624
	<u>\$ 132,815</u>	<u>\$ 114,740</u>	<u>\$ 247,555</u>

A. As of December 31, 2023 and 2022, the Company had 291 and 249 employees, respectively, including 6 non-employee directors for both years.

- B. For the years ended December 31, 2023 and 2022, the average employee benefit expense were \$1,032 and \$987, respectively; while the average wages and salaries were \$852 and \$832, respectively. The average wages and salaries has increased by 2.4% compared to prior year.
- C. The remuneration of the Company's directors are determined by the Remuneration Committee based on the extent of their participation in the Company's operations, value of contribution and the general pay levels of the industry; the remuneration policy to the managers is determined based on their position, competency, contribution, operating performance of the Company in the year and future risks of the Company as submitted to the Board of Directors for resolution after being reviewed by the Remuneration Committee; the remuneration policy to the employees is determined based on their abilities, contribution to the Company and their performance, etc. The Company also conducts market salary surveys periodically to understand the current industry salary standard and timely adjusts the salary levels and salary structure, which is set as the salary evaluation basis for payments on special talents or newly added positions.
- D. In accordance with the Articles of Incorporation of the Company, more than 4% of distributable profit of the current year, shall be distributed as employees' compensation in the form of shares or in cash as resolved by the Board of Directors. Qualification requirements of employees include the employees of the controlled entities or subsidiaries of the Company meeting certain specific requirements; no higher than 2% of distributable profit of the current year, shall be distributed as directors' remuneration as resolved by the Board of Directors. The appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings shall be used to cover losses.
- E. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$28,561 and \$17,301, respectively; while directors' remuneration was accrued at \$11,425 and \$6,921, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 12, 2024, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of \$28,561 and \$11,425, respectively, and will be distributed in the form of cash. For 2022, the employees' compensation and directors' remuneration resolved by the Board of Directors on March 15, 2023 amounted to \$18,500 and \$6,912, respectively. The difference of \$1,190 between the amounts resolved by the Board of Directors and the amounts recognized in the 2022 financial statements amounted to \$24,222, mainly resulting from estimated amounts, had been adjusted in the profit or loss of 2023, and the employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.



(26) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Income tax incurred in current year	\$ 98,391	\$ 78,274
Tax on unappropriated earnings	1,215	-
Prior year's income tax over estimation	( 174)	( 1,916)
Total current income tax	<u>99,432</u>	<u>76,358</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 4,727)	( 4,024)
Income tax expense	<u>\$ 94,705</u>	<u>\$ 72,334</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	<u>(\$ 393)</u>	<u>\$ 571</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 106,248	\$ 64,361
Effect of items disallowed by tax regulation	( 12,584)	9,889
Tax on unappropriated earnings	1,215	-
Prior year's income tax over estimation	( 174)	( 1,916)
Income tax expense	<u>\$ 94,705</u>	<u>\$ 72,334</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2023				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Allowance for doubtful accounts	\$ 633	(\$ 633)	\$ -	\$ -
Loss on inventory market value decline	13,113	4,144	-	17,257
Unused compensated absences	1,300	248	-	1,548
Pension	3,894	-	393	4,287
Unrealized loss on foreign currency exchange	92	171	-	263
Product warranty obligations	4,582	616	-	5,198
Decommissioning liabilities interest	4,613	101	-	4,714
	<u>\$ 28,227</u>	<u>\$ 4,647</u>	<u>\$ 393</u>	<u>\$ 33,267</u>
—Deferred tax liabilities:				
Pension	(\$ 258)	(\$ 184)	\$ -	(\$ 442)
Unrealized gain on foreign currency exchange	( 312)	89	-	( 223)
Decommissioning depreciation	( 4,613)	175	-	( 4,438)
	<u>(\$ 5,183)</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>(\$ 5,103)</u>
	<u>\$ 23,044</u>	<u>\$ 4,727</u>	<u>\$ 393</u>	<u>\$ 28,164</u>

For the year ended December 31, 2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Allowance for doubtful accounts	\$ 922	(\$ 289)	\$ -	\$ 633
Loss on inventory market value decline	9,565	3,548	-	13,113
Unused compensated absences	1,207	93	-	1,300
Pension	4,409	56	( 571)	3,894
Unrealized loss on foreign currency exchange	27	65	-	92
Product warranty obligations	3,471	1,111	-	4,582
Decommissioning liabilities interest	-	4,613	-	4,613
	<u>\$ 19,601</u>	<u>\$ 9,197</u>	<u>(\$ 571)</u>	<u>\$ 28,227</u>
— Deferred tax liabilities:				
Pension	\$ -	(\$ 258)	\$ -	(\$ 258)
Unrealized gain on foreign currency exchange	( 10)	( 302)	-	( 312)
Decommissioning depreciation	-	( 4,613)	-	( 4,613)
	<u>(\$ 10)</u>	<u>(\$ 5,173)</u>	<u>\$ -</u>	<u>(\$ 5,183)</u>
	<u>\$ 19,591</u>	<u>\$ 4,024</u>	<u>(\$ 571)</u>	<u>\$ 23,044</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 12, 2024.

(27) Earnings per share (“EPS”)

For the year ended December 31, 2023			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 436,535</u>	<u>74,222</u>	<u>\$ 5.88</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 436,535	74,222	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	-	197	
Employee stock options		140	
Restricted stock to employees	<u>-</u>	<u>322</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 436,535</u>	<u>74,881</u>	<u>\$ 5.83</u>
For the year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 249,469</u>	<u>73,969</u>	<u>\$ 3.37</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 249,469	73,969	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	-	163	
Restricted stock to employees	<u>-</u>	<u>517</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 249,469</u>	<u>74,649</u>	<u>\$ 3.34</u>

- A. The abovementioned weighted average number of ordinary shares outstanding has been adjusted to proportional increase in capital for the year ended December 31, 2023.
- B. The Company's employee stock options issued for the year ended December 31, 2022 did not have a significant dilutive effect on earnings per share, and thus it was not disclosed.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
(a) Proceeds from disposal of financial assets at fair value through profit or loss	\$ 383,361	\$ -
Less: Discount on service charge receivables (Other receivables)	( 167)	-
Cash received from disposal of financial assets at fair value through profit or loss	<u>\$ 383,194</u>	<u>\$ -</u>
	For the years ended December 31,	
	2023	2022
(b) Purchase of property, plant and equipment	\$ 50,846	\$ 90,673
Add: Beginning balance of notes payable	2,077	1,618
Beginning balance of payable on equipment (Other payables)	22,107	12,978
Less: Ending balance of notes payable	- (	2,077)
Ending balance of payable on equipment (Other payables)	( 5,179)	( 22,107)
Cash paid for acquisition of property, plant and equipment	<u>\$ 69,851</u>	<u>\$ 81,085</u>

B. Investing activities with no cash flow effects:

	For the years ended December 31,	
	2023	2022
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 34,999</u>	<u>\$ 66,745</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 40,000	\$ 96,171	\$ 136,171
Changes in cash flow from financing activities	-	( 3,081)	( 3,081)
At December 31, 2023	<u>\$ 40,000</u>	<u>\$ 93,090</u>	<u>\$ 133,090</u>
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2022	\$ 30,000	\$ 93,396	\$ 123,396
Changes in cash flow from financing activities	10,000	( 3,020)	6,980
Changes in cash flow from other non-financing activities	-	5,795	5,795
At December 31, 2022	<u>\$ 40,000</u>	<u>\$ 96,171</u>	<u>\$ 136,171</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CHIAN-SERN CHANG	Chairman of the Board

(2) Significant transactions and balances with related parties

Endorsements and guarantees provided from related parties :

	December 31, 2023	December 31, 2022
CHIAN-SERN CHANG	<u>\$ 100,000</u>	<u>\$ 100,000</u>

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 43,622	\$ 34,093
Share-based payment	6,766	3,721
Post-employment benefits	643	513
	<u>\$ 51,031</u>	<u>\$ 38,327</u>

8. PLEDGED ASSETS

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

Asset pledged	Book value December 31, 2023	Book value December 31, 2022	Purpose of collateral
Pledged time deposits (Note)	<u>\$ 5,437</u>	<u>\$ 5,437</u>	Performance guarantee

(Note) Listed as 'Non-current financial assets at amortized cost'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2023 and 2022, the Company's remaining balance due for construction in progress and prepayments for equipment were \$7,075 and \$33,863, respectively.

(2) For restricted stock to employees and employee share options, refer to Note 6(15), 'Share capital' and Note 6(17), 'Share-based payment'

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the level of debt.

(2) Financial instruments

A. Details of the Company's financial instruments.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ 328,575</u>
Investments in equity instruments designated at fair value through other comprehensive income	<u>\$ 28,194</u>	<u>\$ -</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,141,565	\$ 575,630
Current financial assets at amortized cost	120,965	212,960
Accounts receivable	210,592	147,267
Other receivables	1,610	-
Non-current financial assets at amortized cost	5,437	5,437
Guarantee deposits	82,861	58,647
	<u>\$ 1,563,030</u>	<u>\$ 999,941</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 40,000	\$ 40,000
Notes payable	730	18,824
Accounts payable	18,238	18,055
Other payables	114,496	102,911
	<u>\$ 173,464</u>	<u>\$ 179,790</u>
Lease liability (current and non-current)	<u>\$ 93,090</u>	<u>\$ 96,171</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall financial risk management policies focuses on financial market unpredictability and seeks to minimize potential adverse effects on the Company's financial condition and financial performance.
- (b) Risk management is carried out by Finance division of the Company under policies approved by the Board of Directors. Finance division identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various currency. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- (ii) Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Finance division. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. As the Company offsets these market risks by matching the foreign currency assets and liabilities positions and their payment periods, the Company hedges foreign exchange rate by using natural hedge.



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

December 31, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,809	30.66	\$ 270,052
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	199	30.76	6,117
December 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,669	30.66	\$ 204,475
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	258	30.76	7,942

- (iv) Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to USD had appreciated/depreciated by 10% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2023 and 2022 would increase/decrease by \$21,115 and \$15,723, respectively.
- (v) The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to (\$275) and \$3,050, respectively.

## II. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- (ii) The Company's investments in equity securities issued by domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 2% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$— and \$6,572, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$564 and \$—, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### III. Cash flow and fair value interest rate risk

About interest rate risk of sensitivity analysis, if the borrowing interest rate had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$50 and \$41, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

#### (b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable, financial assets at amortized cost and guarantee deposits based on the agreed terms.
- II. For banks and financial institutions, only those with excellent credit quality are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- III. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- IV. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable to their financial difficulties.
  - (ii) Default or delinquency in interest or principal repayments.

- V. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- VI. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- VII. The Company classifies customer's accounts receivable in accordance with customer types. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- VIII. The Company used the forecastability of reference interest rate set by the financial industry and the wireless communication industry-related research reports to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix is as follows:

		Up to 90 days past due	91~180 days past due	Over 181 days past due	Total
	<u>Not past due</u>				
<u>At December 31, 2023</u>					
Loss rate	0.03% ~3.18%	0.03% ~8.44%	51.44%	100.00%	
Total book value	\$ 172,411	\$ 39,352	\$ 546	\$ 61	\$212,370
Loss allowance	915	521	281	61	1,778
<u>At December 31, 2022</u>					
Loss rate	0.03% ~3.35%	0.03% ~8.33%	50.28%	100.00%	
Total book value	\$ 146,022	\$ 5,831	\$ 99	\$ -	\$151,952
Loss allowance	2,040	2,546	99	-	4,685

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

	For the years ended December 31,	
	2023	2022
At January 1	\$ 4,685	\$ 3,213
Expected credit (gain) loss	(2,907)	1,472
At December 31	<u>\$ 1,778</u>	<u>\$ 4,685</u>

- X. The counterparties and performing parties of the financial assets at amortized cost and guarantee deposits paid held by the Company are financial institutions or government organizations with good credit quality, thus, the possibility of default is remote and the credit risk is insignificant.

(c) Liquidity risk

- I. Cash flow forecasting is performed in Finance division of the Company. Finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its

undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. Finance Division invests surplus cash in interest bearing current accounts and bills with repurchase agreement, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2023 and 2022, the Company held money market position of \$1,141,565 and \$575,630, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

III. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	<u>\$ 60,000</u>	<u>\$ 60,000</u>

IV. The table below analyzes the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 40,317	\$ -	\$ -	\$ -
Notes payable	730	-	-	-
Accounts payable	18,238	-	-	-
Other payables	114,496	-	-	-
Lease liabilities	4,970	4,970	14,908	92,714
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>

Non-derivative financial liabilities:				
Short-term borrowings	\$ 40,136	\$ -	\$ -	\$ -
Notes payable	18,824	-	-	-
Accounts payable	18,055	-	-	-
Other payables	102,911	-	-	-
Lease liabilities	4,970	4,970	14,908	97,683

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amount of the Company's financial instruments not measured at fair value (including cash and cash equivalents, current financial assets at amortized cost, accounts receivable, other receivables, non-current financial assets at amortized cost, guarantee deposits, short-term borrowings, notes payable, accounts payable, and other payables) are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,194	\$ 28,194
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed Stock	\$328,575	\$ -	\$ -	\$328,575

(b) Listed stocks held by the Company are measured using their closing prices as their fair values (that is, Level 1).

- (c) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2023:

	<u>Equity instrument</u>
At January 1	\$ -
Acquired during the year	31,992
Loss recognized in other comprehensive income	( 3,798)
At December 31	<u>\$ 28,194</u>

There was no such situation for the year ended December 31, 2022.

- F. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently evaluating any other necessary adjustments to the fair value.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,194	Market comparable companies	Price to book ratio multiple	1.93%~4.25%	The higher the price to book ratio multiple, the higher the fair value

There was no such situation as of December 31, 2022.

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income at the year ended December 31, 2023 from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2023			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±5%	\$ -	\$ -	\$ 1,433	(\$ 1,423)

### 13. SUPPLEMENTARY DISCLOSURES

According to the regulatory requirement, only information related to the year ended December 31, 2023 is disclosed.

#### (1) Significant transactions information

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

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

#### (3) Information on investments in Mainland China

None.

#### (4) Major shareholders information

Refer to table 3.

#### 14. SEGMENT INFORMATION

##### (1) General information

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

##### (2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income. For details of operating segments' accounting policies, refer to Note 4.

##### (3) Information about segment

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

	For the years ended December 31,	
	2023	2022
Segment revenue		
Revenue from external customers	\$ 1,250,809	\$ 1,034,660
Interest income	14,604	5,219
Depreciation and amortization	71,837	55,595
Other gains and losses	43,629 (	64,998)
Finance costs	( 2,987) (	2,503)
Income from segment	531,240	321,803
Segment assets	2,668,783	2,401,592
Capital expenditure - non-current	79,975	148,507
Segment liabilities	414,781	395,361

##### (4) Reconciliation for segment

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The segment profit (loss), total assets and total liabilities provided to the chief operating decision-maker are measured in a manner consistent with those in the financial statements. Therefore, such reconciliation is not required.



(5) Information on products and services

Revenue from external customers is mainly from research, development, production, manufacturing and sale of microwave semiconductor devices, integrated circuits and their subsystems. Details of revenue are as follows:

	For the years ended December 31,	
	2023	2022
Microwave amplifiers and modules	\$ 970,677	\$ 826,418
Microwave subsystems and their self-produced components	264,928	180,699
Field-effect transistor components	8,714	15,797
Microwave integrated circuits components	3,361	5,477
Others	3,129	6,269
	<u>\$ 1,250,809</u>	<u>\$ 1,034,660</u>

(6) Geographical information

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

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,166,463	\$ 584,938	\$ 972,316	\$ 578,390
Israel	49,796	-	33,099	-
China	10,983	-	10,642	-
USA	8,877	-	9,135	-
Germany	4,239	-	4,053	-
Others	10,451	-	5,415	-
	<u>\$ 1,250,809</u>	<u>\$ 584,938</u>	<u>\$ 1,034,660</u>	<u>\$ 578,390</u>

(7) Major customer information

Major customer (individually over 10% of operating revenue) information of the Company for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Revenue	Segment	Revenue	Segment
Company A	<u>\$ 1,054,001</u>	All	<u>\$ 928,545</u>	All

TRANSCOM, INC.

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

December 31, 2023

Table 1

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	Note
TRANSCOM, INC.	Unlisted stocks:							
	PYRAS TECHNOLOGY INC.	—	Non-current financial assets at fair value through other comprehensive income	1,000	10,330	5.03%	10,330	—
	JC TECHNOLOGY INC.	—	”	1,428	17,864	8.69%	17,864	—

TRANSCOM, INC.

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
TRANSCOM, INC.	Plant	Septmeber, 2020	\$ 178,800	\$ 178,800	Key Lead Construction Co., Ltd.	—	—	—	—	\$ -	Negotiation	For use in operations	—

TRANSCOM, INC.

Major shareholders information

December 31, 2023

Table 3

Expressed in shares

Number of shares			
Name of the key shareholder	Common stock	Ownership (%)	
Qing Li Fang-Wang	5,019,166	6.73%	

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the difference in the calculation basis.

TRANSCOM, INC.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 125
Checking Deposits		171
Demand Deposits — New Taiwan dollar		629,741
— Foreign Currency	Including USD339 thousand @30.655	<u>10,384</u>
		<u>640,421</u>
Cash equivalents :		
Time Deposits — New Taiwan dollar	Maturity date: January 22, 2024 to March 25, 2024	
	Interest rates: 1.1% ~ 1.35%	354,000
— Foreign Currency	Including USD4,800 thousand @30.655 Maturity date: January 16, 2024 to March 28, 2024	
	Interest rates: 5.15% ~ 5.68%	<u>147,144</u>
		<u>501,144</u>
		<u>\$ 1,141,565</u>

TRANSCOM, INC.  
STATEMENT OF CURRENT FINANCIAL ASSETS AT AMORTIZED COST  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Name</u>	<u>Description</u>	<u>Number Of Sheets</u>	<u>Par Value</u>	<u>Gross Value</u>	<u>Interest rate</u>	<u>Book Value</u>	<u>Accumulated Impairment</u>	<u>Footnote</u>
Time deposits with maturity over three months	—	—	<u>\$ 120,965</u>	<u>\$ 120,965</u>	1.30% ~ 5.16%	<u>\$ 120,965</u>	<u>\$ -</u>	—

TRANSCOM, INC.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Company A	Accounts receivable	\$ 178,260
Company B	"	12,975
Others (individually less than 5%)	"	<u>21,135</u>
		212,370
Less: Allowance for doubtful accounts		( <u>1,778</u> )
		<u>\$ 210,592</u>

TRANSCOM, INC.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Footnote
		Cost	Net Realizable Value	
Merchandise	—	\$ 103	\$ 117	(Note)
Raw materials	—	190,867	195,737	"
Supplies	—	25,066	25,539	"
Work in progress	—	229,373	284,284	"
Semi-finished goods	—	30,266	29,270	"
Finished goods	—	<u>63,659</u>	<u>124,894</u>	"
		539,334	<u>\$ 659,841</u>	
Less: Allowance for market price decline		( <u>86,287</u> )		
		<u>\$ 453,047</u>		

Note: Refer to Note 4(10) 'Inventories' for the way the Company determines net realizable value of inventories.



TRANSCOM, INC.  
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Valuation adjustment	Ending Balance		Collateral	Footnote
	Number of shares (in thousands)	Fair value	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Amount	Number of shares (in thousands)	Fair value		
Listed stocks:											
Fubon Financial 2881	945	\$ 53,203	47	\$ -	( 992)	(\$ 63,199)	\$ 9,996	-	-	None	
Cathay Holdings 2882	1,071	42,832	-	-	( 1,071)	( 49,178)	6,346	-	-	None	
Yuanta Group 2885	2,843	61,689	43	-	( 2,886)	( 75,005)	13,316	-	-	None	
Megh Fhc 2886	308	9,333	2	-	( 310)	( 12,019)	2,686	-	-	None	
SKFH 2888	2,850	24,995	-	-	( 2,850)	( 25,792)	797	-	-	None	
Sinopacholdings 2890	2,434	40,771	179	1,923	( 2,613)	( 49,132)	6,438	-	-	None	
CTBC Holding 2891	2,070	45,747	-	-	( 2,070)	( 55,895)	10,148	-	-	None	
FFHC 2892	1,887	50,005	57	-	( 1,944)	( 53,141)	3,136	-	-	None	
		<u>\$328,575</u>		<u>\$ 1,923</u>		<u>(\$383,361)</u>	<u>\$ 52,863</u>		<u>\$ -</u>		

TRANSCOM, INC.  
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Valuation adjustment	Ending Balance			Collateral	Note
	Number of shares (in thousands)	Fair Value	Number of shares (in thousands)	Amount	Amount	Number of shares (in thousands)	Ownership (%)	Fair Value		
Unlisted stocks:										
PYRAS TECHNOLOGY	-	\$ -	1,000	\$ 12,000	(\$ 1,670)	1,000	5.03%	\$ 10,330	None	—
JC TECHNOLOGY INC.	-	-	1,428	19,992	( 2,128)	1,428	8.69%	17,864	None	—
		<u>\$ -</u>		<u>\$ 31,992</u>	<u>(\$ 3,798)</u>			<u>\$ 28,194</u>		

TRANSCOM, INC.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(7) 'Property, plant and equipment'.

TRANSCOM, INC.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(7) 'Property, plant and equipment', and refer to Note 4(13) 'Property, plant and equipment' for the depreciation method and useful lives of the assets.

TRANSCOM, INC.  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS-COST  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Footnote</u>
Land	\$ 128,779	\$ -	\$ -	\$ 128,779	—

TRANSCOM, INC.  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS-ACCUMULATED DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Footnote</u>
Land	\$ <u>12,271</u>	\$ <u>4,670</u>	\$ <u>-</u>	\$ <u>16,941</u>	—

TRANSCOM, INC.  
STATEMENT OF CHANGES IN DEFERRED TAX ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(26), 'Income tax'.

TRANSCOM, INC.  
STATEMENT OF GUARANTEE DEPOSITS PAID  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(10), 'Guarantee deposits paid'.



TRANSCOM, INC.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Nature	Description	December 31, 2023	Contract period	Interest rate	Loan Commitments	Collateral	Footnote
Taiwan Cooperative Bank	Unsecured borrowings	\$ <u>40,000</u>	2023.5.24~2024.5.24	1.89%	\$ <u>70,000</u>	None	—

TRANSCOM, INC.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(12), 'Other payables'.

TRANSCOM, INC.  
STATEMENT OF CURRENT INCOME TAX LIABILITIES  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>	<u>Footnote</u>
Company income tax payable	\$ 57,999	—
Tax on unappropriated earnings payable	<u>1,215</u>	—
	<u>\$ 59,214</u>	

TRANSCOM, INC.  
STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Balance as of December 31, 2023</u>	<u>Footnote</u>
Land	—	2019.12.2～2049.12.2	2%	\$ 80,094	—
"	—	2018.10.14～2038.10.13	"	12,996	—
				<u>93,090</u>	
			Less : Current portion (	<u>3,143)</u>	
				<u>\$ 89,947</u>	

TRANSCOM, INC.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Item	Quantity		Amount	
			Subtotal	Total
Sales revenue:				
Microwave amplifiers and modules	3,108	PCS	\$ 970,845	
Microwave subsystems and their self-produced components	1,591	PCS	264,928	
Field-effect transistor components	55,882	PCS	8,714	
Microwave integrated circuits components	6,269	PCS	3,361	
Others	20,009	PCS	<u>3,129</u>	\$ 1,250,977
Less: Sales returns				( <u>168</u> )
Operating revenue				<u>\$ 1,250,809</u>

TRANSCOM, INC.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2023	\$ 100
Add: Merchandise purchased	174
Merchandise at December 31, 2023	( 103)
Merchandise sold during the year	<u>171</u>
Raw materials at January 1, 2023	189,988
Add: Raw materials purchased	263,425
Semi-finished goods requisition transferred to raw materials	216,173
Finished goods requisition transferred to raw materials	338,952
Less: Transferred to expenses	( 7,454)
Research requisition	( 1,289)
Sale of raw materials	( 724)
Losses on physical count of raw materials	( 2)
Raw materials at December 31, 2023	( 190,867)
Raw materials used during the year	<u>808,202</u>
Supplies at January 1, 2023	20,673
Add: Supplies purchased	31,481
Less: Transferred to expenses	( 24,383)
Research requisition	( 430)
Sale of Supplies	( 25)
Supplies at December 31, 2023	( 25,066)
Supplies used during the year	<u>2,250</u>
Direct labor	<u>134,910</u>
Manufacturing overhead	<u>158,581</u>
Manufacturing cost	<u>1,103,943</u>

TRANSCOM, INC.  
STATEMENT OF OPERATING COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Work in progress at January 1, 2023	\$ 230,185
Semi-finished goods at January 1, 2023	23,579
Less: Maintenance cost on return to factory after-sale	( 13,937)
Semi-finished goods requisition transferred to raw materials	( 216,173)
Sale of semi-finished goods	( 1,180)
Whole batch damaged in production and reclassified to cost of goods sold	( 6,058)
Research requisition	( 13)
Work in progress at December 31, 2023	( 229,373)
Semi-finished goods at December 31, 2023	( 30,266)
Cost of finished goods	860,707
Finished goods at January 1, 2023	54,156
Add: Finished goods purchased	16
Less: Transferred to expenses	( 773)
Finished goods requisition transferred to raw materials	( 338,952)
Other prepayments reclassified to cost	887
Finished goods at December 31, 2023	( 63,659)
Cost of production and marketing	512,382
Cost of raw materials sold	724
Cost of supplies sold	25
Cost of semi-finished goods sold	1,180
Cost of goods sold	514,482
Provisions for warranty	15,562
Whole batch damaged in production and reclassified to cost of goods sold	6,058
Allowance for inventory market price decline	20,720
Losses on physical count of inventory	2
Revenue from sale of scrap	( 1,881)
Operating costs	\$ 554,943

TRANSCOM, INC.  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Depreciation	—	\$ 57,227	—
Consumable expenses	—	33,291	—
Insurance expense	—	13,603	—
Utilities expense	—	12,286	—
Others (individually less than 3%)	—	<u>42,174</u>	—
		<u>\$ 158,581</u>	



TRANSCOM, INC.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 7,437	—
Commissions expense	—	2,965	—
Traveling expense	—	2,342	—
Advertisement expense	—	2,244	—
Others (individually less than 3%)	—	<u>2,900</u>	—
		<u>\$ 17,888</u>	

TRANSCOM, INC.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 97,312	—
Depreciation	—	8,555	—
Insurance expense	—	5,552	—
Others (individually less than 3%)	—	45,910	—
		<u>\$ 157,329</u>	

TRANSCOM, INC.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 38,571	—
Contracted research expense	—	6,589	—
Depreciation	—	3,100	—
Research material expense	—	1,941	—
Insurance expense	—	1,863	—
Others (individually less than 3%)	—	<u>5,785</u>	—
		<u>\$ 57,849</u>	

TRANSCOM, INC.  
STATEMENT OF INTEREST INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20), 'Interest income'.

TRANSCOM, INC.  
STATEMENT OF OTHER GAINS AND LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(22) ‘Other gains and losses’.

TRANSCOM, INC.  
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND  
AMORTIZATION EXPENSES IN THE CURRENT PERIOD  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(24) 'Expense by nature' and Note 6(25) 'Employee benefit expense'.

**TRANSCOM INC.**

**Chairman: CHANG,CHIAN-SERN**