

Stock Code: 2428



興勤電子工業股份有限公司

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**Annual Meeting of
Shareholders 2023
Handbook**

June 13, 2023

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Thinking Electronic Industrial Co., Ltd.
Procedure for the 2023 Annual Meeting of Shareholders

I. Time: June 13, 2023, 9:00AM

II. Method for convening the meeting: A physical shareholders' meeting

III. Place: Zhuang Jing Hall, Nan-Zih Export Processing Zone, No. 600, Chia-Chang Rd.,
Nan-Zih Dist., Kaohsiung City

IV. Report the number of shares in attendance.

V. Call the meeting to order.

VI. Chairperson takes chair.

VII. Chairperson remarks.

VIII. Management Presentation (Company Reports):

(1) Business report 2022

(2) Audit Committee's review on the financial statements 2022

(3) Distribution of remuneration to employees and directors 2022

IX. Proposals:

(1) Business report and financial statements 2022

(2) Motion for earnings distribution 2022

X. Discussion:

(1) Amendment to the "Procedures for Engaging in Derivates Trading"

XI. Director Elections

XII. Questions and Motions:

(1) To approve the lifting of director of non-competition restrictions

XIII. Adjournment

Management Presentation (Company Reports)

No. 1: Business report 2022

Explanation: The Company's business report 2022 (please refer to Attachment 1)

No. 2: Audit Committee's review on the financial statements 2022

Explanation: Audit Committee's Audit Report (please refer to Attachment 2)

No. 3: Distribution of remuneration to employees and directors 2022

Explanation: The Company's profit before tax was NT\$1,690,813,431 in 2022. According to the Article 19 of the Articles of Incorporation, 1.3% thereof was provided as the remuneration to directors and 3.86% thereof as the remuneration to employees. The remuneration to directors totaled NT\$23,242,000 and remuneration to employees NT\$68,812,000 in 2022, which are considered satisfying the Articles of Incorporation. Said remuneration was paid in cash in whole.

Proposals

No. 1: Business report and financial statements 2022

Submitted by the Board of directors

Explanation:

1. The Company's and consolidated entities' financial statements 2022 have been audited and certified by Chiang Jia-Ling, CPA and Wu Chiu-Yen, CPA of Deloitte & Touche, who considered that the same should comply with relevant statutes or regulations in all respects and also issued the audit report.
2. The business report, parent company only financial statements and consolidated financial statements have been approved by the Board of Directors, and audited by the Audit Committee (please refer to Attachment 1 and Attachment 3 for details).
3. Please resolve them accordingly.

Resolution:

No. 2: Motion for earning distribution 2022

Submitted by the Board of directors

Resolution:

- 1.The following earnings distribution table is prepared in accordance with the Company act and the Company's Articles of Incorporation. The earnings 2022 shall be distributed as the first priority, and the earnings accumulated before 1997 (inclusive) will be distributed to make up the deficit, if any.
- 2.Please resolve them accordingly.

Thinking Electronic Industrial Co., Ltd.

Earnings Distribution Table

2022

Unit: NTD \$

Unappropriated retained earnings, beginning:	4,400,980,997
Net profit for 2022:	1,373,832,907
Add: Remeasurement of defined benefit plans recognized into retained earnings	1,088,013
Retained earnings from adjustment of investment under equity method:	<u>884,285</u>
Current net profit plus adjustment	1,375,805,205
Less: Provision of legal reserve	(137,580,520)
Add: Reversal of special reserve	<u>81,750,847</u>
Unappropriated retained earnings accumulated until the end of 2022	5,720,956,529
Dividends to shareholders - cash dividends	<u>(691,808,721)</u>
Unappropriated retained earnings, beginning	<u>5,029,147,808</u>

Notes:

1. The earnings 2022 shall be distributed as the first priority.
2. The cash dividends proposed to be distributed total NT\$691,808,721 to be distributed at NT\$5.40 per share subject to the outstanding stocks totaling 128,112,726 shares on March 21, 2023. In the event of any changes in the outstanding shares, the Board of Directors will be authorized by a shareholders' meeting to deal with them with full power. Once resolved at a shareholders' meeting, the Board of Directors is authorized to set the ex-dividend record date and date of distribution separately.
3. The cash dividends will be calculated and truncated to the nearest NTD. Fractions less than NT\$1 shall be summed up and adjusted based on the decimal points arranged from the large to the small in the order of the account number from the front to the back, until the total cash dividends to be distributed is met.
4. If it is necessary to change any requirements defined for the distribution of earnings upon authorization of the competent authority, or due to treasury shares or conversion of bonds, the Board of Directors is authorized to deal with it.

Chairman of Board: Sui Tai- Chung General Manager: Chung, Shih-Ying Accounting Manager: Hung Yu-Fang
Resolution:

Discussion

No. 1: Amendment to the “Procedures for Engaging in Derivates Trading”

Submitted by the Board of directors

Explanation:

1. Amend the “Procedures for Engaging in Derivatives Trading” in response to the practical needs.
2. Please refer to Attachment 4 for the comparison table before and after amendments.
3. Please resolve the motion accordingly.

Resolution:

Elections

No. 1: Re-election of directors.

Submitted by the Board of directors

Explanation:

1. The term of office of the current directors (including independent directors) of the Company is originally scheduled to expire on June 14, 2023. In order to accommodate the actual operation of the Company, it is proposed that the current directors and independent directors of the Company will be terminated early after the conclusion of the 2023 Shareholders’ Meeting, and seven directors (including three independent directors) will be elected at the 2023 Shareholders’ Meeting. The term of office shall commence on June 13, 2023 and end on June 12, 2026
2. Please refer to Attachment 5 for the list of director candidates and related information.

Resolution:

Questions and Motions

No. 1: Approval of lifting of the non-competition pledge obligations upon the newly elected directors.

Submitted by the Board of directors

Explanation:

1. In accordance with Article 209 (1) of the Company Act, “a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the Shareholders’ Meeting the essential contents of such an act and secure its approval”.
2. If any of the new directors and legal entities and their representatives of the Company invest in or operate other companies related to or similar to the scope of business of the Company, they intend to submit to the Shareholders’ Meeting in accordance with the law, provided that the Company’s interests are not prejudiced. The Company agrees to release the new directors and legal entities and their representatives from the prohibition of competition.
3. Please resolve the motion accordingly.

Resolution:

Questions and Motions

Adjournment

Thinking Electronic Industrial Co., Ltd. **【Attachment 1】**
Business Report 2022

The Company always uses the best effort to manage its products and keep serving as a goalkeeper for current protection, voltage protection and temperature protection, by upholding the enterprise spirit “Prosperity, Satisfaction, Diligence and Sustainability”. Fearless of fluctuation in the global economy, the Company responds to them by improving the Group's management, diversifying the market strategies, stabilizing financial structure and adopting reasonable cause and effect, in order to seize any new opportunities.

I. Business report:

(1) Results:

The consolidated turnover was NT\$7,463,135 thousand, down by 0.5% from the previous year. The consolidated net profit after tax was NT\$1,389,978 thousand, down by 12.61% from the previous year. The EPS was NT\$10.72.

(2) Execution of budget: N/A.

(3) Analysis on financial receipts and expenditures, and profitability:

The Company's financial receipts and expenditures and profitability 2022 are analyzed as follows:

Unit: NT\$ Thousand

Item		Year	
		2022	2021
Financial receipts and expenditures	Operating revenue, net	7,463,135	7,500,455
	Gross profit	2,633,376	3,239,431
	Current net profit	1,389,978	1,590,623
Profitability	ROA	10.62%	13.50%
	ROE	16.14%	20.23%
	Operating income to paid-in capital ratio	109.29%	165.85%
	EBT to paid-in capital ratio	140.24%	168.54%
	Net profit margin	18.62%	21.20%
	EPS after tax (NT\$)	10.72	12.31

(4) Research and development :

1. Complete the TSM 0201 small-size NTC Thermistor model development in the soft cutting process.
2. Complete the TPM 0201 small-size PTC Thermistor model development.
3. Complete the development of chips for high-precision medical treatment devices, including nucleic acid detection, infrared temperature sensors, and thermometers, etc.
4. Complete the development of model of PPTC for automotive grade.
5. Complete the development of PPTC High 125 degree temperature model.
6. Complete LCP small-size 0402 30V high-voltage products, and implement mass production.
7. Complete the preparation for mass production of SMD 0805 PTC Thermistor (1.0 Ω and other low-resistance series).
8. Complete the development of PTC Thermistor SMD 0603 low-resistance series (10 Ω and 6.8 Ω).
9. Complete the development of, and preparation for mass production of, certain models of TVM SMD silver electrodes 4B 6B series 5G high-pass Varistors.
10. Complete the development of certain models of SMD silver electrodes 1206 high-pass Varistors.
11. Complete the development of 0806 SMD high-pass Varistors. for LED, acquire UL certification, and start mass production and shipment.
12. Complete the development of silver electrodes 1210 SMD high-pass Varistors for LED.
13. Complete the development of CPTC overcurrent/overvoltage-protection lead-free products.
14. Complete the development of 48V TVR product series for automotive grade.
15. Complete the development of CPTC high-pressure resistant product series.

II. Summary of 2023 business plan:

(1) Business policy

1. We continued to apply the management philosophy, “New Concept, New Management, New Technology and New Market”, and aimed to expand our market share by taking advantage of the trend toward electric-powered vehicles, and continue our efforts in new markets including communications, industrial, and healthcare, as well as penetrating new markets for renewable energy and energy storage.

2. We rebuild the business team to focus on target markets and major customers, link the complex processes of IC design, solution integration, ODM and OEM in the electronics industry to develop more international target customers, enhance the service capability by adding a subsidiary in the U.S. and offices in Northeast and Southeast Asia, develop markets and perform local services nearby, expanding the Company's overseas business territory.

3. We invested in corresponding equipment and technology to keep up our competitiveness in the market and to secure the market. We also accelerated the new product development and production to increase sales.

(2) Expected sales volume and basis thereof

Electric vehicles, which replace fuel vehicles, and electronization of car controls are currently the vital force driving the electronics industry. The Company has made significant achievements in working in this market. The 5G communication system continues to grow and will become the main message and control platform. The demand for protective components is increasing. There is a great opportunity for the future; the automation, intelligent industrial applications and infrastructure markets, as well as the emerging new markets for renewable energy and energy storage, are all drivers of growth. However, in 2022, the electronics industry upstream, midstream and downstream each hold high inventories, as well as the United States and China confrontation is increasingly intense, resulting in the global electronics industry began to fragmentation to various geographical regions of the current situation, but also to put more variables for economic growth. In consolidating key customers' estimates for the new year, the Company's estimated sales in 2023 will be significantly higher than the actual business results in 2022, showing a significant growth trend.

(3) Key production and sales policies

1. Production policy:

(1) Supply management:

(A) Improve the Group's diversified and multi-point supply chain model and practice multi-source production in five locations on both sides of the Taiwan Strait, and plan to increase the number of manufacturing bases outside Mainland China in the hope of reducing the risk of geopolitical disruptions to customers and the demand for closer delivery to the market.

(B) In response to the unsealing of COVID-19, the inventory management of each factory was reorganized to pursue the rationalization of inventory level and the

maximization of inventory turnover as the target.

(2) Production management:

(A)HR: Improve HR training and expertise and stabilization requirements toward key process personnel.

(B)Machine: Continue to improve the production automation and retire equipment that consumes high energy and is less efficient.

(C)Materials: Recognize multiple customer sources of materials to mitigate the effect posed by variation of related factors to the supply of goods; adopt a strategic procurement policy toward major materials to control the fluctuation in costs effectively and input and output strictly.

(D)Methods:

D-1 System-based management, form-based system, and computer-based form to make the IT-based management for the entire operation.

D-2 Continue to pursue lean production, minimize or eliminate low-value work, and focus on high-yield actions.

D-3 To exercise departments' operational effectiveness, the Group's factories and entities work together to set and promote the KPI project.

(E) Environment:

E-1. Promote the energy conservation project, check overall energy consumed by equipment, diagnose energy consumption, and activate the energy conservation project.

E-2. Promote reuse of water resources, and construct process waste water recycling system to achieve the feature for reuse of water resource.

E-3. new plant is designed with green building in mind and is working towards ESG.

(3) Overview of Production and Marketing:

In response to the COVID-19 pandemic and the drastic changes in the market demand, the Company keeps holding production and marketing meetings for teamwork to adjust the production scale to the best scale of the economy. We hope that the production and marketing may stay flexible and active in order to deal with the pressure derived from changes in the market.

2.Sales Policy:

- (1) Rebuild a business team that focuses on the index market and major customers, connects the complex processes of IC design, solution integration, ODM and OEM in the electronics industry, for explores more international index customers.
- (2) Keep up with the benchmarking customers to develop new cases and keep the development pace in line with the high-end markets.
- (3) Deepen the market for electric vehicles and automotive electronics; increase the development of markets such as 5G and communications, industrial automatic control, medical electronics, renewable energy and energy storage, and sell niche and customized products to increase profits.
- (4) Exercise the existing brand strengths, scale of economy and distribution network to practice the consolidated effects and expand the operating revenue.

III.Future development strategies:

- (I) Uphold the spirit of innovation and keep developing new products to satisfy the market demand.
- (II) Upgrade the process technology and product automation, and control various costs effectively via data and information analysis and management.
- (III) Develop the sale markets and rapid after-sale services, and provide complete protective component series to satisfy the customers' demand for "one-stop shopping".

IV.Effects posed by external competitive environment, legal environment and macroeconomic environment:

As far as the external competitive environment is concerned, the industry in which the Company is engaged is expected to keep growing in response to the expanding market demand. For the competition with peer companies, the Company is expected to maintain its oligopolistic position but still struggle with the environment.

As far as the legal environment is concerned, the Company adjusts its internal rules and management regulations in a timely manner in response to the enactment of and amendments to various laws & regulations, and research and draft alternate policies. The Company is used to valuing the internal controls and corporate governance. Therefore, the enactment of/amendments to laws & regulations are expected to pose a minor impact to the Company.

As far as the macroeconomic environment is concerned, considering that the epidemic is becoming stable, the overall economy and liquidity are expected to develop positively.

The Company keeps increasing its production capacity and adjusts product portfolio, and plan related capital expenditures to respond to the market demand.

Looking forward to the future, the Company will follow the management philosophy, “New Concept, New Management, New Technology and New Market”, keep focusing on the management of core business, and accelerate development of new technology, new products and new customers, in order to improve the Company's competitiveness, increase operating revenue and profit, and feed back to the permanent support from all of you. Thanks to the management team and whole employees for their dedication and efforts to pursue fruitful business growth to feed back to all of you in the past year. We also hope that each shareholder can keep his/her original intent and continue to support and encourage Thinking Electronic.

Chairman of Board: Sui Tai-Chung General Manager: Chung, Shih-Ying Accounting Manager: Hung Yu-Fang

Thinking Electronic Industrial Co., Ltd.

Audit Committee's Review Report 【Attachment 2】

The Board of Directors was approved to prepare the Company's 2022 business report, financial statements (including parent company only and consolidated financial statements) and earnings distribution plan, in which the financial statements have been audited by Chiang Jia-Ling, CPA and Wu Chiu-Yen, CPA of Deloitte & Touche, who also issued the audit report accordingly. After reviewing said business report, financial statements, and earnings distribution plan, we consider that they comply with relevant statutes or regulations in all respects. Therefore, we issue this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review it accordingly.

To:

General Annual Meeting 2023

Thinking Electronic Industrial Co., Ltd.

Convener of Audit Committee: Chen Hsiu-Yen

March 22, 2023

INDEPENDENT AUDITORS' REPORT

【Attachment 3】

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

We have audited the accompanying financial statements of Thinking Electronic Industrial Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statement").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2022 is described as follows:

Recognition of revenue from export sales

The Company's principal business is the manufacturing and selling of passive components. The consolidated revenue mainly comes from export sales. Since the sales locations include Asian and European markets, the recognition of its export sales requires more control mechanisms; therefore, we have considered the authenticity of the recognized export sales of specific customers as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (1) to the financial statements.

Our main audit procedures performed in response to the above-mentioned key audit matter included the following:

1. We understood and tested the effectiveness of the management's internal control process that

is related to the authenticity of the recognized export sales.

2. We selected samples from the sales details from export sales and examined the shipping documents and receipt certificates to confirm the authenticity of the export sales.
3. We verified that the revenue amounts recognized in the export sales ledger were the same as the data recorded in the accounts receivable ledger.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2023

Notice to Readers

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,752,733	13	\$ 1,428,034	12
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	92,250	1	-	-
Notes receivable (Note 9)	2,557	-	3,879	-
Accounts receivable, net (Notes 4 and 9)	833,552	7	829,581	7
Accounts receivable - related parties (Notes 9 and 28)	179,793	1	212,413	2
Other receivables	5,822	-	5,245	-
Other receivables - related parties (Note 28)	1,058	-	266	-
Inventories (Notes 4 and 10)	350,148	3	410,995	4
Other financial assets - current (Notes 11 and 29)	151,700	1	276,800	2
Other current assets	53,181	-	38,812	-
Total current assets	<u>3,422,794</u>	<u>26</u>	<u>3,206,025</u>	<u>27</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	25,723	-	36,273	-
Investments accounted for using the equity method (Notes 4 and 12)	7,955,007	61	7,490,254	63
Property, plant and equipment (Notes 4, 13, 28 and 30)	1,368,831	11	936,977	8
Right-of-use assets (Notes 4 and 14)	51,078	1	53,092	-
Computer software, net (Note 4)	29,015	-	33,652	-
Deferred tax assets (Notes 4 and 23)	94,791	1	99,007	1
Prepayments for equipment (Note 28)	49,726	-	77,806	1
Net defined benefit assets - non-current (Notes 4 and 19)	13,514	-	11,100	-
Other financial assets - non-current (Notes 11 and 29)	2,315	-	31,115	-
Total non-current assets	<u>9,590,000</u>	<u>74</u>	<u>8,769,276</u>	<u>73</u>
TOTAL	<u>\$ 13,012,794</u>	<u>100</u>	<u>\$ 11,975,301</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	\$ 678,000	5	\$ 749,630	6
Financial liabilities at fair value through profit or loss- current (Notes 4,7 and 27)	92,340	1	-	-
Accounts payable (Note 16)	26,974	-	47,752	-
Accounts payable - related parties (Notes 16 and 28)	378,977	3	428,093	4
Other payables (Note 17)	356,036	3	382,554	3
Other payables - related parties (Note 28)	3,999	-	5,599	-
Current tax liabilities (Notes 4 and 23)	144,994	1	96,076	1
Lease liabilities - current (Notes 4 and 14)	1,465	-	1,023	-
Current portion of long-term borrowings (Notes 4 and 15)	14,458	-	-	-
Refund liabilities - current (Notes 4 and 18)	84,696	1	92,669	1
Other current liabilities (Notes 4 and 25)	3,073	-	2,764	-
Total current liabilities	<u>1,785,012</u>	<u>14</u>	<u>1,806,160</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	1,022,218	8	688,100	6
Deferred tax liabilities (Notes 4 and 23)	1,324,251	10	1,255,099	10
Lease liabilities - non-current (Notes 4 and 14)	52,235	-	53,700	1
Long-term deferred revenue (Notes 4 and 25)	19,879	-	13,489	-
Guarantee deposits received	120	-	120	-
Total non-current liabilities	<u>2,418,703</u>	<u>18</u>	<u>2,010,508</u>	<u>17</u>
Total liabilities	<u>4,203,715</u>	<u>32</u>	<u>3,816,668</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 12 and 20)				
Ordinary shares	<u>1,281,127</u>	<u>10</u>	<u>1,281,127</u>	<u>11</u>
Capital surplus	<u>352,907</u>	<u>3</u>	<u>352,907</u>	<u>3</u>
Retained earnings				
Legal reserve	1,316,508	10	1,159,089	10
Special reserve	222,378	2	201,436	1
Unappropriated earnings	5,776,786	44	5,386,452	45
Total retained earnings	<u>7,315,672</u>	<u>56</u>	<u>6,746,977</u>	<u>56</u>
Other equity	<u>(140,627)</u>	<u>(1)</u>	<u>(222,378)</u>	<u>(2)</u>
Total equity	<u>8,809,079</u>	<u>68</u>	<u>8,158,633</u>	<u>68</u>
TOTAL	<u>\$ 13,012,794</u>	<u>100</u>	<u>\$ 11,975,301</u>	<u>100</u>

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)	\$ 3,619,285	100	\$ 3,775,517	100
OPERATING COSTS (Notes 10, 22 and 28)	<u>2,466,157</u>	<u>68</u>	<u>2,310,989</u>	<u>61</u>
GROSS PROFIT	<u>1,153,128</u>	<u>32</u>	<u>1,464,528</u>	<u>39</u>
UNREALIZED GAINS FROM SALES (Notes 4 and 28)	(26,915)	(1)	(29,161)	(1)
REALIZED GAINS FROM SALES (Note 4)	<u>29,161</u>	<u>1</u>	<u>4,773</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,155,374</u>	<u>32</u>	<u>1,440,140</u>	<u>38</u>
OPERATING EXPENSES (Notes 4, 10, 22 and 28)				
Selling and marketing expenses	122,438	3	127,963	3
General and administrative expenses	198,016	6	224,462	6
Research and development expenses	140,083	4	134,925	4
Expected credit loss (gain)	<u>(130)</u>	<u>-</u>	<u>631</u>	<u>-</u>
Total operating expenses	<u>460,407</u>	<u>13</u>	<u>487,981</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>694,967</u>	<u>19</u>	<u>952,159</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Notes 12, 22, 25 and 28)				
Interest income	25,666	1	15,999	-
Other income	3,474	-	2,272	-
Other gains and losses	141,037	4	(44,909)	(1)
Finance costs	(11,939)	-	(7,220)	-
Share of profit of subsidiaries	<u>837,609</u>	<u>23</u>	<u>1,070,155</u>	<u>28</u>
Total non-operating income and expenses	<u>995,847</u>	<u>28</u>	<u>1,036,297</u>	<u>27</u>
PROFIT BEFORE INCOME TAX	1,690,814	47	1,988,456	53
INCOME TAX EXPENSE (Notes 4 and 23)	<u>316,981</u>	<u>9</u>	<u>411,149</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>1,373,833</u>	<u>38</u>	<u>1,577,307</u>	<u>42</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,360	-	(1,430)	-

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ (10,550)	-	\$ (3,208)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	884	-	(1,977)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(272)</u>	<u>-</u>	<u>286</u>	<u>-</u>
	<u>(8,578)</u>	<u>-</u>	<u>(6,329)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	611,730	17	(139,598)	(4)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	(496,354)	(14)	117,430	3
Income tax related to items that may be reclassified subsequently to profit or loss	<u>(23,075)</u>	<u>(1)</u>	<u>4,434</u>	<u>-</u>
	<u>92,301</u>	<u>2</u>	<u>(17,734)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net	<u>83,723</u>	<u>2</u>	<u>(24,063)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,457,556</u>	<u>40</u>	<u>\$ 1,553,244</u>	<u>41</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 10.72</u>		<u>\$ 12.31</u>	
Diluted	<u>\$ 10.66</u>		<u>\$ 12.25</u>	

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

(Concluded)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings				Total Retained Earnings	Exchange Differences on Translation of Foreign Operations	Other Equity	Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
BALANCE, JANUARY 1, 2021	\$ 1,281,127	\$ 348,263	\$ 1,020,206	\$ 284,655	\$ 4,572,550	\$ 5,877,411	\$ (206,975)	\$ 5,539	\$ (201,436)	\$ 7,305,365	
Appropriation of 2020 earnings (Note 20)											
Legal reserve	-	-	138,883	-	(138,883)	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(704,620)	(704,620)	-	-	-	(704,620)	
Reversal of special reserve	-	-	-	(83,219)	83,219	-	-	-	-	-	
	-	-	138,883	(83,219)	(760,284)	(704,620)	-	-	-	(704,620)	
Net profit for the year ended December 31, 2021	-	-	-	-	1,577,307	1,577,307	-	-	-	1,577,307	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(3,121)	(3,121)	(17,734)	(3,208)	(20,942)	(24,063)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,574,186	1,574,186	(17,734)	(3,208)	(20,942)	1,553,244	
Difference between consideration and carrying amount of subsidiaries acquired (Notes 12 and 20)	-	4,644	-	-	-	-	-	-	-	4,644	
BALANCE AT DECEMBER 31, 2021	1,281,127	352,907	1,159,089	201,436	5,386,452	6,746,977	(224,709)	2,331	(222,378)	8,158,633	
Appropriation of 2021 earnings (Note 20)											
Legal reserve	-	-	157,419	-	(157,419)	-	-	-	-	-	
Special reserve	-	-	-	20,942	(20,942)	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(807,110)	(807,110)	-	-	-	(807,110)	
	-	-	157,419	20,942	(985,471)	(807,110)	-	-	-	(807,110)	
Net profit for the year ended December 31, 2022	-	-	-	-	1,373,833	1,373,833	-	-	-	1,373,833	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,972	1,972	92,301	(10,550)	81,751	83,723	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,375,805	1,375,805	92,301	(10,550)	81,751	1,457,556	
BALANCE AT DECEMBER 31, 2022	\$ 1,281,127	\$ 352,907	\$ 1,316,508	\$ 222,378	\$ 5,776,786	\$ 7,315,672	\$ (132,408)	\$ (8,219)	\$ (140,627)	\$ 8,809,079	

The accompanying notes are an integral company only financial statements.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,690,814	\$ 1,988,456
Adjustments for:		
Depreciation expense	81,398	74,808
Amortization expense	7,463	5,559
Expected credit loss (gain)	(130)	631
Net loss on financial assets or liabilities at fair value through profit or loss	2,165	-
Finance costs	11,939	7,220
Interest income	(25,666)	(15,999)
Dividend income	(988)	-
Share of profit of subsidiaries	(837,609)	(1,070,155)
Gain (loss) on disposal of property, plant and equipment, net	(404)	1
Loss on inventories	86,781	9,418
Unrealized gain on transactions with subsidiaries	26,915	29,161
Realized gain on transactions with subsidiaries	(29,161)	(4,773)
Reversal of provisions	-	(47,912)
Amortization of grants income	(749)	(752)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,075)	-
Notes receivable	1,322	1,445
Accounts receivable	(3,841)	(29,372)
Accounts receivable - related parties	32,620	73,314
Other receivables	357	(271)
Other receivables - related parties	(792)	(169)
Inventories	(25,934)	(212,700)
Other current assets	(14,369)	(20,048)
Net defined benefit assets	(1,054)	(1,123)
Accounts payable	(20,778)	27,404
Accounts payable - related parties	(49,116)	(163,900)
Other payables	(45,631)	83,798
Other payables - related parties	(449)	4,014
Other current liabilities	313	306
Refund liabilities	(7,973)	(30,398)
Cash generated from operations	875,368	707,963
Interest received	24,732	14,137
Interest paid	(6,896)	(4,753)
Income taxes paid	(218,042)	(196,554)
Net cash generated from operating activities	<u>675,162</u>	<u>520,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using equity method	(43,740)	(29,250)
Acquisition of property, plant and equipment	(467,337)	(420,863)

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 1,973	\$ -
Acquisition of intangible assets	(2,826)	(10,852)
Increase in other financial assets	-	(276,800)
Decrease in other financial assets	153,900	-
Dividends received	<u>536,090</u>	<u>-</u>
Net cash generate from (used in) investing activities	<u>178,060</u>	<u>(737,765)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	678,000	4,450,200
Decrease in short-term borrowings	(749,630)	(4,075,570)
Proceeds from long-term borrowings	351,240	353,540
Decrease in guarantee deposits received	-	(10)
Repayments of the principal portion of lease	(1,023)	(929)
Cash dividends paid	<u>(807,110)</u>	<u>(704,620)</u>
Net cash (used in) generated from financing activities	<u>(528,523)</u>	<u>22,611</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	324,699	(194,361)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,428,034</u>	<u>1,622,395</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>\$ 1,752,733</u>	<u>\$ 1,428,034</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Thinking Electronic Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Thinking Electronic Industrial Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

Recognition of revenue from export sales

The Group's principal business is the manufacturing and selling of passive components. The consolidated revenue mainly comes from export sales. Since the sales locations include Asian and European markets, the recognition of its export sales requires more control mechanisms; therefore, we have considered the authenticity of the recognized export sales of specific customers as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (1) to the financial statements.

Our main audit procedures performed in response to the above-mentioned key audit matter included the following:

1. We understood and tested the effectiveness of the management's internal control process that is related to the authenticity of the recognized export sales.
2. We selected samples from the sales details from export sales and examined the shipping documents and receipt certificates to confirm the authenticity of the export sales.
3. We verified that the revenue amounts recognized in the export sales ledger were the same as the data recorded in the accounts receivable ledger.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion and unmodified opinion with emphasis of matter paragraph, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2023

Notice to Readers

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,573,120	26	\$ 2,578,973	20
Financial assets at fair value through profit or loss - current (Notes 4 , 7 and 29)	1,007,201	7	1,525,486	13
Financial assets at amortized cost - current (Notes 4 and 8)	88,058	1	-	-
Notes receivable (Notes 10 and 31)	323,739	2	327,135	3
Accounts receivable, net (Notes 4 and 10)	1,924,152	14	1,884,670	15
Other receivables	55,915	-	44,989	-
Other receivables from related parties (Note 30)	-	-	145	-
Current tax assets (Notes 4 and 25)	7,883	-	11,137	-
Inventories (Notes 4 and 11)	1,664,792	12	1,945,627	15
Other financial assets - current (Notes 12 and 31)	285,739	2	367,328	3
Other current assets	205,467	2	165,292	1
Total current assets	<u>9,136,066</u>	<u>66</u>	<u>8,850,782</u>	<u>70</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	25,723	-	36,273	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	484,318	4	347,661	3
Property, plant and equipment (Notes 4, 14, 31 and 32)	3,219,260	24	2,619,638	21
Right-of-use assets (Notes 4 and 15)	381,309	3	237,535	2
Investment property, net (Notes 4 and 16)	40,176	-	46,060	-
Computer software, net (Note 4)	42,449	-	48,075	-
Deferred tax assets (Notes 4 and 25)	183,472	1	141,304	1
Prepayments for equipment	185,714	2	220,855	2
Net defined benefit assets - non-current (Notes 4 and 21)	9,530	-	4,894	-
Other financial assets - non-current (Notes 12 and 31)	20,974	-	88,091	1
Other non-current assets	28,825	-	28,717	-
Total non-current assets	<u>4,621,750</u>	<u>34</u>	<u>3,819,103</u>	<u>30</u>
TOTAL	<u>\$13,757,816</u>	<u>100</u>	<u>\$12,669,885</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 17 and 31)	\$ 708,000	5	\$ 749,630	6
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 29)	92,340	1	-	-
Notes payable (Note 18)	69,827	1	131,126	1
Accounts payable (Note 18)	384,807	3	474,584	4
Accounts payable to related parties (Note 30)	1	-	45	-
Other payables (Note 19)	727,311	5	679,232	5
Other payables to related parties (Note 30)	4,113	-	4,673	-
Current tax liabilities (Notes 4 and 25)	152,139	1	114,694	1
Lease liabilities - current (Notes 4 and 15)	41,563	-	37,141	-
Current portion of long-term borrowings (Notes 4 and 17)	14,458	-	-	-
Refund liabilities - current (Notes 4 and 20)	84,696	1	92,669	1
Other current liabilities (Notes 4 and 27)	19,858	-	25,578	-
Total current liabilities	<u>2,299,113</u>	<u>17</u>	<u>2,309,372</u>	<u>18</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	1,022,218	7	688,100	6
Deferred tax liabilities (Notes 4 and 25)	1,367,671	10	1,287,305	10
Lease liabilities - non-current (Notes 4 and 15)	85,285	1	75,234	-
Long-term deferred revenue (Notes 4 and 27)	33,228	-	26,998	-
Guarantee deposits received	1,679	-	1,348	-
Other non-current liabilities	5,175	-	5,175	-
Total non-current liabilities	<u>2,515,256</u>	<u>18</u>	<u>2,084,160</u>	<u>16</u>
Total liabilities	<u>4,814,369</u>	<u>35</u>	<u>4,393,532</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 13 and 22)				
Ordinary shares	1,281,127	9	1,281,127	10
Capital surplus	352,907	3	352,907	3
Retained earnings				
Legal reserve	1,316,508	9	1,159,089	9
Special reserve	222,378	2	201,436	2
Unappropriated earnings	5,776,786	42	5,386,452	43
Total retained earnings	7,315,672	53	6,746,977	54
Other equity	(140,627)	(1)	(222,378)	(2)
Total equity attributable owners of the Company	8,809,079	64	8,158,633	65
NON-CONTROLLING INTERESTS (Notes 4, 13 and 22)	<u>134,368</u>	<u>1</u>	<u>117,720</u>	<u>1</u>
Total equity	<u>8,943,447</u>	<u>65</u>	<u>8,276,353</u>	<u>66</u>
TOTAL	<u>\$13,757,816</u>	<u>100</u>	<u>\$12,669,885</u>	<u>100</u>

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 7,463,135	100	\$ 7,500,455	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>4,829,759</u>	<u>65</u>	<u>4,261,024</u>	<u>57</u>
GROSS PROFIT	<u>2,633,376</u>	<u>35</u>	<u>3,239,431</u>	<u>43</u>
OPERATING EXPENSES (Notes 4, 10, 24 and 30)				
Selling and marketing expenses	298,181	4	282,129	4
General and administrative expenses	603,989	8	536,436	7
Research and development expenses	326,395	4	298,071	4
Expected credit loss (gain)	<u>4,634</u>	<u>-</u>	<u>(2,040)</u>	<u>-</u>
Total operating expenses	<u>1,233,199</u>	<u>16</u>	<u>1,114,596</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>1,400,177</u>	<u>19</u>	<u>2,124,835</u>	<u>28</u>
NON-OPERATING INCOME AND EXPENSES (Notes 24, 27 and 30)				
Interest income	100,827	1	88,523	1
Other income	69,808	1	34,309	1
Other gains and losses	243,107	3	(76,768)	(1)
Finance costs	<u>(17,175)</u>	<u>-</u>	<u>(11,565)</u>	<u>-</u>
Total non-operating income and expenses	<u>396,567</u>	<u>5</u>	<u>34,499</u>	<u>1</u>
CONSOLIDATED PROFIT BEFORE INCOME TAX	1,796,744	24	2,159,334	29
INCOME TAX EXPENSE (Notes 4 and 25)	<u>406,766</u>	<u>5</u>	<u>568,711</u>	<u>8</u>
NET PROFIT FOR THE YEAR	<u>1,389,978</u>	<u>19</u>	<u>1,590,623</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,093	-	(4,465)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(10,550)	-	(3,208)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(618)</u>	<u>-</u>	<u>220</u>	<u>-</u>
	<u>(8,075)</u>	<u>-</u>	<u>(7,453)</u>	<u>-</u>

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	\$ 115,376	1	\$ (22,168)	-
Income tax related to items that may be reclassified subsequently to profit or loss	<u>(23,075)</u>	<u>-</u>	<u>4,434</u>	<u>-</u>
	<u>92,301</u>	<u>1</u>	<u>(17,734)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net	<u>84,226</u>	<u>1</u>	<u>(25,187)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,474,204</u>	<u>20</u>	<u>\$ 1,565,436</u>	<u>21</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,373,833	19	\$ 1,577,307	21
Non-controlling interests	<u>16,145</u>	<u>-</u>	<u>13,316</u>	<u>-</u>
	<u>\$ 1,389,978</u>	<u>19</u>	<u>\$ 1,590,623</u>	<u>21</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,457,556	20	\$ 1,553,244	21
Non-controlling interests	<u>16,648</u>	<u>-</u>	<u>12,192</u>	<u>-</u>
	<u>\$ 1,474,204</u>	<u>20</u>	<u>\$ 1,565,436</u>	<u>21</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 10.72</u>		<u>\$ 12.31</u>	
Diluted	<u>\$ 10.66</u>		<u>\$ 12.25</u>	

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

(Concluded)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-Controlling Interests	Total Equity	
	Ordinary Shares	Capital Surplus	Retained Earnings			Total Retained Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				Total Other Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2021	\$ 1,281,127	\$ 348,263	\$ 1,020,206	\$ 284,655	\$ 4,572,550	\$ 5,877,411	\$ (206,975)	\$ 5,539	\$ (201,436)	\$ 7,305,365	\$ 139,422	\$ 7,444,787
Appropriation of 2020 earnings (Note 22)												
Legal reserve	-	-	138,883	-	(138,883)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(704,620)	(704,620)	-	-	-	(704,620)	-	(704,620)
Reversal of special reserve	-	-	-	(83,219)	83,219	-	-	-	-	-	-	-
	-	-	138,883	(83,219)	(760,284)	(704,620)	-	-	-	(704,620)	-	(704,620)
Net profit for the year ended December 31, 2021	-	-	-	-	1,577,307	1,577,307	-	-	-	1,577,307	13,316	1,590,623
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(3,121)	(3,121)	(17,734)	(3,208)	(20,942)	(24,063)	(1,124)	(25,187)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,574,186	1,574,186	(17,734)	(3,208)	(20,942)	1,553,244	12,192	1,565,436
Difference between consideration and carrying amount of subsidiaries acquired (Notes 13 and 22)	-	4,644	-	-	-	-	-	-	-	4,644	(33,894)	(29,250)
BALANCE AT DECEMBER 31, 2021	1,281,127	352,907	1,159,089	201,436	5,386,452	6,746,977	(224,709)	2,331	(222,378)	8,158,633	117,720	8,276,353
Appropriation of 2021 earnings (Note 22)												
Legal reserve	-	-	157,419	-	(157,419)	-	-	-	-	-	-	-
Special reserve	-	-	-	20,942	(20,942)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(807,110)	(807,110)	-	-	-	(807,110)	-	(807,110)
	-	-	157,419	20,942	(985,471)	(807,110)	-	-	-	(807,110)	-	(807,110)
Net profit for the year ended December 31, 2022	-	-	-	-	1,373,833	1,373,833	-	-	-	1,373,833	16,145	1,389,978
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,972	1,972	92,301	(10,550)	81,751	83,723	503	84,226
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,375,805	1,375,805	92,301	(10,550)	81,751	1,457,556	16,648	1,474,204
BALANCE AT DECEMBER 31, 2022	\$ 1,281,127	\$ 352,907	\$ 1,316,508	\$ 222,378	\$ 5,776,786	\$ 7,315,672	\$ (132,408)	\$ (8,219)	\$ (140,627)	\$ 8,809,079	\$ 134,368	\$ 8,943,447

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income before income tax	\$ 1,796,744	\$ 2,159,334
Adjustments for:		
Depreciation expense	370,789	313,331
Amortization expense	10,690	8,536
Expected credit loss (gain)	4,634	(2,040)
Net loss on financial assets or liabilities at fair value through profit or loss	2,165	-
Finance costs	17,175	11,565
Interest income	(100,827)	(88,523)
Dividend income	(988)	-
Gain on disposal of property, plant and equipment	(13,785)	(5,476)
Loss on inventories	318,331	143,275
Reversal of refund liabilities	-	(47,912)
Amortization of grants income	(1,084)	(1,080)
Other non-cash items	(16)	(256)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,075)	-
Notes receivable	3,396	261,148
Accounts receivable	(44,166)	(38,580)
Other receivables	866	(664)
Other receivables from related parties	145	(145)
Inventories	(39,607)	(822,303)
Other current assets	(40,175)	(82,094)
Net defined benefit asset	(1,543)	(1,429)
Notes payable	(61,299)	(64,739)
Accounts payable	(89,777)	24,663
Accounts payable to related parties	(44)	45
Other payables	27,457	114,213
Other payables to related parties	(560)	4,188
Other current liabilities	(5,720)	14,129
Refund liabilities	(7,973)	(30,398)
Cash generated from operations	2,142,753	1,868,788
Interest received	89,035	77,068
Interest paid	(12,132)	(9,098)
Income taxes paid	(351,557)	(362,684)
Net cash generated from operating activities	<u>1,868,099</u>	<u>1,574,074</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(306,511)	(346,514)
Proceeds from disposal of financial assets at amortized cost	93,967	83,366
Acquisition of financial assets at fair value through profit or loss	(4,208,837)	(6,614,943)
Proceeds from disposal of financial assets at fair value through profit or loss	4,837,254	6,666,177
		(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
Acquisition of property, plant and equipment	\$ (874,188)	\$ (852,859)
Proceeds from disposal of property, plant and equipment	59,635	26,246
Acquisition of intangible assets	(4,874)	(12,684)
Acquisition of right-of-use assets	(95,320)	-
Increase in other financial assets	-	(258,978)
Decrease in other financial assets	104,660	-
Increase in other non-current assets	(108)	(11,697)
Dividends received	988	-
	<u>(393,334)</u>	<u>(1,321,886)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	742,100	4,480,200
Decrease in short-term borrowings	(783,730)	(4,236,540)
Proceeds from long-term borrowings	351,240	353,540
Increase in guarantee deposits received	331	257
Repayments of the principal portion of lease liabilities	(48,971)	(32,375)
Cash dividends paid	(807,110)	(704,620)
Acquisition of subsidiary	-	(29,250)
	<u>(546,140)</u>	<u>(168,788)</u>
Net cash used in financing activities		
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>65,522</u>	<u>(9,775)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	994,147	73,625
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>2,578,973</u>	<u>2,505,348</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>\$ 3,573,120</u>	<u>\$ 2,578,973</u>

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

(Concluded)

Comparison Table for the Articles of the Procedures for Engaging in Derivatives Trading
Before and After Revision

Amended Clause	Existing clause	Explanation
<p>Article 4: <u>Operation and Risk Avoidance Strategies</u> Engage in derivative commodity trading <u>on the principle of risk aversion and hedge against receivables and payables or assets and liabilities arising or expected to occur as a result of the Company's business. Before proceeding with the transaction, it must be identified as a hedging operation.</u> In addition, the counterparty should also choose the financial institutions that the Company does business with as much as possible to avoid credit risk.</p>	<p>Article 4: Hedging Strategies The purpose of trading derivative instruments is <u>to avoid risks, and the main purpose of trading is to avoid risks arising from the Company's business operations.</u> In addition, the counterparties should also choose financial institutions that the Company does business with as much as possible to avoid credit risk.</p>	<p>Relevant regulations are amended based on the actual situation.</p>
<p>Article 7: Total amount of derivative contracts The total amount of <u>unhedged</u> contracts for the Company's derivative transactions <u>is limited to the net position of the existing assets and liabilities.</u></p>	<p>Article 7: Total amount of derivative contracts Total amount of the Company's derivatives contracts <u>should be less than NTD 3 billion.</u></p>	<p>Relevant regulations are amended based on the actual situation.</p>
<p>Article 8: Upper limits of losses for each contract and all contacts I. <u>The upper limit of all and individual loss contracts shall be 10% of the transaction contract amount;</u> among them, it is a hedging transaction, which is to avoid risks. Therefore, the contractual loss should be deducted from the interest of the hedged position and offset against each other before calculating whether the loss reaches the upper limit of 10%. II. <u>Trading Operations: The Company does not engage in trading operations.</u></p>	<p>Article 8: Upper limits of losses for each contract and all contacts Upper limit of loss should be 10% of contract amount. Hedging transactions avoid risk. Therefore, calculation of contract loss should deduct profit of hedging transactions first, and then implementing a netting process. After that, contract loss can be calculated. 。</p>	<p>Relevant regulations are amended based on the actual situation.</p>

【Attachment 5】

Type of candidate	Name of candidate	Education	Shareholding
Director	Sui, Tai-Chung (Representative of Bo Qin Investment Co., Ltd.)	Education: Department of Physics, National Taiwan Ocean University Experience: Chairperson of Thinking Electronic Industrial Co., Ltd.	27,178,247
Director	Chung, Shih-Ying (Representative of Bo Qin Investment Co., Ltd.)	Education: M.B.A., Memphis University Experience: President of Thinking Electronic Industrial Co., Ltd.	27,178,247
Director	Chen, Yen-Hui	Education: Department of Transportation and Communication Management Science, Feng Chia University Experience: Person in charge of Yongxin Bookkeeper and Land Administrator Firm Director of Thinking Electronic Industrial Co., Ltd. Supervisor of YENYO TECHNOLOGY CO., LTD.	37,443
Director	Chang, Shan-Hui	Education: Department of Business Administration, National Chengchi University Experience: Person in charge of EnWise CPAs & Co. Director of Thinking Electronic Industrial Co., Ltd. Supervisor of Panbiotic Laboratories Co., Ltd. Supervisor of JIN LIAN CHENG RESOURCES AND TECHNOLOGY CO., LTD.	20,051
Independent Director	Huang, Cheng-Nan	Education: Bachelor of Department of Law, National Chengchi University Master of Financial Operation, National Kaohsiung University of Science and Technology Experience: Lawyer of Dinghe Law Firm Independent director and member of salary and compensation committee of Thinking Electronic Industrial Co., Ltd. Director of San Far Property Limited	0

Type of candidate	Name of candidate	Education	Shareholding
Independent Director	Chou, Chi-Wen	Education: Master of Financial Operation, National Kaohsiung University of Science and Technology Experience: Independent director and member of salary and compensation committee of Thinking Electronic Industrial Co., Ltd. Commissioner of Cathay United Bank	0
Independent Director	Chou, Pao-Heng	Education: Master of Department of Accounting, National Chengchi University Experience: Assistant Vice President of Deloitte Taiwan Person in charge of Sincerity Management Consultants Ltd. Independent Director of Lifetour Co., Ltd. Director of Young Shine Electric Co., Ltd	0

Thinking Electronic Industrial Co., Ltd.

Articles of Incorporation **【Appendix 1】**

Chapter One. General Provisions

Article 1: The Company has been duly incorporated in accordance with the Company Act and named “興勤電子工業股份有限公司”, and “THINKING ELECTRONIC INDUSTRIAL CO., LTD” in English.

Article 2: The Company’s business lines are stated as follows:

- (1) C901010 Ceramic and Ceramic Products Manufacturing
- (2) CB01010 Machinery and Equipment Manufacturing.
- (3) CC01020 Electric Wires and Cables Manufacturing
- (4) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (5) CC01080 Electronic Parts and Components Manufacturing.
- (6) CC01110 Computer and Peripheral Equipment Manufacturing
- (7) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
- (8) CD01030 Motor Vehicles and Parts Manufacturing
- (9) CE01010 General Instrument Manufacturing
- (10) F401010 International Trade
- (11) ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.

Article 2-1: It necessary, the Company may make endorsements/guarantees for others. The operating procedure thereof shall follow the Company's regulations governing making of endorsements/guarantees for others.

Article 2-2: If necessary, the Company may invest in other enterprises upon resolution by the Board of Directors. The total amount of investment made by the Company may be more than 40% of the Company’s paid-in capital, free from the restriction on investment referred to in Article 13 of the Company Act.

Article 3: The Company’s head office is situated in Kaohsiung City. The Company may establish factories or branches domestically or overseas under the resolution of the Board of Directors, where necessary.

Article 4: The Company’s announcements shall be made in accordance with Article 28 of the Company Act.

Chapter Two. Shares

Article 5: The Company’s authorized capital amounts to NT\$2 billion, divided into 200 million shares at NT\$10 per share. The Board of Directors is authorized to have unissued shares

issued at different time.

Article 6: The Company's shareholders service shall be processed according to related laws and the competent authority's requirements.

Article 7: The Company may issue shares exempted from the requirements about printing of share certificates, but shall register the shares with the centralized securities depository institutions. The Company printing of share certificates, if any, shall be governed by the Company Act and other related laws of the R.O.C..

Article 8: The transfer of shares shall be suspended within 60 days before an annual meeting of shareholders, within 30 days before a special shareholders' meeting, or within 5 days before the date of the Company's decision made to distribute dividends and bonuses or other profits.

Chapter Three. Shareholders' Meetings

Article 9: The shareholders' meetings consist of annual meetings of shareholders, which shall be convened once per year within 6 months at the end of each fiscal year and notified by the Board of Directors to each shareholder within 30 days before the meeting, and the special shareholders' meetings, which shall be convened pursuant to laws whenever necessary and notified to each shareholder in writing within 15 days before the meeting.

Article 9-1: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of Board. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the directors to act as chairperson. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chairperson.

Article 10: Any shareholder who is unable to attend a shareholders' meeting in person may appoint a proxy by presenting a power of attorney printed by the Company indicating the scope of authorization, in accordance with the Company Act, and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority, and related laws & regulations.

Article 11: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Paragraph 2 of Article 179 of the Company Act.

Article 11-1: When the Company convenes a shareholders' meeting, shareholders may exercise their voting rights in writing or by electronic means.

A shareholder exercising voting rights in writing or by electronic means will be

deemed to have attended the meeting in person. However, they are considered to have waived their rights to participate in any extemporaneous motions or amendments to the original motion that may arise during the shareholders' meeting. The matters related to such exercise shall be governed by the existing laws.

Article 12: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares, at the meeting.

Article 12-1: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson and distributed to all shareholders of the Company within twenty (20) days after the meeting. Distribution of the meeting minutes may be done by public notice. The minutes of a shareholders' meeting shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company. The attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company for a minimum period of at least one year.

Chapter Four. Directors

Article 13: The Company shall appoint 7~9 directors for a term of office for 3 years via the candidate nomination system. They shall be elected by the shareholders' meeting from the list of candidates for directors and may be reelected for a second term of office. The Board of Directors is authorized to decide said number of directors (7~9 directors).

Of all directors referred to in the preceding paragraph, there shall be at least 2 independent directors who shall be no less than one-fifths of the whole directors. The total nominal shares to be held by the whole directors shall be subject to the percentage referred to in the "Rules and Review Procedures for Director Share Ownership Ratio at Public Companies".

Article 13-1: If the Board loses more than one-thirds of its directors, the Board of Directors shall convene a special shareholders' meeting within 60 days to elect new directors for the shortfall to serve the remaining term of office.

Article 13-2: The Company shall establish the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall be composed of the entire number of independent directors. The Audit Committee or its members are

responsible for exercising the powers granted to supervisors according to the Company Act, Securities and Exchange Act and other laws.

Article 14: The Board of Directors shall consist of all directors. A Chairman of Board shall be elected among and from the directors upon resolution adopted by a majority of the directors present at a meeting attended by more than two-thirds of the whole directors, in order to act on behalf of the Company externally.

Article 14-1: The Board of Directors shall perform the following functions:

1. Review and approval of the corporate policy and the development plan in the mid to long term.
2. Review and supervision of the execution of annual business plan.
3. Review and approval of budget and account settlement.
4. Review and approval of the capital increase/decrease plan.
5. Review and approval of the proposal for earnings distribution or covering of loss carried forward.
6. Authorization of essential contracts with external parties.
7. Review and approval of the the Company's Memorandum and Articles of Association and important rules and regulations.
8. Review and approval of the establishment, reorganization, and revocation of branches.
9. Review and approval of major investment and capital spending plans.
10. Other matters required by the Company Act and related laws.

Article 15: In the absence of the Chairman or the Chairman is unable to perform its duties with causes, the proxy shall act in accordance with Article 208 of the Company Act. Any director who is unable to attend a meeting in person may appoint another director to attend the meeting on behalf of him/her by personally presenting a power of attorney. Each director may appoint only one other director to act as his/her proxy at the meeting. If a Board meeting is convened by way video conference, those who participate in the meeting using video conferencing are considered to have attended the meeting in person.

Article 16: Remuneration to the Company's directors for performance of job duties must be paid, irrelevant with profit or loss retained by the Company. The Board of Directors is authorized to determine the level of remuneration to directors based on their engagement in and contribution to the Company's operations, and in reference to peer companies' pay.

Article 16-1: The Company shall take out for directors the liability insurance with respect to liabilities resulting from exercising their duties pursuant to laws during their term of office.

Article 16-2: In calling a Board meeting, a notice specifying the cause of meeting shall be given to each director 7 days prior to the meeting. In the case of emergency, the meeting may

be convened at any time.

The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

Chapter Five. Managers

Article 17: The Company shall employ several managers. The appointment and dismissal thereof and remuneration to them shall be governed by Article 29 of the Company Act.

Chapter Six. Accounting

Article 18: The Board of Directors is responsible for preparing the following statements and reports at the end of each fiscal year. These statements and reports shall be submitted to the Audit Committee at least 30 days before an annual meeting of shareholders for approval and the Board of Directors for resolution, and presented during the annual meeting of shareholders for the final acknowledgment.

1. Business report
2. Financial statements
3. Motions for earnings distribution or covering of losses

Article 19: If the Company retains earnings at the end of the fiscal year, it is required to allocate 2% thereof as the remuneration to employees. The Board of Directors shall resolve to pay the remuneration in the form of stock or in cash. The recipients entitled to receive the remuneration include the employees of subsidiaries of the Company meeting certain specific requirements. The Company may allocate no more than 2% of said earnings as the remuneration to directors per resolution by the Board of Directors. The motion for distribution of remuneration to employees and directors shall be reported to a shareholders' meeting.

However, when the Company still has accumulated losses, an amount equivalent to said losses shall be reserved to make up for the loss in advance. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

Article 19-1: Shall there be earnings after the annual settlement, the earnings shall offset the accumulated losses from the previous years, and pay all the taxes pursuant to laws, and 10% of the balance, if any, shall be provided as the legal reserve, unless the legal reserve reaches the total capital of the Company.

When the special reserve is provided or reversed based on laws, the remaining amount, if any, may be combined with the balance of the undistributed earnings, for

the purpose of the Board of Directors' proposal for the earnings distributions.

It shall be submitted to a shareholders' meeting for resolution about distribution of dividends and bonus.

The Company's dividend policy is defined in response to the current and future development plans and by taking into account the investment environment, capital needs, competition in domestic/overseas markets, as well as shareholders' equity.

The bonus to shareholders shall be allocated from the accumulated distributable earnings, which shall be no less than 30% of the distributable earnings for then year.

The dividends to shareholders may be distributed in cash or in the form of stock.

The cash dividend shall be no less than 20% of the total dividends.

Chapter Seven. Supplementary Clauses

Article 20: Any matters not covered herein shall be governed by the Company Act and other laws.

Article 21: The Articles were enacted on June 22, 1979. 1st amendments hereto were made on October 29, 1980. 2nd amendments hereto were made on December 6, 1985. 3rd amendments hereto were made on July 31, 1987. 4th amendments hereto were made on January 28, 1988. 5th amendments hereto were made on July 6, 1988. 6th amendments hereto were made on May 12, 1989. 7th amendments hereto were made on December 14, 1989. 8th amendments hereto were made on January 5, 1994. 9th amendments hereto were made on February 19, 1994. 10th amendments hereto were made on September 30, 1994. 11th amendments hereto were made on November 1, 1994. 12th amendments hereto were made on April 15, 1996. 13th amendments hereto were made on December 17, 1996. 14th amendments hereto were made on April 10, 1997. 15th amendments hereto were made on November 22, 1997. 16th amendments hereto were made on March 14, 1998. 17th amendments hereto were made on January 23, 1999. 18th amendments hereto were made on April 12, 1999. 19th amendments hereto were made on June 19, 2000. 20th amendments hereto were made on June 12, 2001. 21st amendments hereto were made on June 12, 2002. 22nd amendments hereto were made on June 12, 2002. 23rd amendments hereto were made on June 16, 2005. 24th amendments hereto were made on June 14, 2006. 25th amendments hereto were made on June 25, 2008. 26th amendments hereto were made on June 10, 2009. 27th amendments hereto were made on June 17, 2010. 28th amendments hereto were made on June 19, 2012. 29th amendments hereto were made on June 17, 2013. 30th amendments hereto were made on June 17, 2016. 31st amendments hereto were made on June 20, 2017. 32nd amendments hereto were made on June 22, 2018. 33rd amendments hereto were made on June 15, 2020. 34th amendments hereto were made on June 25, 2021.

Thinking Electronic Industrial Co., Ltd.
Chairman of Board: Sui Tai-Chung

【Appendix 2】

Thinking Electronic Industrial Co., Ltd.
Rules of Procedure for Shareholders' Meeting

2020.06.15 Amendment

Article 1: The shareholders' meetings of the Company shall be governed by these Rules.

Article 2: The shareholders referred to herein shall mean the shareholders per se, institutional shareholders' representatives, and proxies appointed by the shareholders to attend the meetings on behalf of them pursuant to laws.

Article 3: The present shareholders (or their proxies) shall wear the attendance certificate and hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by said sign-in cards plus the number of shares whose voting rights are exercised by electronic means. Voting at a shareholders meeting shall be calculated based on the number of shares.

Article 4: When a shareholder attends a shareholders' meeting in person or by proxy, the Company, whenever it deems necessary, may check the identity certificates that can afford to prove the personal identity.

Article 5: The shareholders' meetings of the Company shall be held at the Company's location or any other locations that are suitable and convenient for shareholders to attend. Meetings must not commence anytime earlier than 9AM or later than 3PM.

Article 6: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of Board. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the directors to act as chairperson. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chairperson. Where any person other than the Board of Directors convenes a shareholders' meeting, such person shall preside over the meeting.

Article 7: The Company may appoint its attorney-at-law, CPA, or related persons retained by it to attend a shareholders' meeting.

Article 8: The minutes of a shareholders' meeting shall be kept on record by voice recording or videotaping. Such minutes on record shall be retained for at least 1 year.

Article 9: The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. In the event that postponement has been made twice and the shareholders present

in the meeting cannot represent one-half but represent more than one-third of the total outstanding shares, Paragraph 1 of Article 175 of the Company Act shall be applicable whereby provisional resolution could be made.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of a shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

Before the parliamentary procedure is accomplished in accordance with the agenda (including extempore motions) as stated in the preceding two paragraphs, the chairperson cannot announce for the adjournment of the meeting unless with the resolution rendered by a shareholders' meeting.

After the meeting is adjourned, shareholders cannot nominate another chairperson or seek another venue for the continuation of the meeting.

If the chairperson is found to have adjourned the meeting in violation of the parliamentary rules, the meeting may continue with a separate chairperson elected upon approval of a majority of the voting rights represented by the shareholders present at the meeting.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number) and account name. The order in which shareholders speak will be set by the chairperson. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken.

In case the content of the speech delivered on the floor is irrelevant with the content in the speech memo, the latter shall prevail.

When a shareholder is having the floor, all other shareholders shall not interfere unless at the consent of the chairperson or the shareholder who is taking the floor.

Any unrestrained action shall be discouraged by the chairperson.

Article 12: Shareholders cannot speak for more than twice, for 5 minutes each, on the same

motion without prior consent of the chairperson.

The chairperson shall prevent further speech of a particular shareholder who violates the aforementioned requirements or where the contents of the speech are irrelevant to the motion in point.

Article 13: Where a juristic person may be appointed as a proxy to attend a shareholders' meeting, it may appoint only one representative to attend the meeting.

For institutional shareholders appointing two (2) or more representatives to a shareholder's meeting, only one representative may express opinions on the same motion.

Article 14: After a present shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

Article 15: Any matters other than motions may be put under discussion or voting. When the chairperson is of the opinion that a motion has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote. Where the chairperson announces that the closed discussion of any motion should be decided by ballot, ballots may be cast on several motions at the same time, but the motions shall be put to a vote separately.

Article 16: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and Articles of Incorporation, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares, at the meeting.

When there is an amendment or an alternative to a motion, the chairperson shall present the amended or alternative motion together with the original one and decide the order in which they will be put to a vote. If one of them is passed, the others shall be deemed vetoed and no further voting is necessary.

Article 17: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Paragraph 2 of Article 179 of the Company Act.

Article 18: The chairperson will appoint ballot examiners and ballot counters, provided that the ballot examiners credited shareholders. The results of the voting shall be announced and recorded on site at the meeting.

Article 19: The chairperson may call for a recess at appropriate times.

Article 20: The chairperson shall direct picketers (or security guards) to maintain the order of the shareholders' meeting place. The picketers (or security guards) at the meeting place assisting with maintenance of order shall wear armbands marked "Marshal".

Shareholders shall follow the command by the chairperson, picketers or security guards on maintenance of the order. When a shareholder obstructs the parliamentary procedure and defies the chairperson's correction, the chairperson, picketers or security guards may remove such shareholder from the meeting place.

Article 21: Any matters not covered herein shall be governed by the Company Act, Articles of Incorporation and other related laws & regulations.

Article 22: The Rules shall be enforced upon approval from a shareholders' meeting. The same shall apply where the Rules are amended.

【Appendix 3】**Shares held by the whole directors:**

1. According to Paragraph 2 of Article 26 of the Securities and Exchange Act, the minimum required shares to be held by the whole directors of the Company should be 10,000,000 shares.
2. The number of shares held by directors recorded in the roster of shareholders until the date of suspension of share transfer for the shareholders' meeting (until April 15, 2023) is stated as following:

April 15, 2023

Position	Name	Current shareholding	
		Shares	Ratio of shareholding
Chairman	Representative of Boh Chin Investment Co., Ltd.: Sui Tai-Chung	27,178,247	21.21%
Director	Representative of Boh Chin Investment Co., Ltd.: Chung, Shih-Ying		
Director	Chen Yen-Hui	63,443	0.05%
Director	Chang Shan-Hui	20,051	0.02%
Independent Director	Huang Cheng-Nan	0	0.00%
Independent Director	Chou, Chi-Wen	0	0.00%
Independent Director	Chen Hsiu-Yen	0	0.00%

【Appendix 4】**The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate**

N/A, as no stock dividends were issued by the Company this year.