

**Stock Code : 4588**



# **Arch Meter Coporation**

## **2023 Annual Report**

**Taiwan Stock Exchange Market Observation Post System:**

**<https://mops.twse.com.tw>**

**Company Website: <https://www.archmeter.com>**

**Printed on May 15, 2024**

## 1. Spokesperson and Deputy Spokesperson:

### 1. Spokesperson:

Name : Tseng, Wen-Liang  
Title : Managing Director  
Tel : (03)563-1359  
E-mail : william@archmeter.com

### 2. Deputy Spokesperson:

Name : Fang, Shih Shiung  
Title : Deputy Director  
Tel : (03)563-1359  
E-mail : ssfang@archmeter.com

## 2. Headquarters, Branches and Plant:

	<u>Address</u>	<u>Tel</u>
Headquarter	4F, No.3-2, Gongye E. 9th Rd., Hsinchu Science Park, Hsinchu County 300096, Taiwan (R.O.C.)	(03)563-1359
Plant	4F, No. 3, 3-1, 3-2, 5, 5-1, 3F, No. 3-2, 2F, No. 5-1, Gongye E. 9th Rd., Hsinchu Science Park, Hsinchu County 300096, Taiwan	(03)563-1359
Xiangshan Plant	No. 256-15, Jingguan Blvd., Xiangshan Dist., Hsinchu City 30079, Taiwan (R.O.C.)	

## 3. Stock Transfer Agent:

Name : Fubon Securities Co., Ltd.  
Address : 11F., No. 17, Xuchang St., Zhongzheng Dist., Taipei  
City 100415, Taiwan (R.O.C.)  
Website : <https://www.fbs.com/>  
Tel : (02)2361-1300

## 4. Auditors :

Auditors : Chiang, Tsai-Yen and Hsieh, Chih-Cheng  
Accounting Firm : PricewaterhouseCoopers  
Address : 5F., No. 2, Gongye E. 3rd Rd., Hsinchu  
Science Park, Hsinchu City 300091,  
Taiwan (R.O.C.)  
Website : [https:// www.pwc.tw](https://www.pwc.tw)  
Tel : (03)578-0205

## 5. Overseas Securities Exchange: None

## 6. Company Website: <https://www.archmter.com/>

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## 1 Letter to the Shareholders

### I. 2023 Business results:

#### (I) Implementation results of 2023 business plan:

- (1) Complete the contract performance for the tender in 2022 with Taipower, including follow-up acceptance and delivery of 100,000 smart meters, totaling about NT\$249.58 million.
- (2) Execute the Taipower tender for 700,000 smart meters in 2023 and 2024 for a total price of NT\$1.74 billion, among them, 476,000 units are scheduled for implementation from the first quarter of 2024 to 2025."
- (3) In response to the increasing demand for smart meters due to Taipower's tenders and future business expansion, the Company completed the transfer of ownership of the new plant in Xiangshan, Hsinchu, with an estimated investment of NT\$860 million.
- (4) In terms of power monitoring instrument and power management system, revenue reached NT\$153 million.
- (5) In 2023, the total revenue was NT\$1.04 billion, marking a growth of 44.91% compared to 2022; the net profit after tax was NT\$156.76 million, with the after-tax earnings per share of NT\$4.03.
- (6) Completed internal control and financial systems improvement and passed the stock listing review by the Taiwan Stock Exchange.

#### (II) Budget implementation status for 2023:

Unit: NT\$ thousands; %

Product field	Sales amount and growth rate		
	2022	2023	Growth rate
Smart grid (Smart meter)	515,147	883,881	71.58
Power measurement instrument and Energy management solution	200,465	153,078	-23.64
Total	715,612	1,036,959	44.91

#### (III) Financial receipts and expenditures and profitability analysis for 2023

Unit: NT\$ thousands

Item	2022	2023
Operating revenue	715,612	1,036,959
Cost of goods sold	491,680	725,880
Operating gross profit	223,932	311,079
Operating expenses	86,203	104,063
Non-operating revenue	979	4,167
Non-operating expenses	9,519	15,273
Income tax	25,966	39,147
Net income after tax	103,233	156,763
EPS after tax (dallors)	2.73	4.03

Unit: NT\$ thousands; %; times

Year/item		2023
Basic Information	Total liabilities	1,243,444
	Total assets	1,874,971
Financial structure	Own asset ratio	33.68
	Debt ratio	66.32
Solvency	Current ratio	141.92
	Quick ratio	61.37
	Interest coverage ratio	15.62

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

- (1) To meet the needs of overseas business promotion, conducted ANSI Type Test Certification for smart meters. Testing was successfully completed and Certification is obtained.
- (2) Respond to the function expansion of Taipower's next-generation smart meter, completed the preliminary development of upgrading the meter's security level to IEC 62056 suite 1.
- (3) Develop the non-intrusive appliance load monitoring (NIALM) technology, aligning with the electricity industry's new trend of developing value-added user services in the future, and complete the development of NIALM sensor prototype and integration testing of cloud AI system home appliance operating status identification.
- (4) In line with the developing trends of electric vehicles, developed the power measuring and leakage protection modules for charging station, and achieved mass production.

## II. The Company's important business directions for 2024 are as follows:

### (I) Business guidelines:

- (1) Leverage the Company's core technologies of power measuring, communication, and system integration to operate within the smart grid and power monitoring and management markets. Current focus: Three main products, smart grids, power monitoring instruments, and power management systems.
- (2) As for the smart grid market, in addition to expanding the market share of Taipower's smart meters, we also form production and sales alliances with foreign partners to conduct customized development and certification in order to expand sales in overseas markets. Additionally, we invest in the development of front-end key monitoring and power analysis equipment to assist the electricity industry in promoting value-added user services and forming a business model.
- (3) As for power monitoring instruments, in response to the demands for new distribution automation, we develop high-end products to broaden our product lines and actively expand both domestic and overseas markets.
- (4) For the power management system, we continuously cooperate with major domestic

system integrators in flexible production, sales, and system integration, and assist domestic industrial and commercial users to set up their own energy management systems.

- (5) To cooperate with the electric vehicle charging industry to develop modular products such as key power measuring and protection and complete the series of products for joint market expansion.
- (6) Continuously promote the construction of the new plant in Xiangshan, Hsinchu, while also augmenting R&D and sales manpower to obtain the capacity required for the Company's future development, such as expansion of our market shares for related products, international marketing, and exploration of derivative markets.

## (II) Important production and sales policies:

- (1) Continuously optimize and improve the efficiency of Taipower's smart meter production lines, ensuring the stable delivery of the tender received from Taipower this year.
- (2) Conduct construction of production lines at the Hsinchu Xiangshan Plant. Four production lines are planned to be established, with the goal of increasing the phased monthly production capacity to 80,000 smart meters. Upon the completion of the new plant, the Company will have the capacity to meet the demand for expanding sales of smart meters to Taipower and exploring overseas markets.
- (3) In response to exploring sales in the global market, we have completed the mass production of high-end power monitoring instruments to expand our product lines.
- (4) In line with the promotion of value-added user services in the future electricity industry, we have developed a non-intrusive home appliance load monitoring (NIALM) electricity feature extraction device and conducted small-scale demonstration user verification tests,
- (5) To align with the promotion of electric vehicles, we have completed the power measuring and leakage protection modules for the charging stations, as well as the DC meters and other products, and introduced them to mass production.
- (6) Continuous implementation and optimization: relevant management systems of internal control, finance, information security, and sustainable development.

## III. The Company's future development strategies are subject to the impacts of the external competitive environment, regulatory environment, and macroeconomy:

### (1). The Company's future development strategies:

- (1) In terms of development strategy for the smart grid is mainly based on the domestic smart meter market to accumulate experience and achievements, expand the production capacity, and then collaborate with communication system integrators to

expand the overseas market.

- (2) Our development strategy for power monitoring instruments primarily focuses on developing high-end products, expanding product lines continuously, and exploring international distribution channels to strengthen overseas marketing.
- (3) Our development strategy for the derivative market primarily focuses on value-added user services in the electrical industry and the electric vehicle charging system sector. We collaborate with relevant market leaders, providing them with key components or modules to jointly expand sales.
- (4) Our strategy for capacity supporting the Company's development is mainly to complete the construction of production lines in the new plant, and to supplement R&D and sales manpower, in order to obtain the production capacity and resources required for the Company's future business expansion.

(2). Impacts from the external competitive environment:

- (1) As the international trend of promoting smart grid and Advanced Metering Infrastructure (AMI) continues, Taipower has started the progress of setting smart meters, which had a positive effect on the expansion of the Company's operations. The Company has obtained the qualification for selective tendering procedures of Taipower's domestic smart meters. The competition environment for the domestic smart meter market will remain moderate in the short to medium term. The competition in foreign smart meters is relatively fierce. The Company is cooperating with communication system integrators to expand overseas markets in a systematic and flexible manner.
- (2) The global promotion of energy conservation, carbon reduction, and ESG will accelerate the establishment of energy management systems among electricity users, which will drive the demand for power monitoring instruments and power management systems, leading to a positive effect on the expansion of the Company's operations. The market featuring small quantity and diversity of relevant products and services prioritizes product reliability and system integration, on which brand and reputation have greater impacts. The Company has had achievement in installation and operation of related products for many years. Our domestic brand image is good, while we are less well-known in the overseas market. We will actively manage the international distribution channels to expand the market.

(3). Impacts from environmental regulations and macroeconomy:

- (1) The National Development Council of the Executive Yuan of Taiwan arranged the "Taiwan 2050 Net-Zero Transition" plan with a budget of NT\$900 billion to be invested in by 2030. Among them, the draft of the "Power System and Energy Storage Key Strategies Action Plan" clearly stipulates that Taipower will fully install smart meters. The replacement for 6 million households will be completed by 2030, and a full replacement will be completed by 2035, according to Taipower's plan. Taipower has more than 14 million electricity meters for its current consumers, about 3 million of which are installed with smart meters. It is expected that Taipower's demand for smart electricity meters will gradually increase in the future, bringing

positive effects on the Company's revenue growth.

- (2) Global trends such as energy conservation, carbon reduction, and carbon footprint control have taken shape. In 2015, Taiwan passed the "Greenhouse Gas Reduction and Management Act" to integrate carbon trading. In March 2022, the Financial Supervisory Commission issued the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies" for phased implement of greenhouse gas inventory and information disclosure for all listed companies. It is expected that electricity users will accelerate the establishment of their own energy management systems in the future, and the demand for power monitoring instruments and power management will increase, both of which will benefit the promotion of the Company's related products.
- (3) The industry in which the Company operates, whether it is smart grid, power monitoring instrument, or power management system, is less affected by the poor macroeconomy. With the expansion of revenue and output, the Company will continue to strengthen production management and supply chain management to ensure the smooth implementation of our production plans.

The Company has long been committed to the technology R&D and business development in the fields of smart grid, power monitoring, power management, and related areas. Benefited from Taiwan's comprehensive promotion of the Automated Metering Infrastructure (AMI) and the global trend of energy conservation and carbon reduction, the Company has experienced significant revenue growth in recent periods. At a steady pace, the Company gradually accumulates energy to expand production capacity and market share, and is committed to the development of derivative industries. In the future, we will adhere to the business philosophy of "integrity, innovation, quality, and service" and respond to the trend of global grid intelligentization and energy management informatization by providing innovative and highly reliable products and services to become a partner of both global electricity industry in establishing stringent grids and electricity users in improving energy efficiency.

We extend our gratitude to our shareholders, colleagues, customers, suppliers, and partners for your long-term efforts and support. As we look forward to 2024, the Company will continue to strengthen our foundation, enhance our capacity, expand our business scope, and set our goal on sustainable development to achieve even greater business performance.

Chairman: Chen, Jan-Ku

President: Tseng, Wen-Liang

CFO: Wang, Yi-Ting

## 2 Company Profile

2.1 Date of Incorporation: June 15, 2005

2.2 Arch Meter Timeline

Jun., 2005	Arch Meter Corporation was formally established with a paid-in capital of NT\$ 1,000 thousand.
Aug., 2005	Issued a cash capital increase of NT\$20,000 thousand, with paid-in capital amounting to NT\$21,000 thousand.
Sep., 2005	Issued a cash capital increase of NT\$129,000 thousand, with paid-in capital amounting to NT\$150,000 thousand.
Oct., 2005	Obtained a factory registration certificate.
Nov., 2005	Joined the Taiwan Electrical and Electronic Manufacturers' Association
Nov., 2005	Issued a technical stock capital increase of NT\$10,000 thousand, with paid-in capital amounting to NT\$160,000 thousand.
Jan., 2006	Obtained Electricity Meter Manufacturing, Maintenance and Import License from the Bureau of Standards, Metrology, and Inspection, MOEA.
Aug., 2006	Obtained approval to invest and establish operations in Hsinchu Science Park
Nov., 2006	Acquired ISO9001 2000 quality control certification
Dec., 2006	Approved by the Industrial Development Bureau, MOEA for the "Investment Program for Emerging, Important and Strategic Industries"
Jan., 2007	Relocated plant to Hsinchu Science Park
Oct., 2007	Issued a cash capital increase of NT\$40,000 thousand, with paid-in capital amounting to NT\$200,000 thousand.
Jan., 2008	Issued a cash capital increase of NT\$20,000 thousand
Jun., 2008	Joined the Taiwan Energy Service Association as a founding member, contributing to global efforts in energy conservation and carbon reduction.
Nov., 2008	Received recognition from the Industrial Development Bureau of the MOEA for "Clean Production Technology Selection" in the "Systems Equipment Technology for Small-scale Power Monitoring Total Package."
Nov., 2009	Obtained ISO9001 97 quality control certification
Mar., 2010	Changed the authorized capital to NT\$ 400 million.
Jun., 2010	Joined the Taiwan Smart Grid Industry Association to promote the development of the domestic smart grid industry by integrating the combined capabilities and momentum of the domestic power electronics, electrical, and information and communication technology industries.
Jun., 2010	Issued a cash capital increase of NT\$40,000 thousand, with paid-in capital amounting to NT\$260,000 thousand.
Jun., 2013	Received assistance from the Industrial Development Bureau of the Ministry of Economic Affairs under the 2013 Traditional Industry Technology Development Program - Three-Phase Multi-Functional Smart Meter Product Design Project.
Jul. 2013	Received the "IEC Anti-Theft Electricity and Prepaid Smart Meter System Development Project" from the MOEA's Industry-Energy Technology Development Project in 2013.
Jun., 2014	Joined the Taiwan Smart Energy Industry Association to leverage industry alliances in policy advocacy, demonstrate system verification technologies, and strategically position in the energy market to seize opportunities.
Jan., 2015	Obtained the MOEA Industry-Collaboration Energy Technology Project in 2015, "Integration Development Project of IEC Three-Phase Smart Meter System and Load Management."

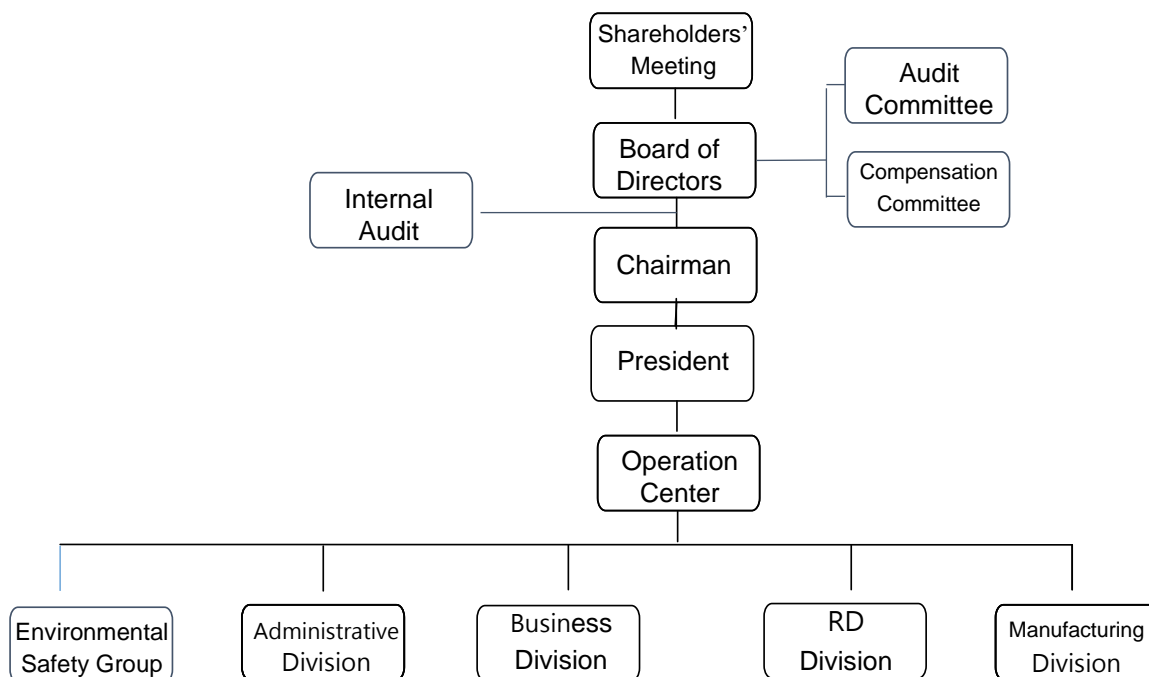
Jan., 2015	Joined DLMS.
Dec., 2015	Developed two ODM products: Developed two ODM products: automatic circuit recloser and smart LED street light control communication module.
Dec., 2016	Accredited with IEC three-phase smart meter international certification for European standards
Aug., 2017	Introduced ISO 9001 2015 international quality management system certification
Sep., 2017	Acquired the right to distribute high-precision smart electricity meters from AMETEK, USA.
Sep., 2017	Issued a cash capital increase of NT\$31,200 thousand and introduced overseas investment (TIEF FUND, L.P. registered in the British Virgin Islands), with a paid-in capital of NT\$291,200 thousand.
Oct., 2017	Joined the Taiwan Power and Energy Engineering Association, and collaborated with electricity and energy-related personnel from industry, government, academia, and research to promote electricity and energy security, stability, and smart management, and improve academic standards and R&D synergies.
Sep., 2018	Winning Tenderer for Taiwan Power Company's "0080700028 Two-Way Low Voltage AMI Meters," Groups A and E.
Nov., 2018	Issued a cash capital increase of NT\$40,000 thousand, with paid-in capital amounting to NT\$331,200 thousand.
Mar., 2019	Winning Tenderer for Taiwan Power Company's "0080700103 Low-voltage Smart Meter (Procurement and Installation)," Group E.
Sep., 2020	Issued a cash capital increase of NT\$30,000 thousand, arriving at a paid-in capital of NT\$361,200 thousand.
Jan., 2021	Winning Tenderer for Taiwan Power Company's "0080900118 2021 Installation of 850,000 Units of Low-voltage AMI Smart Meters," Group B, Subgroup 2 and Group C.
May, 2021	Established the Employee Welfare Committee of Arch Meter Corporation
Aug., 2021	Changed the authorized capital to NT\$ 500 million.
Dec., 2021	Three smart meters passed Taipower's manufacturing capability review
Jan., 2022	Completed a cash capital increase of NT\$4,160 thousand from employee stock options, resulting in a paid-in capital of NT\$365,360 thousand after the capital increase.
Feb., 2022	Winning Tenderer for Taiwan Power Company's 0081100009 "2022 110,000 Units of 3-phase Low-voltage Smart Meters (AMI)," Group A, Subgroup 2
Mar.,2022	Winning Tenderer for Taiwan Power Company's 0081100022 "2022 300,000 Units of Single-phase Low-voltage Smart Meters (AMI)," Group 1 and Subgroup 3
May, 2022	Winning Tenderer for Taiwan Power Company's 0081000090 "2022 Modular Smart Meters in 2022" from Taiwan Power Company, Group B Team 2
Jun., 2022	Completed a cash capital increase of NT\$23,520 thousand from employee stock options, resulting in a paid-in capital of NT\$388,880 thousand after the capital increase.
Jul., 2022	Approved by the Taipei Exchange, the public offering
Aug., 2022	Winning Tenderer for Taiwan Power Company's 0081100047 "2022 800,000 Units of Single-Phase Modular Smart Meters," Group A, Subgroup 3 and Group B, Subgroup 4
Oct., 2022	Approved by the Taipei Exchange to list on the Taipei Exchange Emerging

	Stock Board - General.
Nov., 2022	Winning Tenderer for Taiwan Power Company's 0081100090 "Low-voltage Smart Meters," Group A, Subgroup 3; Group B, Subgroup 3; Group C, Subgroup 3.
Mar., 2023	Completed a cash capital increase of NT\$300 thousand from employee stock options, resulting in a paid-in capital of NT\$389,180 thousand after the capital increase.
Apr., 2023	Winning Tenderer for Taiwan Power Company's 5461200014 "Dual Current Circuit NIALM Sensor Recording and Eigenvalue Conversion Test and Test Environment Improvement Commissioned Test."
Jul., 2023	Obtained contract for the procurement of the "Single-phase Electricity Meter Test Unit" of the Taiwan Electric Research & Testing Center.
Aug., 2023	Obtained contract for the procurement of the "Single-phase Electricity Meter Test Automated Production Line Equipment" of the Taiwan Electric Research & Testing Center.
Nov., 2023	Obtained approval for listing on the Taiwan Stock Exchange (TWSE) by the Taiwan Stock Exchange Corporation.
Jan., 2024	Completed a cash capital increase of NT\$39,000 thousand prior to the public listing on the TWSE, resulting in a paid-in capital of NT\$428,180 thousand after the increase.
Jan., 2024	The Company's shares were officially listed on the TWSE.
Mar., 2024	Completed a cash capital increase of NT\$390 thousand from employee stock options, resulting in a paid-in capital of NT\$428,570 thousand after the capital increase.

### 3 Corporate Governance Report

#### 3.1 Organization

##### I. Organization Chart



##### II. Tasks of main departments

Main Department	Business Activities
Internal Audit	<ul style="list-style-type: none"> <li>● Performs and inspects the Company's audit operations and improves operating procedures.</li> <li>● Evaluate the soundness, reasonableness, and effectiveness of the Company's internal control system and the implementation within each department.</li> </ul>
Operation Center	Execute resolutions of the Board of Directors. Responsible for overseeing the future development planning of the Company, and directing, overseeing, and promoting various business operations and Corporate Governance.
Environmental Safety Group	Establish and implement occupational safety and labor security measures.
Administrative Division	<ul style="list-style-type: none"> <li>● Responsible for the planning and execution of human resources, financial, and procurement, etc.</li> <li>● Supervise the business operations of various units under the Administrative Division.</li> </ul>
Business Division	<ul style="list-style-type: none"> <li>● Responsible for the planning and execution of market and product planning, business development, product sales and engineering support, etc.</li> <li>● Supervise the business operations of various units under the Business Division.</li> </ul>
RD Division	<ul style="list-style-type: none"> <li>● Responsible for the planning and execution of product development, technology research, process development, etc.</li> <li>● Supervise the related business operations of various units under the R&amp;D Division.</li> </ul>
Manufacturing Division	<ul style="list-style-type: none"> <li>● Responsible for the planning and execution of production management, manufacturing, and production technology, etc.</li> <li>● Supervise the business operations of various units under the Manufacturing Division.</li> </ul>

### 3.2 Directors and Management Team

#### I. Directors

##### (1). Information of Directors

April 23, 2024

Title	Nationality / Place of Incorporation	Name	Gender Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Chairman	TW	Chen, Jan-Ku	Male 61-70 years	2005/06/02	3	2022/9/22	2,425,000			5.66	1,226,000	2.86	
Director	TW	Tseng, Wen-Liang	Male 61-70 years	2005/06/02	3	2022/9/22	760,000	1.77	760,000	1.77	76,000	0.18	—	—	Master's Degree, Department of Mechanical Engineering, National Taiwan University Energy and Resources Laboratories, Industrial Technology Research Institute	President of the Company	—	—	—	—

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Director of System Engineering Office						
Director	TW	Yung, Teh-Yuh	Male	51-60 years	2005/8/31	3	2022/9/22	400,000	0.93	400,000	0.93	—	—	—	—	Department of Mechanical Engineering, National Sun Yat-sen University; MBA, California State University, Long Beach Assistant Manager, BNP Paribas Manager, HSBC Bank Vice President and Manager of Kaohsiung Branch of KBC Bank NV Senior Vice President, Commercial Banking Division, Citibank	—	—	—	—	—
Director	TW	Shihlin Electric & Engineering Corp.	—	—	-	-	-	5,636,050	13.15	5,636,050	13.15	—	—	—	—	—	—	—	—	—	—

Title	Nationality / Place of Incorporation	Name	Gender Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
	TW	Representative : Chang, Chin-Wen	Male 61-70 years	2009/7/2	3	2022/9/22	-	-	-	-	-	-	-	-	Department of Electrical Engineering, National Kaohsiung Institute of Technology President, Business Group, Shihlin Electric & Engineering Corporation	President, Business Group, Shihlin Electric & Engineering Corporation Representative Director of Xinlin Electric Co., Ltd. Chairman and President, Ruelin Electric & Engineering Corp. Representative Director of Chuan Lin Scientific Technical Corp. Director of Suzhou Shihlin Electric & Engineering Co., Ltd. Chairman of Vietnam Shihlin Electric & Engineering Co., Ltd. Director, Chailease Shihlin Energy Co.,Ltd.	-	-	-	-
Director	TW	Alex Chang	Male 61-70 years	2022/9/22	3	2022/9/22	-	-	-	-	-	-	-	Master of Engineering Economics,	Senior Vice President of Industrial	-	-	-	-	

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Stanford University, USA Master of Civil and Environmental Engineering, Stanford University, USA Master of Engineering Management, Southern Methodist University, USA Master of Mechanical Engineering, National Chiao Tung University Independent Director, Iron Force Industrial, Co.,Ltd. Senior Strategic Investment Consultant,	Technology Investment Corporation Representative Director of Iron Force Industrial, Co.,Ltd. Independent Director, Everlight Chemical Industrial Corporation Representative Director, Holdwel, Co., Ltd. and MEDWEL, Inc. Representative Director, Alliance Materials, Inc. and Alliance Materials Technology Co., Ltd. Representative Director of Taiwan Electron Microscope Instrument Corporation Representative Director, BELUX				

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Lite-On IT Corporation Senior Vice President, DelSolar Co., Ltd. Development Manager of AES Corporation	Bio-Pharmaceutical Co., Ltd. and BELX Bio-Pharmaceutical (Taiwan) Corporation Representative Director of Cornucopia Innovation Corporation Representative Director of Taicend Technology Co., Ltd. Representative Director of Energic Technologies Corporation				
Director	TW	Tseng, Chun Hung	Male	51-60 years	2022/9/22	3	2022/9/22	867,000	2.02	867,000	2.02	—	—	—	—	EMBA, Overseas Education College, Shanghai Jiao Tong University	Chairman of Suzhou Huashun Label Products Co., Ltd. Independent Director, Song Shang Electronics Co., Ltd.	—	—	—	—
Independent	TW	Chen, Shih-	Male	71-80	2022/9/22	3	2022/9/22	—	—	—	—	—	—	—	—	Doctor of Philosophy	—	—	—	—	

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director		Chien		years											Soil and Crop Sciences, Texas A&M University Assistant Vice President, Industrial Technology Research Institute Vice President, Business Administration, Hong Kong Applied Science and Technology Research Institute (ASTRI)						
Independent Director	TW	Shih, Jung Shun	Male	61-70 years	2022/9/22	3	2022/9/22	—	—	—	—	—	—	—	Master of Chemical Engineering, National Taiwan University Senior Director, Totoku Toryo Co., Ltd. Special	—	—	—	—	—	

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Advisor, Totoku Toryo Co., Ltd.						
Independent Director	TW	Hsu, Wan-Hsin	Female	51-60 years	2022/9/22	3	2022/9/22	—	—	—	—	—	—	—	—	MBA, Department of Business Administration, Chung Yuan Christian University; CFO of Song Shang Electronics Co., Ltd.	CFO, Song Shang Electronics Co., Ltd. Representative Director of Song He Investment Co., Ltd. Representative Director of Song Zhi Zhu Co., Ltd. Representative Director of MOMENT HOLDING INTERNATIONAL LTD. Supervisor of Lan Circuit Tech Co., Ltd.	—	—	—	—
Independent Director	TW	Hsiao, Chin-Yi	Male	71-80 years	2023/6/29	3	2023/6/29	—	—	—	—	—	—	—	—	Master of Public Administration, National Chengchi University Chief Professional Management Officer, Taiwan Power Company (Taipower)	Chairman, Win Star Technology Corporation Chairman, Chong Yi Electricity Technology Co., Ltd. Chairman, E-FANer Tech Co., Ltd. Consultant to SunnyRich	—	—	—	—

Title	Nationality / Place of Incorporation	Name	Gender	Age	Date Elected	Term /Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																	Multifunction Solar Power Co., Ltd. Consultant of Shinfox Energy Co., Ltd.				

Note: Chen, Jan-Ku, the Chairman of the Company, also serves as the Chief Executive Officer due to his extensive experience necessary for the business. He oversees various decisions, participates in routine executive meetings, actively participates and coordinates matters in key meetings, and integrates internal resources, making his role essential. To implement corporate governance, the Company has appointed four independent directors to enhance the functions of the Board of Directors and strengthen its supervisory functions. In addition, more than half of the directors of the Company are not concurrently employees or managers.

(2). Major shareholders of the institutional shareholders

Institutional shareholders	Major shareholders
Shihlin Electric & Engineering Corp.	Mitsubishi Electric Corporation (21.16%); The Ambassador Hotel Co., Ltd. (11.48%); China Trust Commercial Bank entrusted with the custodianship of Shihlin Electric & Engineering Corporation Employees Holding Company Trust Property Account (6.57%); Taipei Fubon Commercial Bank entrusted with the custodianship of the Shihlin Electric & Engineering Corporation Trust Property Account (5.46%); Yang De Investment Co., Ltd. (5.29%); Citibank (Taiwan) Limited entrusted with the custodianship of the investment account of First Worldsec Securities Limited (3.74%); De Hong Investment Co., Ltd. (2.59%); Citibank (Taiwan) Limited acting entrusted with the custodianship of the investment account of First Securities (Hong Kong) Nominees Limited (2.27%); Benz Investment Corp. (1.94%); Kan, Chin-Hsiang (1.67%)

(3). If the major shareholder of a juristic person/corporate shareholder is also a juristic person/corporation, the major shareholders should be stated:

Unit: %

Institution name	Major shareholders of the Institution
Mitsubishi Electric Corporation	Foreign company
Ambassador Hotel Co., Ltd.	Shihlin Electric & Engineering Corporation (18.24%); De Hong Investment Co., Ltd. (8.07%); HCT Logistics Co., Ltd. (7.68%); Hsin Ho Investment Co., Ltd. (7.15%); Yu Hong Investment Co., Ltd. (5.78%); Jing De Sheng Co., Ltd. (5.59%); Citibank (Taiwan) Limited acting as a custodian for the investment account of First Securities (Hong Kong) Nominees Limited (4.21%); Chang Hong Investment Co., Ltd. (3.55 %), Yang De Investment Co., Ltd. (2.17%), Shen, Qing-Xiong (1.37%)
Yang De Investment Co., Ltd.	Kuo, Dun-Yu (53.79%); Hsu Chin-Te Memorial Foundation (29.88%); Zhen Jie Investment Co., Ltd. (11.34%); Hsu, Shu-Wan (4.27%); Lin, Hsin-Yi (0.72%)
De Hong Investment Co., Ltd.	HCT Logistics Co., Ltd. (30.77%); Chia Bing Investment Corp, Ltd. (16.02%); Benz Investment Corp (8.65%); Xiang Lin Investment Co., Ltd. (8.33%); Ambassador Investment Corp., Ltd. (6.73%); Yu Lin Investment Co., Ltd. (5.77%); Hong Lin Investment Co., Ltd. (5.13%); Zheng Lin Investment Co., Ltd. (4.49%); Jing De Sheng Co., Ltd. (2.56%); Ding Lin Enterprise Co., Ltd. (2.56%)
Benz Investment Corp.	The Ambassador Hotel Co., Ltd. (99.99%), Hsu Chin-Te Memorial Foundation (0.01%)

(4). Professional qualifications and independence analysis of directors

Criteria Name	Professional Qualification and Experience	Independence Status	Number of Other Public Companies Concurrently Serving as an Independent
Chen, Jan-Ku	<ol style="list-style-type: none"> <li>1. Work experience Head of Electric Technology Group, Energy and Resources Laboratories, Industrial Technology Research Institute Chairman and CEO, Arch Meter Corporation</li> <li>2. Not subject to the conditions stated in Article 30 of the Company Act.</li> </ol>	NA	None
Tseng, Wen-Liang	<ol style="list-style-type: none"> <li>1. Work experience Director, Systems Engineering Office, Energy and Resources Laboratories, Industrial Technology Research Institute President, Arch Meter Corporation</li> <li>2. Not subject to the conditions stated in Article 30 of the Company Act.</li> </ol>		None
Yung, Teh-Yuh	<ol style="list-style-type: none"> <li>1. Work experience Assistant Manager, BNP Paribas Manager, HSBC Bank Vice President and Manager of Kaohsiung Branch of KBC Bank NV Senior Vice President, Commercial Banking Division, Citibank</li> <li>2. Not subject to the conditions stated in Article 30 of the Company Act.</li> </ol>		None
Chang, Chin-Wen	<ol style="list-style-type: none"> <li>1. Work experience President, Business Group, Shihlin Electric &amp; Engineering Corporation Director, Xinlin Electric Co., Ltd. Chairman and President, Rueil Lin Electric &amp; Engineering Corp. Director, Chuan Lin Scien-Technical Corp. Director of Suzhou Shihlin Electric &amp; Engineering Co., Ltd. Chairman of Vietnam Shihlin Electric &amp; Engineering Co., Ltd. Director, Chailease Shihlin Energy Technology Co., Ltd.</li> <li>2. Not subject to the conditions stated in Article 30 of the Company Act.</li> </ol>		None

Criteria Name	Professional Qualification and Experience	Independence Status	Number of Other Public Companies Concurrently Serving as an Independent
Alex Chang	1. Work experience Director, Iron Force Industrial, Co.,Ltd. Independent Director, Everlight Chemical Industrial Corporation Senior Strategic Investment Consultant, Lite-On IT Corporation Senior Vice President, DelSolar Co., Ltd. Development Manager of AES Corporation 2. Not subject to the conditions stated in Article 30 of the Company Act.		1
Tseng, Chun Hung	1. Work experience Chairman of Suzhou Huashun Label Products Co., Ltd. Independent Director, Song Shang Electronics Co.,Ltd. 2. Not subject to the conditions stated in Article 30 of the Company Act.		1
Chen, Shih-Chien	1. Work experience Assistant Vice President, Industrial Technology Research Institute Vice President, Business Administration, Hong Kong Applied Science and Technology Research Institute Vice Director, Energy and Resources Laboratories, Industrial Technology Research Institute 2. Not subject to the conditions stated in Article 30 of the Company Act.	During the two years before being elected and during the term of office, all Independent Directors do not have any circumstances defined in Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	None
Shih, Jung Shun	1. Work experience Senior Director, Totoku Toryo Co., Ltd. Special Advisor, Totoku Toryo Co., Ltd. 2. Not subject to the conditions stated in Article 30 of the Company Act.		None
Hsu, Wan-Hsin	1. Work experience CFO, Song Shang Electronics Co.,Ltd. 2. Not subject to the conditions stated in Article 30 of the Company Act.		None
Hsiao, Chin-Yi	1. Work experience Chief Professional Management Officer, Taiwan Power Company (Taipower) 2. Not subject to the conditions stated in Article 30 of the Company Act.		None

(5). Diversity and Independence of the Board of Directors

The Company advocates and respects the diversity policy of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, we believe that the policy of diversity will help improve the overall performance of the Company. The nomination and selection of the Company's independent directors are subject to the Company's Articles of Incorporation. We employ a candidate nomination system, and after approval by the Board of Directors, the nominees are presented to the annual general shareholders' meeting for election.

The members of the Company's Board of Directors shall generally possess the knowledge, skills and literacy necessary to perform their duties.

There are 10 directors in the current term, and their diversity is as follows:

Diversity Items	Basic conditions							Industrial experience						Professional Background	
	Nationality	Gender	Employee	Age			Years as an Independent director	Business judgement	Accounting and financial analysis ability	Crisis management	International market perspective	Leadership ability	Business management ability	Financial law	Electricity related matters
				41~50 years	51~60 years	Over 60 years old									
Name															
Chen, Jan-Ku	TW	M	✓		✓			✓	✓	✓	✓	✓		✓	
Tseng, Wen-Liang	TW	M	✓		✓			✓	✓	✓	✓	✓		✓	
Yung, Teh-Yuh	TW	M			✓			✓	✓	✓	✓	✓	✓		
Chang, Chin-Wen	TW	M			✓			✓	✓	✓	✓	✓		✓	
Alex Chang	TW	M			✓			✓	✓	✓	✓	✓	✓		
Tseng, Chun Hung	TW	M		✓				✓	✓	✓	✓	✓			
Chen, Shih-Chien	TW	M			✓	✓		✓	✓	✓	✓	✓			
Shih, Jung Shun	TW	M			✓	✓		✓	✓	✓	✓	✓			
Hsu, Wan-Hsin	TW	F		✓		✓		✓	✓	✓	✓	✓	✓		
Hsiao, Chin-Yi	TW	M			✓	✓		✓	✓	✓	✓	✓		✓	

The Company's current Board of Directors is composed of 10 members, all of whom are ROC nationals. All of the members have industry-related background, financial law, and international market outlook, and possess sound leadership, crisis management, and business management capabilities. As of the end of 2023, all independent directors had complied with the requirements

set forth by Securities and Futures Bureau, Financial Supervisory Commission for independent directors. Additionally, there have been no instances of the circumstances specified in Article 26, Paragraphs 3 and 4 of the Securities Exchange Act between directors and independent directors. The composition and structure of the Board of Directors are as follows: 4 independent directors 40.00%; 2 directors who are also concurrently managerial officers 20.00%. The age distribution of board members includes 3 directors aged 51-60, 5 directors aged 61-70, and 2 directors aged 71-80. In addition to the above, the Company also emphasizes gender equality in the composition of the board. The current board members include 1 female member (1 of whom is an independent director), accounting for 10.00% of all directors. The Company will continue to strive to increase the proportion of female directors.

## II. Management team

April 23, 2024

Title	Name	Gender	Nationality	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Chen, Jan-Ku	M	TW	2005/06/02	1,226,000	2.86	—	—	1,199,000	2.80	PhD, Chemical Engineering, Tulane University, USA Head of Electric Technology Group, Energy and Resources Laboratories, Industrial Technology Research Institute	Chairman, YuCheng Investment Corporation	—	—	—	*
Managing Director	Tseng, Wen-Liang	M	TW	2005/06/02	760,000	1.77	76,000	0.18	—	—	Master's degree in Mechanical Engineering from National Taiwan University Director, Systems Engineering Office, Energy and Resources Laboratories, Industrial Technology Research Institute	None	—	—	—	—
R&D Director	Chou, An Li	F	TW	2005/08/01	285,000	0.67	—	—	—	—	Bachelor, Department of Electronics, National Taiwan Ocean University Researcher, Systems Engineering Office, Energy and Resources Laboratories, Industrial Technology Research Institute	None	—	—	—	—
Business Deputy Director	Fang, Shih Shiung	M	TW	2005/08/01	342,000	0.80	—	—	—	—	Master of Chemical Engineering, National Central University Researcher, Systems Engineering Office, Energy and Resources Laboratories, Industrial Technology Research Institute	None	—	—	—	—
Manufacturing Director	Liu, Zheng Zhong	M	TW	2022/06/20	19,000	0.04	—	—	—	—	Master of Manufacturing Engineering, National Cheng Kung University Deputy Director-General, Manufacturing Division, TTD Hitech Energy Co., Ltd.	None	—	—	—	—
Corporate Governance Officer	Hsu, Shu-Lung	M	TW	2023/08/09	10,000	0.02	—	—	—	—	Chinese Culture Univ., Bachelor of Economics Fineart Co., Audit Manager	None	—	—	—	—

Title	Name	Gender	Nationality	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions in the Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CFO	Wang, Yi-Ting	F	TW	2017/05/18	53,000	0.12	—	—	—	—	Master of Accounting, Fu Jen Catholic University Accounting Manager, Vanguard International Semiconductor Corporation	None	—	—	—	—
Audit Supervisor	Wang, Chen Ru	F	TW	2021/05/20	8,000	0.02	—	—	—	—	Bachelor, Department of Finance, Fortune Institute of Technology Document Manager, Bolymin, Inc.	None	—	—	—	—

\* Chen, Jan-Ku, the Chairman of the Company, also serves as the Chief Executive Officer due to his extensive experience necessary for the business. He oversees various decisions, participates in routine executive meetings, actively participates and coordinates matters in key meetings, and integrates internal resources, making his role essential. To implement corporate governance, the Company has appointed four independent directors to enhance the functions of the Board of Directors and strengthen its supervisory functions. In addition, more than half of the directors of the Company are not concurrently employees or managers.



Director																						
Independent Director	Shih, Jung Shun																					
Independent Director	Chen, Shih-Chien																					
Independent Director	Hsiao, Chin-Yi																					
*Supervisor	Tseng, Chun Hung																					
*Supervisor	Li, Hong Tai																					

1. Please state the policy, system, standard and structure of the remuneration to independent directors, and the correlation to the amount of remuneration based on the responsibilities, risks, time invested and other factors:
  - (1) According to the Company's Articles of Incorporation, if the Company makes a profit for the year, no more than 3% of the profit shall be allocated as remuneration to directors.
  - (2) The Board of Directors is authorized to determine the remuneration of independent directors based on their participation in the Company's operations and contribution value, and with reference to the regular standards of the industry.
2. Other than the disclosure in the above table, remuneration to the Company's directors for providing services (such as serving as a consultant to the parent company/all companies listed in the financial statements/consulting services to invested enterprises as a non-employee, etc.) in the most recent year: None.

Note: Director and supervisor marked with "\*" served until September 22, 2022.

Table of Remuneration Ranges

Range of Remuneration Paid to Directors	Names of Directors			
	Aggregate of First Four Items of Remunerations (A+B+C+D)		First Seven Items of Remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in The Consolidated Financial Statements	The Company	All Companies in The Consolidated Financial Statements
Below NT\$1,000,000	Chen, Jan-Ku, Tseng, Wen-Liang, Shihlin Electric & Engineer-ing Corp., Representative: Chang, Chin-Wen, Alex Chang, Tseng, Chun Hung, Yung, Teh-Yuh, Hsu, Wan-Hsin, Shih, Jung Shun, Chen, Shih-Chien, Hsiao, Chin-Yi Prolific Technology Inc.Representative: Hsu, Chia Chang, Kuo, Yun Shan, Industrial Technology Investment Corporation, Representative: Chang, Ching Jiunn, TIEF FUND L.P, Representative: Alex Chang, Wen, Tian Hui, Zhan, Sheng Kui, Li, Hong Tai	Chen, Jan-Ku, Tseng, Wen-Liang, Shihlin Electric & Engineer-ing Corp., Representative: Chang, Chin-Wen, Alex Chang, Tseng, Chun Hung, Yung, Teh-Yuh, Hsu, Wan-Hsin, Shih, Jung Shun, Chen, Shih-Chien, Hsiao, Chin-Yi Prolific Technology Inc.Representative: Hsu, Chia Chang, Kuo, Yun Shan, Industrial Technology Investment Corporation, Representative: Chang, Ching Jiunn, TIEF FUND L.P, Representative: Alex Chang, Wen, Tian Hui, Zhan, Sheng Kui, Li, Hong Tai	Shihlin Electric & Engineer-ing Corp., Representative: Chang, Chin-Wen, Alex Chang, Tseng, Chun Hung, Yung, Teh-Yuh, Hsu, Wan-Hsin, Shih, Jung Shun, Chen, Shih-Chien, Hsiao, Chin-Yi Prolific Technology Inc.Representative: Hsu, Chia Chang, Kuo, Yun Shan, Industrial Technology Investment Corporation, Representative: Chang, Ching Jiunn, TIEF FUND L.P, Representative: Alex Chang, Wen, Tian Hui, Zhan, Sheng Kui, Li, Hong Tai	Shihlin Electric & Engineer-ing Corp., Representative: Chang, Chin-Wen, Alex Chang, Tseng, Chun Hung, Yung, Teh-Yuh, Hsu, Wan-Hsin, Shih, Jung Shun, Chen, Shih-Chien, Hsiao, Chin-Yi Prolific Technology Inc.Representative: Hsu, Chia Chang, Kuo, Yun Shan, Industrial Technology Investment Corporation, Representative: Chang, Ching Jiunn, TIEF FUND L.P, Representative: Alex Chang, Wen, Tian Hui, Zhan, Sheng Kui, Li, Hong Tai
NT\$1,000,000 (incl.) to NT\$2,000,000 (not incl.)	—	—	—	—
NT\$2,000,000 (incl.) to NT\$3,500,000 (not incl.)	—	—	Tseng, Wen-Liang	Tseng, Wen-Liang
NT\$3,500,000 (incl.) to NT\$5,000,000 (not incl.)	—	—	Chen, Jan-Ku	Chen, Jan-Ku
NT\$5,000,000 (incl.) to NT\$10,000,000 (not incl.)	—	—	—	—
NT\$10,000,000 (incl.) to NT\$15,000,000 (not incl.)	—	—	—	—
NT\$15,000,000 (incl.) to NT\$30,000,000 (not incl.)	—	—	—	—
NT\$30,000,000 (incl.) to NT\$50,000,000 (not incl.)	—	—	—	—
NT\$50,000,000 (incl.) to NT\$100,000,000 (not incl.)	—	—	—	—
Above NT\$100,000,000	—	—	—	—
Total	17 persons	17 persons	17 persons	17 persons

## II. Remuneration paid to the President and Vice-Presidents

Unit: NT\$ thousands; %

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowances (C)		Employee Bonus (D)				Amount and Ratio of total (A), (B), (C) and (D) to Net Income (%)		Remuneration from Invested Companies Other Than Subsidiaries or Parent Company
		The Company	All Companies in The Consolidated Financial Statements	The Company	All Companies in The Consolidated Financial Statements	The Company	All Companies in The Consolidated Financial Statements	The Company		All Companies in The Consolidated Financial Statements		The Company	All Companies in The Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
CEO	Chen, Jan-Ku	6,429	6,429	108	108	381	381	418	--	418	--	7,336/4.68%	7,336/4.68%	None
GM	Tseng, Wen-Liang													

Table of Remuneration Ranges

Range of Remuneration Paid to the President and the Vice-Presidents	Name	
	The Company	All Companies in The Consolidated Financial Statements
Below NT\$1,000,000	—	—
NT\$1,000,000 (incl.) to NT\$2,000,000 (not incl.)	—	—
NT\$2,000,000 (incl.) to NT\$3,500,000 (not incl.)	Tseng, Wen-Liang	Tseng, Wen-Liang
NT\$3,500,000 (incl.) to NT\$5,000,000 (not incl.)	Chen, Jan-Ku	Chen, Jan-Ku
NT\$5,000,000 (incl.) to NT\$10,000,000 (not incl.)	—	—
NT\$10,000,000 (incl.) to NT\$15,000,000 (not incl.)	—	—
NT\$15,000,000 (incl.) to NT\$30,000,000 (not incl.)	—	—
NT\$30,000,000 (incl.) to NT\$50,000,000 (not incl.)	—	—
NT\$50,000,000 (incl.) to NT\$100,000,000 (not incl.)	—	—
Above NT\$100,000,000	—	—
Total	2 persons	2 persons

III. Names of management team members who received employee bonus and distributed amounts

Unit: NT\$ thousands

	Title	Name	Stock Amount	Cash Amount	Total	Percentage of the Total to Net Income (%)
Managers	CEO	Chen, Jan-Ku	-	2,204	2,204	1.41
	Managing Director	Tseng, Wen-Liang				
	RD Director	Chou, An Li				
	CFO	Wang, Yi-Ting				
	Audit supervisor	Wang, Chen Ru				
	CGO	Hsu, Shu-Lung				

Note: Proposed amount of distribution.

IV. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial statements or individual financial statements, as paid by the Company and by each other company included in the consolidated financial statements in the most recent two years to the directors, the president and the vice-presidents of the Company and analysis and description of remuneration policies, standards, packages and the procedure for determining remuneration, and their linkage to operating performance and future risk exposure.

- (1). Analysis of total remuneration, as a percentage of net income stated in the parent company only financial statements or individual financial statements, as paid by the Company and by each other company included in the consolidated financial statements in the most recent two years to the directors, the supervisors, the president and the vice-presidents of the Company

Title	The Proportion of Total Amount to 2023 Profit after Income Tax (%)		The Proportion of Total Amount to 2022 Profit after Income Tax (%)	
	The Company	All Companies in The Consolidated Financial Statements	The Company	All Companies in The Consolidated Financial Statements
Directors	8.02%	8.02%	2.66	2.66
Supervisor	-	-	0.22	0.22
President and Vice-Presidents	4.68%	4.68%	5.92	5.92

Note 1: The amount of distribution was approved by the Board of Directors.

Note 2: The proportion of the total remuneration of directors in 2023 to the Company's net profit after tax, and the total remuneration of the President and Vice Presidents to the net profit after tax of the Company increased or decreased compared to the previous year, reflecting the increased profitability in 2023 compared to 2022.

- (2). The Company's remuneration policies, standards, packages, and the procedure for determining remuneration, and their linkage to operating performance and future risk exposure

In accordance with the "Articles of Incorporation", if there is a profit in the year, no less than 5% of the profit before tax shall be appropriated as employees' remuneration and no more than 3% of the total amount as directors' remuneration.

However, in the event of accumulated losses, the Company shall first reserve a sufficient amount to offset the losses. The resolution on the distribution of directors' remuneration shall be made by a Board of Directors meeting attended by at least two-thirds of the directors and approved by a majority of the directors in attendance, and shall be reported to the annual general shareholders' meeting.

The remuneration policies and payment standards for managerial officers are determined in accordance with the "Regulations Governing the Wages and Remuneration of Directors and Managers". Contributions to the Company's operations and individual performance are considered with reference to the pay status of peers. After the remuneration committee reviews and evaluates the reasonableness of the overall remuneration individually, the remuneration is submitted to the Board of Directors for resolution. At the same time, the connection between individual performance, the Company's operating performance and future risks is also considered.

### 3.4 Implementation of Corporate Governance

#### I. Board of Directors

The Board of Directors convened 7 times in 2023, and the attendance of directors is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Chen, Jan-Ku	7	0	100.00	
Director	Tseng, Wen-Liang	7	0	100.00	
Director	Shihlin Electric & Engineering Corp. Representative: Chang, Chin-Wen	7	3	57.14	
Director	Alex Chang	7	0	100.00	
Director	Tseng, Chun Hung	7	0	100.00	
Director	Yung, Teh-Yuh	7	0	100.00	
Independent Director	Hsu, Wan-Hsin	7	0	100.00	
Independent Director	Shih, Jung Shun	7	0	100.00	
Independent Director	Chen, Shih-Chien	7	0	100.00	
Independent Director	Hsiao, Chin-Yi	5	0	100.00	Elected on June 29, 2023, and expected to attend board meetings 5 times.

Other items to be disclosed:

- A.** If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
- Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, so Article 14-3 of the Securities and Exchange Act shall not be applicable. Please refer to the chapter of Audit Committee in the Annual Report.
  - Other matters involving objections or reservations expressed by the independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
- B.** With respect to recusals of directors from motions due to a conflict of interest, the directors' names, contents of motion, causes for recusal and voting should be specified:
- May 17, 2023 5th meeting of the 8th Board of Directors: Regarding director's remuneration and remuneration to managerial officers for 2022, except for Directors Jan-Ku Chen and Wen-Liang Tseng, who recused themselves from discussion and voting due to their conflicts of interest, the motion was unanimously approved by the remaining attending directors upon consultation by Acting Chairperson, Director Wan-Hsin Hsu.

2. December 1, 2023 10th meeting of the 8th Board of Directors: Proposal of distribution of year-end bonuses and incentive bonuses, salary adjustments for managerial officers and the distribution of common shares issued from cash capital increase for managerial officers' share subscription. For these three motions, Directors Jan-Ku Chen and Wen-Liang Tseng recused themselves from discussion and voting due to personal conflicts of interest. The acting chairperson, Independent Director Wan-Hsin Hsu, consulted the remaining directors present, and the motions were unanimously approved.

C. Evaluation cycles, evaluation periods, evaluation scopes, evaluation methods and evaluation procedures, etc. for evaluating the performance of the Company's board of directors and board members are disclosed as below:

The Company has established the "Regulations Governing the Performance Evaluation of the Board of Directors" approved by the Board of Directors on October 6, 2022. The performance evaluation of the Board of Directors, Board members and functional committees is conducted every year and the results are submitted to the Board of Directors. In 2023, the Finance and Accounting Department served as the execution unit of the evaluation. The evaluation methods include the internal self-evaluation of the Board of Directors, the self-evaluation of directors and the performance evaluation of functional committees:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Once annually	January 1, 2023 to December 31, 2023	Members of the Board of Directors, functional committees (including the Audit Committee and the Remuneration Committee), and individual directors.	Internal self-evaluation of the Board of Directors, functional committees (including the Audit Committee and Remuneration Committee), and individual directors.	<ol style="list-style-type: none"> <li>The performance evaluation of the Board of Directors covers (1) participation in the Company's operations (2) improvement of the quality of the Board's decision-making (3) the composition and structure of the Board of Directors (4) the election and continuing education of directors, and (5) internal control.</li> <li>The performance evaluation of functional committees covers (1) participation in the Company's operations (2) awareness of the duties of functional committees (3) improvement of the quality of functional committee decision-making, (4) composition and selection of functional committee members, and (5) internal control.</li> <li>The evaluation of individual director's performance covers (1) grasp of the Company's goals and tasks (2) directors' responsibilities awareness (3) participation in the Company's operations (4) internal relationship management and communication (5) directors' professionalism and continuing education (6) Internal control.</li> </ol>

The 2023 annual performance evaluation report has been completed and presented to the Board of Directors on March 8, 2024.

2023 comprehensive assessment results:

- In 2023, the Board of Directors convened 7 times, the Audit Committee convened 7 times, and the Remuneration Committee convened 4 times.
- The Board of Directors actively participates in various meetings and establishes smooth communication channels. The average attendance rate is as follows: 95.58% for the Board of Directors, 100% for the Audit Committee, and 100% for the Remuneration Committee
- In 2023, the completion rate of the required courses for the Company's directors in 2023 is 100%, which enhances the functions of the Board of Directors.
- In 2023, the Company elected one additional independent director based on the development needs of the Company, and to implement the policy of board diversity.
- Directors provided their professional knowledge for the company's decision-making process.
- In accordance with regulations, the Audit Department regularly reports the execution of audits to the Board of Directors, enabling the board to understand, evaluate, and supervise the execution status of internal controls in a timely manner.

Evaluation results are categorized into five levels: Very Poor (Strongly Disagree), Poor (Disagree), Fair (Neutral), Good (Agree), and Excellent (Strongly Agree). The internal self-assessment results of the Board of Directors, Board Members, Audit Committee, and Remuneration Committee all ranged between Excellent (Strongly Agree) and Good (Agree), indicating the overall sound operation of the Board of Directors, board members, and functional committees.

D. Measures taken during this and the most recent fiscal year to strengthen the functionality of the Board (e. g. establishment of the Audit Committee and enhancing information transparency) and evaluate the implementation of such measures:

- On June 29, 2023, the Company's annual general shareholders' meeting elected one additional independent director to strengthen the functions of the Board of Directors and corporate governance. Currently, there are a total of 10 directors, including 4 independent directors.
- The Company has established "Rules of Procedure for Board of Directors Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance, and announced important resolutions on the Market Observation Post System immediately after the board meeting to achieve full disclosure of information and protect the rights and interests of shareholders.

3. Each year, Board of Directors members choose to participate in courses covering corporate governance-related topics such as finance, risk management, legal affairs, accounting, sustainable development, or financial reporting responsibilities beyond their professional capabilities to enhance their understanding and implementation of corporate governance. For details on the continuing education of Board of Directors members, please refer to pages 41-45 of this Report.

## II. Audit Committee

### (1). Operation of the Audit Committee

The Audit Committee convened 6 times in 2023, with the attendance of independent directors as follows:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%)	Remarks
Independent Director	Shih-Chien Chen	6	-	100.00	
Independent Director	Jung-Shun Shih	6	-	100.00	
Independent Director	Wan-Hsin Hsu	6	-	100.00	Audit Committee Convener
Independent Director	Jin-Yi Hsiao	4	-	80.00	Elected on June 29, 2023

Note: The Company re-elected all directors on September 22, 2022, and established the Audit Committee. The term of the 1st Audit Committee will be from September 22, 2022 to September 21, 2025.

Other items to be disclosed:

A. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, independent directors' objections, reservations or major advice suggestions, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinions should be specified:

1. Matters referred to Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date and Term	Motions	Resolution of the Audit Committee	The Company's handling of the Audit Committee's opinions
2023.3.29 1st Term 3rd Meeting	<ol style="list-style-type: none"> <li>1. The Company's loan facilities from financial institutions</li> <li>2. The Company's 2022 financial statements</li> <li>3. The Company's 2022 Business Report</li> <li>4. Distribution of earnings in 2022</li> <li>5. The Company's "2022 Statement of Internal Control System "</li> <li>6. Amendments to certain provisions of the Articles of Incorporation</li> <li>7. Conversion of employee stock options to common stock and issuance of new shares</li> <li>8. Amendments to the Company's "Regulations Governing the Handling of Material Inside Information and Prevention of Insider Trading" and renamed as the "Procedures for the Handling of Material Inside Information and Prevention of Insider Trading"</li> <li>9. Establishment of the Company's "Ethical Corporate Management Best Practice Principles", "Ethical Management and Guidelines for Conduct", and "Code of Ethical Conduct"</li> <li>10. Establishment of the "Regulations Governing</li> </ol>	Agreed by all members present in the Audit Committee	Approved by all attending directors

	<p>Transactions within Group Enterprises, Specific Companies and Related Parties" and abolishing the "Regulations Governing Transactions with Related Parties"</p> <ol style="list-style-type: none"> <li>11. Amendments to certain provisions of the Company's "General Principles of the Internal Control System" and "R&amp;D Cycles"</li> <li>12. The Company's application for public listing on the TWSE (TPEX)</li> <li>13. Issuance of new shares through public underwriting prior to the initial application for public listing on the TWSE (TPEX), and the waiver of preemptive rights by existing shareholders:</li> </ol>		
2023.5.17 1st Term 4th Meeting	<ol style="list-style-type: none"> <li>1. The Company's application of loan facilities from financial institutions</li> <li>2. Establishment of the Company's "Corporate Governance Best-Practice" and "Sustainable Development Best Practice Principles"</li> <li>3. Amendments to certain provisions of the Company's "Ethical Corporate Management Best Practice Principles"</li> <li>4. Amendments to certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting"</li> </ol>	Agreed by all members present in the Audit Committee	Approved by all attending directors
2023.8.9 1st Term 5th Meeting	<ol style="list-style-type: none"> <li>1. The Company's loan facilities from financial institutions</li> <li>2. The Company's financial statements for Q2, 2023</li> <li>3. Amendments to the "Regulations Governing Making of Endorsements/ Guarantees" and the "Regulations Governing Loaning of Funds"</li> <li>4. Amendments to the provisions of "Financing Cycle," "Fixed Assets Cycle," "Investment Cycle," and "R&amp;D Cycle"</li> <li>5. Amendments to the "Regulations Governing the Collection and Use of Negotiable Instruments," "Regulations Governing the Management of Financial and Non-financial Information," "Regulations Governing the Preparation of Financial Statements," "Regulations Governing the Supervision and Management of Subsidiaries," and "Procedures for Applying for Suspension and Resumption of OTC Trading of Listed Stocks" Trading Procedures" and "Regulations Governing Transactions within Group Enterprises, Specific Companies and Related Parties"</li> </ol>	Agreed by all members present in the Audit Committee	Approved by all attending directors
2023.9.22 1st Term 6th Meeting	<ol style="list-style-type: none"> <li>1. The Company's loan facilities from financial institutions</li> <li>2. Amendments to certain provisions of the "Sales and Payment Cycle," "Procurement and Payment Cycle," "Production Cycle," "Payroll Cycle," "Fixed Assets Cycle," and "Electronic Information Cycle"</li> <li>3. Amendments to certain provisions of the "Decision-Making Authority Approval Level," "Property Management Regulations," "Implementation Measures for Delegation of</li> </ol>	Agreed by all members present in the Audit Committee	Approved by all attending directors

	<p>Duties and Agency System," "Personal Data Protection Management Regulations" and "Rules Governing the Scope of Responsibilities of Independent Directors"</p> <p>4. Amendments to certain provisions of the "Ethical Corporate Management Best Practice Principles," "Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct," and "Corporate Governance Best Practice "</p> <p>5. The Company issued a statement of internal control system during the review period of the internal control project</p>		
2023.10.24 1st Term 7th Meeting	<p>1. Approver of the Company's audit report</p> <p>2. Amendments to certain provisions of the "General Principles of the Internal Control System"</p>	Agreed by all members present in the Audit Committee	Approved by all attending directors
2023.11.06 1st Term 8th Meeting	<p>1. The Company's financial statements for Q3, 2023</p> <p>2. The Company's "2024 Audit Plan"</p>	Agreed by all members present in the Audit Committee	Approved by all attending directors
2023.12.01 1st Term 9th Meeting	<p>1. The Company's issuance of new shares for cash capital increase as part of the public underwriting of shares before listing on TWSE.</p> <p>2. Appointment and remuneration of the CPAs for the Company's financial statements.</p>	Agreed by all members present in the Audit Committee	Approved by all attending directors

2. Other agenda items which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

B. Should any independent director recuse themselves from the motions due to a conflict of interest, the independent directors' names, contents of motion, causes for recusal and voting should be specified: None.

C. Communication between the independent directors, the Company's Chief Auditor and the CPAs (including the Company's material financial or business issues, methods for communication and results.)

1. Communication between independent directors (Audit Committee) and chief internal audit executive:

(1) The Company's chief internal audit executive regularly communicates the audit report results with independent directors, and makes internal audit reports at least at each quarterly Audit Committee meeting. If there are special circumstances, they will also be reported to the members of the Audit Committee immediately. The communication between the Audit Committee and the chief internal audit executive is good.

(2) The chief internal audit executive presents audit reports to the Board of Directors and the Audit Committee on a regular basis. The communication between the independent director (Audit Committee) and the chief internal audit executive is summarized as follows :

Date	Communication matters	Result of communication
2023.3.29 1st Term 3rd Meeting	November 2022 - February 2023 Internal audit affairs report	Fully communicated and reported to the Audit Committee
2023.5.17 1st Term 4th Meeting	March-April 2023 Internal audit report	Fully communicated and reported to the Audit Committee
2023.8.9 1st Term 5th Meeting	May-July 2023 Internal audit report	Fully communicated and reported to the Audit Committee
2023.9.22 1st Term 6th Meeting	August 2023 Internal audit report	Fully communicated and reported to the Audit Committee
2023.11.06 1st Term	1. September-October 2023 Internal audit report	Fully communicated and reported to, reviewed and

8th Meeting	2. The Company's "2024 Audit Plan"	approved by the Audit Committee.
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2. Communication between independent directors (Audit Committee) and CPAs:
- (1) The Company's independent directors and CPAs communicate at least regularly with respect to the quarterly financial statements. CPAs discuss the results of their audit/review of the Company's financial statements during or before the Audit Committee meeting, and fully communicate whether the amendments to the laws and regulations have any material impact on the Company.
  - (2) Summary of communication between independent directors (Audit Committee) and CPAs in 2023:

Date	Communication matters	Result of communication
2023.3.29 1st Term 3rd Meeting	The Company's 2022 financial statements	Fully communicated and reported to, reviewed and approved by the Audit Committee.
2023.8.9 1st Term 5th Meeting	The Company's financial statements for Q2, 2023	Fully communicated and reported to, reviewed and approved by the Audit Committee.
2023.11.06 1st Term 8th Meeting	The Company's financial statements for Q3, 2023	Fully communicated and reported to, reviewed and approved by the Audit Committee.

3. Supervisors' participation in the operation of the Board of Directors:  
The Company established the Audit Committee to replace supervisors on September 22, 2022.

III. Discrepancies between the Company's implementation of corporate governance and the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such discrepancies

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company set up and disclosed its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles" in accordance with the relevant laws and regulations, which were discussed and approved by the Board of Directors on May 17, 2023, and disclosed on the MOPS as required by law.	No material difference.
2. The Company's shareholding structure and shareholders' rights (1). Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations and has implemented the procedures?	✓		(1) The Company has established a spokesperson and an acting spokesperson in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." They are responsible for external communication and engagement with investors. Additionally, the Administration Department handles shareholder suggestions, inquiries, disputes, and litigation matters.	No material difference.
(2). Does the Company have knowledge of its major shareholders and the beneficial owners of those shareholders?	✓		(2) The Company and the stock affairs agency regularly update and maintain the list of major shareholders and their ultimate controllers who control the Company.	No material difference.
(3). Has the Company established and implemented risk management and firewall system between itself and the affiliated companies?	✓		(3) The Company has formulated and implemented the "Regulations Governing Transactions within Group Enterprises, Specific Companies and Related Parties".	No material difference.

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4). Has the Company established internal rules against company insiders trading with undisclosed information?	✓		(4) The Company has established the "Procedures for the Handling of Material Inside Information and Prevention of Insider Trading" to prevent directors, managerial officers and employees from violating the regulations on insider trading due to lack of awareness of legal requirements.	No material difference.
3. Composition and responsibilities of the Board of Directors				
(1). Has the Board of Directors of the Company established a diversity policy with specific management goals and has adequately implemented it?	✓		(1) For the diversity policy of the Board of Directors, please refer to Section 2.2 of this Report. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches (1) Information on directors. (Please refer to pages 19-23)	No material difference.
(2). Has the Company voluntarily established other functional committees in addition to the Compensation Committee and the Audit Committee?		✓	(2) The Company has established the Remuneration Committee and the Audit Committee as required by law. The Company expects to gradually establish other functional committees in accordance with legal requirements and the practical needs of the Company.	No material difference.
(3). Has the Company established a standard to evaluate the performance of the Board, implemented such evaluation annually, submitted the performance evaluation results to the Board of Directors and used them as a reference when determining the remuneration of individual directors and nominations for election?	✓		(3) The Company has established the "Regulations Governing the Performance Evaluation of the Board of Directors". The Company conducts performance evaluations on an annual basis. The results of such evaluations will be used as a reference for directors' remuneration and selection of directors.	No material difference.

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4). Does the Company regularly evaluate the independence of the CPAs?	✓		(4) The Company's financial and accounting unit evaluates the independence of the CPAs and obtains the "Statement of Independence" issued by the CPAs. The evaluation results of the independence and suitability of CPAs were approved by the Audit Committee on December 1, 2023 and submitted to the Board of Directors for approval on the same day.	No material difference.
4. Has the Company appointed an appropriate number of competent corporate governance personnel and the Chief Corporate Governance Officer responsible for corporate governance affairs (including but not limited to providing information for directors and supervisors to discharge their duties, assisting directors and supervisors in compliance, handling work related to meetings of the Board of Directors and shareholders' meetings, and producing the minutes of Board meetings and shareholders' meetings)?	✓		On August 9, 2023, the Board of Directors of the Company appointed the Special Assistant of the Operation Center to concurrently serve as the Chief Corporate Governance Officer in charge of corporate governance related affairs.	No material difference.
5. Has the Company established communication channels, created a dedicated section on its corporate website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.), and appropriately handled all of the CSR issues they care about?	✓		The Company has established an investor relations section on its website and appointed a spokesperson and deputy spokesperson as channels for external communication. Stakeholders can contact the Company at any time through telephone, mail, fax, email, etc.	No material difference.

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
6. Has the Company engaged a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed Fubon Securities Co., Ltd., Stock Affairs Department to handle the annual general shareholders' meeting-related matters.	No material difference.
7. Information Disclosure (1). Does the Company establish a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has a corporate website linked to the Market Observation Post System, and discloses relevant financial and business information on a monthly basis for the reference of shareholders and the general public.	No material difference.
(2). Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences, etc.)?	✓		(2) According to the regulations, the Company has appointed a spokesperson and deputy spokesperson, and designated personnel to report various financial and business information to the Market Observation Post System, as well as information disclosure on the Company's website; data on institutional investor conferences can also be viewed on the Market Observation Post System.	No material difference.
(3). Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2 and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	(3) The Company is required to announce and report the annual financial statements within three months after the end of the fiscal year. The Company has announced and reported the annual financial statements within 75 days after the end of the fiscal year, and announced and reported the quarterly financial statements before the prescribed deadline. Report and monthly report.	No material difference.
8. Is there any other information to facilitate a better understanding of the Company's corporate governance practices (e.g. including but not limited	✓		1. Employee rights and employee care The Company is committed to sustainable operation with integrity and pragmatism, fulfilling its responsibilities to employees, customers, and society.	No material difference.

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, training records of directors and supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer relations policies and the purchase of insurance for directors and supervisors, etc.)?			<p>To ensure this commitment, the Company has implemented the following measures regarding employee rights and welfare:</p> <ol style="list-style-type: none"> <li>(1) The Company has adopted the Gender Equality in Employment Act to include menstrual leave, family care leave, maternity leave, paternity leave, and maternity checkup leave as the types of leave that employees are entitled to.</li> <li>(2) The Company offers comprehensive employee benefits, including labor insurance, medical insurance, and regular free health check-ups.</li> <li>(3) The Employee Welfare Committee has been established to handle employee engagements and various employee benefits.</li> <li>(4) The Company contributes to retirement pension funds in compliance with legal requirements</li> <li>(5) The Company provides employees with on-the-job training.</li> <li>(6) The Company has established its "Regulations Governing the Prevention of Sexual Harassment" and "Regulations Governing Employee Complaints and Reporting."</li> </ol> <p>2. Investor relations The Company has designated a corporate spokesperson and proxy spokesperson responsible for external communication. They are tasked with disclosing the Company's information on the Market Observation Post System (MOPS) in accordance with legal requirements.</p>	

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
			<p>3. Supplier relations The Company follows a policy of establishing long-term and mutually beneficial relationships with suppliers, aiming to maximize benefits for both parties.</p> <p>4. Stakeholder rights The Company has implemented a spokesperson system and is committed to improving stakeholder relations. In addition to the priority right of shareholders to express opinions on the Company's operating performance, the Company also respects and tries its best to satisfy the requirements of all stakeholders (shareholders, employees, customers, suppliers).</p> <p>5. Continuing education of directors and supervisors The Company's directors have participated in the continuing education courses in accordance with applicable laws and regulations. The continuing education courses that the directors have participated in 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Name of training session</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Chairman</td> <td rowspan="3">Chen, Jan-Ku</td> <td>• Corporate Governance and Securities Laws and Regulations</td> <td>3</td> </tr> <tr> <td>• Legal Responsibilities and Risk Management for Directors and Supervisors in Financial Reporting</td> <td>3</td> </tr> <tr> <td>• Analysis and Decision-</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Name of training session	Training Hours	Chairman	Chen, Jan-Ku	• Corporate Governance and Securities Laws and Regulations	3	• Legal Responsibilities and Risk Management for Directors and Supervisors in Financial Reporting	3	• Analysis and Decision-	3	
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			<p>6. Implementation of risk management policies and risk measurement standards The Company has established various internal regulations and internal control systems in</p>																									

Evaluation Items	Implementation Status			Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>accordance with the law, and conducts various risk management and assessments. The internal audit unit periodically and aperiodically checks the implementation of the internal control system.</p> <p>7. Implementation of customer policies The Company maintains stable and positive relationships with customers, understanding their needs and adjusting our operational standards accordingly. We collaborate with customers on continuous audits and improvements to ensure their needs are met, aiming to generate profits for the company and achieve mutual benefits.</p> <p>8. The Company's purchase of liability insurance for directors and supervisors The Company has purchased liability insurance for directors, with a coverage amount of USD 2 million in 2023.</p>	
<p>9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved: NA.</p>				

#### IV. The composition, duties, and operation of the Compensation Committee

##### (1). Information of Members of the Compensation Committee

Title	Criteria Name	Professional Qualification and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Compensation Committee
Independent Director (Convener)	Hsu, Wan- Hsin	Please refer to Page 19-22	Please refer to Page 19-22	—
Independent Director	Chen, Shih- Chien			—
Independent Director	Shih, Jung Shun			—
Independent Director	Hsiao, Chin-Yi (*)			—

\* On August 9, 2023, the Board of Directors appointed Independent Director Jin-Yi Hsiao as a member of the Remuneration Committee.

##### (2). Information of Compensation Committee Operations

The Company's Remuneration Committee consists of 3 members.

The term of office of the current members of the Remuneration Committee: from September 22, 2022 to September 21, 2025. In 2023, the Remuneration Committee convened three times, and the qualifications and attendance of members are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman /Convener	Hsu, Wan-Hsin	3	0	100	
Member	Chen, Shih- Chien	3	0	100	
Member	Shih, Jung Shun	3	0	100	
Member	Hsiao, Chin-Yi	1	0	100	Appointed by the Board of Directors on August 9, 2023

Other items to be disclosed:

- I. If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, the date and term of the Board meeting, the contents of the motion, the resolutions of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions shall be disclosed (e.g., the difference and the reason should be stated): None.
- II. If a member has a dissenting or qualified opinion on a resolution on the resolution of the Remuneration Committee and it is on record or stated in a written statement, specify the Remuneration Committee date, session, content of the motion, all members' opinions, and how they were handled: None.

V. Promotion of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies"

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
1. Has the Company established a governance structure to promote sustainable development and set up an exclusively (or concurrently) dedicated unit to promote sustainable development, and has the Board of Directors authorized senior management to deal with and supervised the promotion of sustainable development?		✓	The Company does not yet have a dedicated unit for sustainable development. It is expected to establish a governance structure for sustainable development and a dedicated (part-time) unit to promote sustainable development this year. However, the Company upholds the principle of integrity in all business activities, safeguards the rights and interests of stakeholders, and continues to strengthen corporate governance, focusing on environmental protection, and fulfilling our corporate social responsibilities.	Future actions will be determined based on the Company's development needs and legal requirements.
2. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies or strategies?		✓	The Company has not yet formulated a risk management policy for ESG issues related to the Company's operations.	Future actions will be determined based on the Company's development needs and legal requirements.
3. Environmental issues (1). Has the Company established environment management systems based on its industrial characteristics?	✓		(1) The Company maintains the working environment in accordance with the public safety building regulations, fire protection regulations, labor health and safety regulations, and the Waste Disposal Act, and declares any such matters	No material difference.

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
(2). Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with low environmental impacts?	✓		<p>according to law.</p> <p>(2) The Company spares no effort in promoting the protection of environmental resources. In addition to garbage sorting, the use of recycled paper, bringing one's own reusable utensils, the Company is also constantly striving to improve the efficiency of the use of various resources.</p>	No material difference.
(3). Has the Company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to respond to climate-related issues?		✓	<p>(3) To date, the Company has not assessed the potential risks and opportunities posed by climate change, nor has it developed specific response measures for these issues. Future actions will be determined based on the Company's development needs and in accordance with legal requirements.</p>	Future actions will be determined based on the Company's development needs and legal requirements.
(4). Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulated policies for energy conservation, carbon reduction, GHG and water consumption or other waste management?		✓	<p>(4) The company has collected information from last year, and through measures such as the rational use of air-conditioning and the use of recycled paper, employees can deeply ingrain the concept of energy conservation and carbon reduction in the working environment, and the company continue to reduce electricity consumption, and achieve the reduction of carbon emissions.</p> <p>The total carbon emissions from Scope 1 and Scope 2 in 2023 are approximately</p>	Future actions will be determined based on the Company's development needs and legal requirements.

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
			415.91 tCO <sub>2</sub> e. Water consumption in 2023 is approximately 3,878.28 metric tons. The company produced no hazardous waste in 2023.	
4. Social issues				
(1). Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Labor and Human Rights?	✓		(1) In accordance with the Labor Standards Act and other labor laws and regulations, the Company has formulated various management measures to protect the legitimate rights and interests of employees.	No material difference.
(2). Has the Company formulated and executed reasonable employee benefits measures (including remuneration, leaves, and other benefits), and had the operating performance or results properly reflected in employee compensation?	✓		(2) The Company has defined and implemented reasonable employee welfare measures, issuing performance bonuses and year-end bonuses based on employee performance evaluations. Provisions are made for employee remuneration as per company bylaws, and we organize annual employee trips and occasional team meals.	No material difference.
(3). Has the Company provided employees with a safe and healthy work environment as well as offered classes on safety and health to employees on a regular basis?	✓		(3) The Company provides a healthy work environment and actively invests in employee health care, including regular health checkups, care for injuries and illnesses, on-site occupational health services, and various health promotion, protection, and prevention programs to foster a proactive attitude towards health	No material difference.

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
(4). Has the Company established effective career and competence development and training plans?	✓		<p>management among employees. There was no fire accident in the Company during the year.</p> <p>(4) The Company conducts annual training needs surveys and, based on the long-term talent development direction, drafts and implements annual training plans. Post-training evaluations are conducted to strengthen employee competencies.</p>	No material difference.
(5). Does the Company comply with relevant regulations and international standards in terms of customer health and safety, customer privacy, and marketing and labeling of products and services and formulate relevant consumer protection policies and complaint procedures?	✓		<p>(5) In terms of product safety management practices, the Company complies with various international environmental protection directives in the control of the use of environmentally hazardous substances. Simultaneously, our raw material suppliers are also required to continuously meet RoHS requirements, demonstrating a shared commitment to sustainable environmental development. While improving the products and services required by customers, we attach more importance to protecting customer privacy and intellectual property rights. Confidentiality agreements are signed with customers to protect sensitive information, and employees involved in related operations are instructed to</p>	No material difference.

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
			<p>maintain strict confidentiality. Regarding information security, the Company follows the "Information Security Guidelines for TWSE/TPEX-Listed Companies" to establish relevant operational procedures, regulating information security management and requiring employees involved in relevant operations to fulfill their duties of protection and confidentiality.</p> <p>To effectively gauge customer satisfaction, the Company regularly conducts customer satisfaction surveys and analyzes the results to identify improvement measures and prevent similar issues from recurring.</p> <p>The Company has established a comprehensive customer complaint handling process, quickly conveying customer feedback to relevant units and management, and responding promptly to customer needs. Multiple communication channels are available on the Company website, including "Contact Us," "Members Area," and "President's Mailbox." There are no significant discrepancies.</p>	

Promoted Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and the Reason(s)
	Yes	No	Summary	
(6). Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety and health, or laborrights, and the implementation results?		✓	(6) Currently, the Company has not yet established specific standards requiring suppliers to comply with environmental, occupational safety and health, or labor rights issues. However, we assess whether suppliers are suitable through periodic or aperiodic evaluations using a Supplier Qualification Assessment Form. Transactions are only made with qualified suppliers, and the effectiveness of external supplier control is periodically evaluated based on the results of the Supplier Evaluation Form.	Future actions will be determined based on the Company's development needs and legal requirements.
5. Has the Company referred to the internationally accepted report preparation standards or guidelines for its preparation of ESG or other reports which disclose the Company's nonfinancial information? Has the aforementioned reports obtained a third-party assurance or verification statement?		✓	The Company has not yet compiled a sustainability report or other reports disclosing non-financial information.	The Company expects to prepare a sustainability report next year.
6. If the Company has stipulated its own sustainable development principles according to the Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies, please describe the implementation by the Company and deviations from the prescribed best practices: The Company has established the "Sustainable Development Best Practice Principles" and will implement it in accordance with the provisions of the Principles, including: planning the governance structure for promoting sustainable development, sustainable development policies, sustainable development promotion plans, etc., and regularly report to the Board of Directors for implementation Circumstances.				
7. Other material information that can help to understand how sustainable development is promoted in the Company: Please refer to the Company Website: <a href="https://www.archmeter.com/">https://www.archmeter.com/</a>				

Climate-related actions

Items	Implementation Status
1. Describe the Board of Directors and the management's oversight and governance on climate-related risks and opportunities.	The management will be responsible for assessing climate-related risks and opportunities and reporting the results to the Board of Directors.  The Board of Directors implements climate governance through strategic guidance and supervision.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	The climate risk assessment has not been completed.
3. Describe the financial impact of extreme weather events and transformative actions.	The climate risk assessment has not been completed.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The climate risk assessment has not been completed.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The climate risk assessment has not been completed.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The climate risk assessment has not been completed.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be Since 2021, Delta has officially introduced an internal carbon fee mechanism. The internal carbon price is set at \$300 per metric ton based on the internal and external carbon costs of 103 Project	No internal carbon pricing yet

Items	Implementation Status
Implementation stated.	
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Arch Meter plans to build solar power generation equipment, high-efficiency air conditioning equipment, and high-efficiency lighting equipment this year.
9. Greenhouse gas inventory and assurance.	In accordance with the regulations of FSC Taiwan, the inventory information will be disclosed in 2026 at the latest, the 2027 reduction target and related action plans will be set based on the base year, and the assurance situation will be disclosed in 2028.

VI. Fulfillment of ethical corporate management and deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies”

Evaluation Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1). Does the Company have a Board approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policies?</p> <p>(2). Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scopes of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has established the "Ethical Corporate Management Best Practice Principles", the "Procedures for Ethical Management and Guidelines for Conduct" and the "Guidelines for Ethical Conduct" approved by the Board of Directors, and actively implements these related policies.</p> <p>(2) The "Procedures for Ethical Management and Guidelines for Conduct" established by the Company govern the regular analysis and assessment by the human resources unit of business activities with higher risk of unethical behavior within the business scope, and formulate the prevention programs against unethical behavior accordingly. In addition, the Company has formulated the "Ethical Corporate Management Best Practice Principles" to cover the preventive measures against the behaviors listed in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."</p>	<p>No material difference.</p> <p>No material difference.</p>

Evaluation Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(3). Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) The Company engages in business activities based on the principles of fairness, honesty and transparency, and has established the "Procedures for Ethical Management and Guidelines for Conduct" to specifically regulate the matters that the Company's personnel should pay attention to during the performance of duties.	No material difference.
2. Implementation of ethical corporate management (1). Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The Company conducts business activities in a fair and transparent manner, and evaluates customers and suppliers before business transactions so as to avoid transactions with unethical companies.	No material difference.
(2). Does the Company have a unit responsible for ethical corporate management on a fulltime basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?		✓	(2) Currently, the Company has not established a dedicated unit under the Board of Directors to promote corporate integrity. Future actions will be determined based on the Company's development needs and legal requirements.	Future actions will be determined based on the Company's development needs and legal requirements.
(3). Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company has established the "Ethical Corporate Management Best Practice Principles" which requires directors to recuse themselves from discussing and voting on any	No material difference.

Evaluation Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(4). Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments accordingly to prevent unethical conduct, or hire outside CPAs to perform the audits?	✓		board resolutions that might conflict with their interests or those of their representatives and could potentially harm the Company's interests. (4) In order to ensure the implementation of ethical management, the Company has established an effective accounting system and internal control system, and the Audit Office regularly audits the compliance of the aforementioned systems. The Company also engages an accounting firm to audit the Company's internal control system every year.	No material difference.
(5). Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		(5) The Company has established the Ethical Corporate Management Best Practice Principles, which are disseminated to employees from time to time.	No material difference.
3. Operation of the whistleblowing system of the Company				
(1). Does the Company establish both a practical reward and whistleblowing systems, integrity hotline and appropriate personnel in charge to the reported object?	✓		(1) The Company's website features a "President's Mailbox" for reporting issues and also provides boxes for suggestions/complaints/reports, with designated personnel responsible for handling these matters. The "Regulations Governing Employee Complaints and Reporting" clearly define how employees can lodge complaints and the channels available to them. There are no significant discrepancies.	No material difference.

Evaluation Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(2). Does the Company have in place standard operating procedures for investigating accusation cases, as well as followup actions and relevant post-investigation confidentiality measures?	✓		(2) The Company assigns dedicated personnel to handle reported issues, maintaining strict confidentiality concerning the complainant and the subject of the report. Cases are reported to senior management through appropriate channels, depending on the nature of the case.	No material difference.
(3). Does the Company take measures to protect whistle-blowers from being mistreated due to whistleblowing?	✓		(3) In addition to strictly protecting the identity of complainants, the Company ensures that no complainant suffers improper treatment as a result of their report.	No material difference.
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company's Ethical Corporate Management Best Practice Principles has been disclosed on the Market Observation Post System.	No material difference.
5. If the Company has established its ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management practices: (i.e., the status of the Company's efforts to review and amend the ethical corporate management practices): Please refer to the Company Website: <a href="https://www.archmeter.com/">https://www.archmeter.com/</a>				

VII. If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched  
Please refer to the Company's website ( <http://www.archmeter.com/>) or the MOPS ( <http://mops.twse.com.tw/mops/> )

VIII. Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance  
Please refer to the Company's website ( <http://www.archmeter.com/>) or the MOPS ( <http://mops.twse.com.tw/mops/> )

IX. Internal control system implementation

(1). Statement on Internal Control

**Arch Meter Corporation**  
**Internal Control System Statement**



Date: Mar.08, 2024

Based on the findings of a self-evaluation, Delta Electronics, Inc. states the following in regards to its internal control system during the year 2023:

1. The Company is aware that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the managers of the Company. The Company has established the system for the purpose of guaranteeing the effectiveness and efficiency of the operation (including profitability, performance, asset security, etc.), the reliability, timeliness and transparency of reporting, and full compliance with relevant laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. Control activities, iv. information and communication, and v. monitoring activities. Each component includes a number of items. Please see the Regulations for rules of the aforementioned items
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid internal control criteria. 5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance on our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations
6. This Statement is an integral part of the Company's annual report for the current period and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors in their meeting held on March 08, 2024, with all of its ten attending directors affirming the content of this Statement.

Arch Meter Corporation

Chairman: Chen, Jan-Ku



President : Tseng, Wen-Liang



(2). If CPAs are engaged to review the internal control system, their report shall be disclosed: None.

X. For the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, disclose any disciplinary actions imposed in accordance with the law upon the Company or its internal personnel, as well as disciplinary actions imposed by the Company upon its internal personnel for violations of internal control system provisions, and the result of such disciplinary actions that may have caused significant impact on shareholders' equity or securities prices, content of the disciplinary actions, and principal deficiencies, then specify any corrective actions taken: None.

XI. Major Resolutions of Shareholders' Meeting and Board Meetings for the most recent fiscal year or during the current fiscal year up to the printing date of the annual report

(1). Contents of important resolutions of the 2023 annual shareholders' meeting

Date	Type	Resolutions
112.06.29	Annual General Shareholders' Meeting	<ol style="list-style-type: none"> <li>1. Recognition of the Company's 2022 business report and financial statements</li> <li>2. Recognition of the distribution of earnings in 2022</li> <li>3. The Company's application for public listing on the TWSE (TPEX)</li> <li>4. Before the initial application for public listing on the TWSE (TPEX), the issuance of new shares through public underwriting and the waiver of preemptive rights by existing shareholders</li> <li>5. Amendments to certain provisions of the Company's "Articles of Incorporation"</li> <li>6. Amendments to certain provisions of the Company's " Rules and Procedures of Shareholders' Meeting"</li> <li>7. Election of one additional independent director</li> <li>8. Approval to lift non-competition restrictions on the newly elected independent director</li> </ol>

(2). Key resolutions of the Board of Directors

Date	Term	Resolutions
2023.03.29	8th Term 4th Meeting	<ol style="list-style-type: none"> <li>1. Approved the application for financing facilities from financial institutions</li> <li>2. Approved the distribution of remuneration to employees and directors for 2022</li> <li>3. Approved the Company's 2022 financial statements</li> <li>4. Approved the Company's 2022</li> </ol>

Date	Term	Resolutions
		<p>business report</p> <ol style="list-style-type: none"> <li>5. Approved the Company's 2022 earnings distribution plan</li> <li>6. Approved the Company's application for public listing on TWSE (TPEX)</li> <li>7. Approved the issuance of new shares through public underwriting prior to the initial application for public listing on the TWSE (TPEX), and the waiver of preemptive rights by existing shareholders</li> <li>8. Approved the Company's "2022 Statement of Internal Control System"</li> <li>9. Approved amendments to certain provisions of the Articles of Incorporation</li> <li>10. Approved the establishment of the Company's "Ethical Corporate Management Best Practice Principles", "Ethical Management and Guidelines for Conduct", and "Code of Ethical Conduct"</li> <li>11. Approved amendments to certain provisions of the Company's "General Principles of the Internal Control System" and "R&amp;D Cycles"</li> <li>12. Approved the establishment of the "Regulations Governing Transactions within Group Enterprises, Specific Companies and Related Parties" and abolishing the "Regulations Governing Transactions with Related Parties"</li> <li>13. Approved amendments to the Company's "Regulations Governing the Handling of Material Inside Information and Prevention of Insider Trading" and renamed as the "Procedures for the Handling of Material Inside Information and Prevention of Insider Trading"</li> <li>14. Approved the election of one additional independent director</li> <li>15. Approved the lifting of non-competition restrictions on the newly elected independent director(s)</li> <li>16. Conversion of employee stock options to common stock and issuance of new shares</li> <li>17. Approved the setting of the date, time, venue, proposal matters, the period and venue for receiving nominations from</li> </ol>

Date	Term	Resolutions
		shareholders holding 1% or more of the total number of issued shares of the Company's 2023 annual shareholders' meeting
2023.05.17	8th Term 5th Meeting	<ol style="list-style-type: none"> <li>1. Approved the application for financing facilities from financial institutions</li> <li>2. Approved the distribution of directors' remuneration and remuneration to managerial officers for 2022.</li> <li>3. Approved the establishment of the Company's "Corporate Governance Best Practice Principles" and "Sustainable Development Best Practice Principles"</li> <li>4. Approved amendments to certain provisions of the Company's "Ethical Corporate Management Best Practice Principles"</li> <li>5. Approved amendments to certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings"</li> <li>6. Approved the eligibility review for independent director candidates</li> <li>7. Approved and amended the agenda for the 2023 annual general shareholders' meeting</li> </ol>
2023.08.09	8th Term 6th Meeting	<ol style="list-style-type: none"> <li>1. The Company's application of loan facilities from financial institutions</li> <li>2. The Company's financial statements for Q2, 2023</li> <li>3. Amendments to certain provisions of the "Regulations Governing Making of Endorsements/ Guarantees" and the "Regulations Governing Loaning of Funds to Others"</li> <li>4. Amendments to certain provisions of the "Procurement and Payment Cycle," "Production Cycle," "Financing Cycle," "Fixed Assets Cycle," "Investment Cycle" and "R&amp;D Cycle"</li> <li>5. Amendments to certain provisions of the "Regulations Governing the Collection and Use of Negotiable Instruments," "Regulations Governing the Management of Financial and Non-financial Information," "Regulations Governing the Preparation of Financial Statements," "Regulations Governing the Supervision and Management of Subsidiaries," and "Procedures for Applying for Suspension and</li> </ol>

Date	Term	Resolutions
		<p>Resumption of OTC Trading of Listed Stocks" Trading Procedures" and "Regulations Governing Transactions within Group Enterprises, Specific Companies and Related Parties"</p> <p>6. Amendments to certain provisions of the "Organizational Charter of the Remuneration Committee"</p> <p>7. Appointment of a Chief Corporate Governance Officer</p> <p>8. Appointment of Independent Director Jin-Yi Hsiao as a member of the Remuneration Committee</p> <p>9. To align with the Company's application for listing on the TWSE or TPEX, the approval was granted for the custodial planning for the initial public offering (IPO) of stocks and the agreement for over-allotment in the listing process.</p>
2023.09.22	8th Term 7th Meeting	<p>1. The Company's application of loan facilities from financial institutions.</p> <p>2. Amendments to certain provisions of the "Sales and Payment Cycle," "Procurement and Payment Cycle," "Production Cycle," "Payroll Cycle," "Fixed Assets Cycle," and "Electronic Information Cycle"</p> <p>3. Amendments to certain provisions of the "Decision-Making Authority Approval Level," "Property Management Regulations," "Implementation Measures for Delegation of Duties and Agency System," "Personal Data Protection Management Regulations" and "Rules Governing the Scope of Responsibilities of Independent Directors"</p> <p>4. Amendments to certain provisions of the "Ethical Corporate Management Best Practice Principles," " Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct," and "Corporate Governance Best Practice "</p> <p>5. The Company issued a statement of internal control system during the review period of the internal control project</p> <p>6. The Company's financial forecast for</p>

Date	Term	Resolutions
		Q3 and Q4, 2023 7. The Company's "Corporate Governance Self-Evaluation Report"
2023.10.24	8th Term 8th Meeting	1. Approver of the Company audit report 2. Amendments to certain provisions of the "General Principles of the Internal Control System"
2023.11.06	8th Term 9th Meeting	1. The Company's financial statements for Q3, 2023 2. The Company's "2024 Audit Plan"
2023.12.01	8th Term 10th Meeting	1. The Company's issuance of new shares for cash capital increase as part of the public underwriting of shares before listing on TWSE. 2. Evaluation of the independence and competency of the Company's CPAs 3. Appointment and remuneration of the CPAs for the Company's financial statements. 4. Proposal for distributing year-end bonuses and incentive bonuses in 2023 5. Salary adjustment for managerial officers 6. Establishment of the "Regulations Governing the Capital Increase in Cash for Employee Stock Subscription" 7. 2023 distribution of common shares issued from cash capital increase for managerial officers' share subscription 8. The Company's "2024 Operating Plan"
2024.03.08	8th Term 11th Meeting	1. Approved the distribution of remuneration to employees and directors for 2023 2. The policy and system, standards and structure of the Company's managerial officers' remuneration 3. The Company's 2023 financial statements 4. The Company's 2023 business report 5. The distribution of earnings in 2023 6. Amendments to the " Rules Governing the Conduct of the Board Meetings" 7. Amendments to certain provisions of "Production Cycles" 8. Establishment of the "Guidelines for Handling Directors' Requests" 9. Amendments to the "Organizational Charter of the Audit Committee" 10. The Company's "2023 Statement of Internal Control System" and effectiveness evaluation

Date	Term	Resolutions
		11. Construction of solar power generation equipment 12. Purchase of factory premises and parking lots 13. Conversion of employee stock options to common stock and issuance of new shares 14. The convening of the 2024 annual shareholders' meeting of the Company and the acceptance of proposals from shareholders
2024.05.10	8th Term 12th Meeting	1. Approved the distribution of directors' remuneration for 2023 2. Approved the distribution of the remuneration to managerial officers for 2023 3. The Company's application of loan facilities from financial institutions 4. The Company's financial statements for Q1, 2024

XII. Where, during the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, a director expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion was recorded or prepared as a written declaration, disclose the principal content thereof: None.

XIII. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, of the Company's Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer and Chief Research and Development Officer: None.

### 3.5 Information on CPA professional fees

- I. Audit fees and non-audit fees paid to the certified public accountants, to the accounting firm of the certified public accountants, and/or to any affiliated enterprise of such accounting firm and details of non-audit services

Unit: NT\$ thousands

Name of CPA firm	Name of CPA	Audit periods	Audit fees	Non-audit fees	Total	Remarks
PricewaterhouseCoopers	Chiang, Tsai-Yen Hsieh, Chih-Cheng	112/01/01-112/12/31	1,400	600	2,000	Non-audit expenses include: Stock Listing project service fee NT\$ 600,000.

- II. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

- III. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

### 3.6 Information on replacement of certified public accountant

None

- 3.7 Where the Company's chairperson, presidents, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held

None

- 3.8 Any transfer of equity interests and/or pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the printing date of the annual report

- I. Change in Shareholdings Holding by Directors, Management and Shareholders with 10% Shareholdings or More

Title	Name	2023		Current year up to April 23, 2024		Remark
		Holding increase (decrease)	Pledged holding increase (decrease)	Holding increase (decrease)	Pledged holding increase (decrease)	
Director /CEO	Chen, Jan-Ku	(1,199,000)	—	—	—	
Director / Managing Director	Tseng, Wen-Liang	—	—	—	—	
Director	Yung, Teh-Yuh	—	—	—	—	

Title	Name	2023		Current year up to April 23, 2024		Remark
		Holding increase (decrease)	Pledged holding increase (decrease)	Holding increase (decrease)	Pledged holding increase (decrease)	
Director / Shareholder holding more than ten percent of the total shares	Shihlin Electric & Engineering Corp.	—	—	—	—	
	Chang, Chin-Wen	—	—	—	—	
Director	Alex Chang	—	—	—	—	
Director	Tseng, Chun Hung	—	—	—	—	
Independent Director	Chen, Shih-Chien	—	—	—	—	
Independent Director	Shih, Jung Shun	—	—	—	—	
Independent Director	Hsu, Wan-Hsin	—	—	—	—	
Independent Director	Hsiao, Chin-Yi	—	—	—	—	
R&D Director	Chou, An Li	(20,000)	—	10,000	(20,000)	
Business Deputy Director	Fang, Shih Shiung	—	—	(4,000)	—	
Manufacturing Director	Liu, Zheng Zhong	—	—	18,000	—	
CFO	Wang, Yi-Ting	—	—	13,000	—	
Audit Supervisor	Wang, Chen Ru	—	—	8,000	—	
CGO	Hsu, Shu-Lung	—	—	10,000	—	

II. Stock transfers to related parties: None.

III. Pledge of stock rights to related parties: None.

3.9 Relationship information, if any one among the Company's 10 largest shareholders is a related party or a relative within the second degree of kinship of another

April 23, 2024

Name	Shareholding		Spouse's / minor's shareholding		Shareholding by nominee arrangement		Specify the names and relations of the top-10 shareholders who are related-parties or spouse or kindred within the 2nd degree of		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Shihlin Electric & Engineering Corp.	5,636,050	13.15	—	—	—	—	—	—	—
Responsible person: Emmet Hsu	—	—	—	—	—	—	—	—	—
Prolific Technology Inc.	2,500,000	5.83	—	—	—	—	—	—	—
Responsible person: Chang, Ching-Tang	—	—	—	—	—	—	—	—	—

Name	Shareholding		Spouse's / minor's shareholding		Shareholding by nominee arrangement		Specify the names and relations of the top-10 shareholders who are related-parties or spouse or kindred within the 2nd degree of		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Taipei Fubon Bank entrusted with the TIEF FUND L.P.	1,640,000	3.83	—	—	—	—	—	—	—
Rong, Mei yun	1,600,000	3.73	—	—	—	—	—	—	—
Ho-Yeh Investment Co., Ltd.	1,512,000	3.53	—	—	—	—	—	—	—
Responsible person: Shieh, Ming-Sing	—	—	—	—	—	—	—	—	—
Zhan, Sheng Kui	1,480,000	3.45	—	—	—	—	—	—	—
Allis Electric Co., Ltd.	1,248,000		—	—	—	—	—	—	—
Responsible person: Sung, Herr-Yeh	—	—	—	—	—	—	—	—	—
Chen, Jan-Ku	1,226,000	2.86	—	—	—	—	Chen, Jan-Ku Chairman of Yu Cheng Investment Co., Ltd.	Same as the responsible person	—
Yu Cheng Investment Co., Ltd. Responsible person: Chen, Jan-Ku	1,199,000	2.80	—	—	—	—	Chen, Jan-Ku	Same as the responsible person	—
Kuo, Yun Shan	1,005,000	2.35	—	—	—	—	—	—	—

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and managers, and any companies controlled either directly or indirectly by the Company

None

## 4 Capital and Shares

### 4.1 Capital and Shares

#### I. Source of capital

April 23, 2024

Types of Shares	Authorized Capital			Remarks
	Issued shares	Unissued Shares	Total	
Common Shares	42,857,000	7,143,000	50,000,000	

Year. month	Par Value	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Property other than cash as payment for share subscription	Others
106/06	10	40,000,000	400,000	29,120,000	291,200	Capital increase in cash NT\$ 31,200 thousand	None	Note 1
107/11	15	40,000,000	400,000	33,312,000	331,200	Capital increase in cash NT\$ 40,000 thousand	None	Note 2
109/10	25	40,000,000	400,000	36,120,000	361,200	Capital increase in cash NT\$ 30,000 thousand	None	Note 3
111/01	10	50,000,000	500,000	36,536,000	365,360	Employee stock options NT\$ 4,160 thousand	None	Note 4
111/06	10	50,000,000	500,000	38,888,000	388,880	Employee stock options NT\$ 23,520 thousand	None	Note 5
112/04	10	50,000,000	500,000	38,918,000	389,180	Employee stock options NT\$ 300 thousand	None	Note 6
113/02	10	50,000,000	500,000	42,818,000	428,180	Capital increase in cash NT\$ 39,000 thousand	None	Note 7
113/04	10	50,000,000	500,000	42,857,000	428,570	Employee stock options NT\$ 390 thousand	None	Note 8

Note 1: Hsinchu Science Park Administration, Ministry of Science and Technology: Zhu-Shang-Zhi No. 1060018851; Approved on July 13, 2017

- Note 2: Hsinchu Science Park Administration, Ministry of Science and Technology: Zhu-Shang-Zhi No.1070033764; Approved on November 15, 2018.
- Note 3: Hsinchu Science Park Administration, Ministry of Science and Technology: Zhu-Shang-Zhi No. 1090029542; Approved on October 21, 2020.
- Note 4: Hsinchu Science Park Administration, Ministry of Science and Technology: Zhu Shang Zi No. 1110001972; Approved date: January 21, 2022.
- Note 5: Hsinchu Science Park Administration, Ministry of Science and Technology: Zhu-Shang-Zhi No. 1110020114; Approved on June 29, 2022.
- Note 6: Hsinchu Science Park Bureau, National Science and Technology Council: Zhu Shang Zi No. 1110020114; Approved on April 7, 2023.
- Note 7: Hsinchu Science Park Bureau, National Science and Technology Council: Zhu Shang Zi No. 1130003722; Approved on February 5, 2024.
- Note 8: Hsinchu Science Park Bureau, National Science and Technology Council: Zhu Shang Zi No. 1130008057; Approved on March 21, 2024.

## II. Shareholder structure

April 23, 2024; unit: person; share; %

Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	—	—	15	5,611	12	5,638
Number of Shares Held	—	—	13,616,050	26,843,950	2,397,000	42,857,000
Shareholding Percentage	—	—	31.77	62.64	5.59	100.00

Note: There is no Mainland Chinese capital in the shareholder structure of the Company.

## III. Diffusion of ownership

April 23, 2024; unit: person; share; %

Shareholding Range	Number of shareholders	Number of Shares Held	Shareholding Percentage
1 至 999	1,151	137,310	0.320
1,000 ~ 5,000	3,957	6,154,116	14.360
5,001 ~ 10,000	286	2,333,853	5.446
10,001 ~ 15,000	68	879,726	2.053
15,001 ~ 20,000	48	895,000	2.088
20,001 ~ 30,000	32	825,095	1.925
30,001 ~ 40,000	17	607,100	1.416
40,001 ~ 50,000	14	654,000	1.526
50,001 ~ 100,000	25	1,770,500	4.131
100,001 ~ 200,000	16	2,216,250	5.171
200,001 ~ 400,000	7	2,153,500	5.025
400,001 ~ 600,000	2	1,070,500	2.498
600,001 ~ 800,000	3	2,250,000	5.250
800,001 ~ 1,000,000	2	1,864,000	4.349
1,000,001 ~ 1,200,000	2	2,204,000	5.143

Shareholding Range	Number of shareholders	Number of Shares Held	Shareholding Percentage
1,200,001 ~ 1,400,000	2	2,474,000	5.773
1,400,001 ~ 1,600,000	3	4,592,000	10.715
1,600,001 ~ 1,800,000	1	1,640,000	3.827
1,800,001 ~ 2,000,000	0	0	0
2,000,001 and more	2	8,136,050	18.984
Total	5,638	42,857,000	100.00

#### IV. List of major shareholders

April 23, 2024; Unit: Share; %

Name of major shareholder	Shareholdings	Shares held	Shareholding ratio
Shihlin Electric & Engineering Corp. Responsible person: Hsu, Yu-Rui		5,636,050	13.15
Prolific Technology Inc. Responsible person: Chang, Ching-Tang		2,500,000	5.83
Taipei Fubon Bank entrusted with the TIEF FUND L.P.		1,640,000	3.83
Rong, Mei Yun		1,600,000	3.73
Ho-Yeh Investment Co., Ltd. Responsible person: Shieh, Ming-Sing		1,512,000	3.53
Zhan, Sheng Kui		1,480,000	3.45
Allis Electric Co., Ltd. Responsible person: Sung, Herr-Yeh		1,248,000	2.91
Chen, Jan-Ku		1,226,000	2.86
Yu Cheng Investment Co., Ltd. Responsible person: Chen, Jan-Ku		1,199,000	2.80
Kuo, Yun Shan		1,005,000	2.35

#### V. Market price for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$, Shares

Item	Year	2022	2023
Market price per share	Highest	Unlisted	Unlisted
	Lowest	Unlisted	Unlisted
	Average	Unlisted	Unlisted
Net Value Per Share	Before distribution	13.20	13.20
	After distribution	12.20	(Note 1)
Earnings per share	Weighted average number of shares	37,794 thousand shares	38,913 thousand shares
	Earnings per share	2.73	4.03
Dividends per share	Cash dividends	1	3

Item		Year	2022	2023
		Bonus stock dividend	Stock dividend from retained earnings	—
Stock dividend from capital reserve	—		—	
Accumulated unpaid dividends	—		—	
Analysis of investment return (Note 2)	Price-to-earnings ratio	Unlisted	Unlisted	
	Price-to-dividend ratio	Unlisted	Unlisted	
	Cash dividend yield	Unlisted	Unlisted	

Note 1: The 2023 earnings distribution plan has not yet been approved by the 2024 Annual General Shareholders' Meeting.

Note 2: As the Company's shares have not yet been listed on TWSE/TPEX in 2023, there is no market price for reference, and the relevant ratios cannot be calculated.

## VI. Company's dividend policy and implementation thereof

### (1). Dividend policy provided in the articles of incorporation :

If there is a profit upon the final accounting of each fiscal year, the Company shall first set aside profit-seeking enterprise income tax to be paid and offset its losses accumulated in the past. If there is any surplus, the Company shall set aside the legal reserve at 10% of the remaining earnings, unless the legal reserve reaches the Company's paid-in capital. The residual balance, if any, shall be added to the beginning undistributed earnings. The board of directors shall prepare the proposal for distribution of earnings and submit to the shareholders' meeting for resolution before distribution.

The Company's dividend policy takes into account the Company's overall business environment and capital needs in the future, and dividends shall be distributed in accordance with the principles of stability and balance. The type of dividend is determined based on the Company's earnings, financial structure, and future capital budget. The dividends and bonuses for shareholders shall not be less than 10% of the distributable earnings for each fiscal year. The distribution of dividends and bonuses for shareholders may be paid either in cash or in stocks, with no less than 50% distributed in cash. The Company's shareholders' meeting may determine the most timely and appropriate distribution method of dividends, prioritizing the interests and development of the Company as the highest principle.

### (2). The dividend distributions proposed at the most recent shareholders' meeting :

On March 8, 2024, the Board of Directors resolved to distribute cash dividends amounting to NT\$ 128,454 thousand (NT\$3 per share). This proposal will be handled in accordance with the relevant regulations after the resolution of the annual general shareholders' meeting on June 21, 2024.

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

## VIII. Compensation of employees and directors

### (1). The proportions or ranges of remuneration for employees, directors, and supervisors as stipulated in the Company's Articles of Incorporation:

For a profitable fiscal year, the Company shall appropriate at least 5% of the profit as employee remuneration and not more than 3% as director remuneration.

However, in the event of accumulated losses, the Company shall first reserve a sufficient amount to offset the losses.

- (2). The basis for estimating the amount of remuneration to employees, directors, and supervisors, the basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

The company's profit before tax for 2023 was NT\$195,909,959. There were no losses carried forward from the beginning of the year. It is proposed to allocate 5% of the profit as employee remuneration, amounting to NT\$10,647,281. 3% distribution of directors' remuneration totaling NT\$ 6,388,366. These are distributed in cash, which is in line with the amount estimated in 2023.

- (3). Distribution of remuneration approved by the Board of Directors:

Employees' remuneration and directors'/supervisors' remuneration, in cash or in shares. If there is any difference between the estimated amount and the recognized expense, the amount of the difference, the reason for the difference and the treatment status should be disclosed: The Company's Board of Directors resolved on March 8, 2024 to distribute cash remuneration to employees amounting to NT\$10,647,281 and directors' remuneration amounting to NT\$6,388,366 in 2023. There were no discrepancies with the estimated amounts.

- (4). The ratio of the amount of remuneration to employees distributed in stock to the net income after tax in the parent company only financial statement or the individual financial statement for the current period and the total amount of remuneration to employees:

The Company's Board of Directors resolved on March 8, 2024 that the distribution of remuneration to employees and directors in 2023 to be made in cash, and thus this situation does not apply.

- (5). The actual distribution of remuneration to employees, directors, and supervisors in the previous year (including the number of shares, amount, and price of the shares distributed), and any discrepancy between the actual distribution and the recognized remuneration to employees, directors, and supervisors, the reason for the discrepancy, and treatment of such discrepancy:

There is no difference between the actual distribution of employees' remuneration and directors' remuneration for 2022.

IX. Status of the Company repurchasing its own shares: None.

4.2 Status of issuance of corporate bonds

None.

4.3 Status of preferred shares

None.

4.4 Status of issuance of global depository receipts

None.

#### 4.5 Status of employee share subscription warrants

##### I. Unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report :

April 23, 2024

Types of employee stock options	The first employee stock option warrant of 2018	
Effective date of filing and total number of units	July 26, 2022/ 3,000 units	
Date of issue	January 2, 2019	December 1, 2021
Number of units issued (Note 1)	2,900 units	195 units
Number of outstanding units	0	0
Number of subscribed shares as a percentage of total issued shares	6.77%	0.46%
Subscription period	January 2, 2021 - January 1, 2025	December 1, 2023 - November 30, 2027
Method of performance	Issuance of new shares	
Restrictions on the subscription period and ratio:	<u>Duration of stock warrants</u>	<u>Percentage exercisable</u>
	<u>Eligible after two years</u>	<u>20%</u>
	<u>Eligible after three years</u>	<u>100%</u>
Shares acquired upon exercise	2,805,000	—
Amount paid for shares acquired upon exercise	28,050,000	—
Number of unexercised subscription options	0 股	163,000 shares
Price per share for unexercised subscription options	NT\$ 10.00	
Unexercised subscription quantity as a percentage of total issued shares	0.00%	0.308%
Effect on shareholders' equity	The stock option warrants can be exercised starting two years after the issuance date according to the scheduled plan, with a validity period extending up to six years. The dilution effect on shareholder equity is considered limited.	

Note 1: Each unit of employee stock options is entitled to subscribe for 1,000 common shares of the Company; however, for the units issued in 2019, a total of 95 units may be recovered after the employee leaves the company in accordance with the Regulations Governing the Issuance of Shares.

Note 2: 42,857,000 shares issued.

##### II. Names of top-level company executives and top ten employees holding employee share subscription warrants and the cumulative number of such warrants exercised by

said executives and employees as of the date of publication of the annual report :

April 23, 2024

	Title	Name	Acquired shares (thousand shares)	Percentage of subscription shares acquired to total issued shares (%)	Exercised			Unexercised				
					Number of subscription shares (thousand shares)	Subscription price (NT\$)	Subscription amount (NT\$ thousands)	Subscription quantity as a percentage of total issued shares (%)	Number of subscription shares (thousand shares)	Subscription price (NT\$)	Subscription amount (NT\$ thousands)	Subscription quantity as a percentage of total issued shares (%)
Managerial Officer	CEO	Chen, Jan-Ku	990	2.31	990	10	9,900	2.31	—	10	—	—
	Managing Director	Tseng, Wen-liang										
Employees (Note 1)	Employees	Fang, ○○	930	2.17	930	10	9,300	2.17	—	10	—	—
	Employees	Chu, ○○										
	Employees	Lee, ○○										
	Employees	Chou, ○○										
	Employees	Lin, ○○										
	Employees	Lin, ○○										
	Employees	Chen, ○○										
	Employees	Yang, ○○										
	Employees	Liao, ○○										
Employees	Dai, ○○											

Note 1: The top 10 employees in terms of the number of shares that may be subscribed to the warrants obtained refer to those who are not managerial officers, and are listed in descending order of their surname.

Note 2: 42,857,000 shares issued.

#### 4.6 Status of new restricted employee shares

None.

#### 4.7 Status of issuance of new shares in connection with mergers or acquisitions :

None.

#### 4.8 Implementation of the capital allocation plans :

As of the previous quarter before the date of publication of the Report, the Company had no outstanding fund-raising plan, and the benefits of the completed plans have been fully demonstrated.

## 5 Overview of Business Operations

### 5.1 A description of the business

#### I. Scope of business

##### (1) Principal business activities

CC01010	Power Generation, Transmission and Distribution Machinery Manufacturing.
CC01080	Electronic Components Manufacturing
CE01010	General Instrument Manufacturing.
CE01021	Weights and Measuring Instruments Manufacturing
E601010	Electric Appliance Installation Contractor (Limited to work at customers' premises)
E603050	Automatic Control Equipment Engineering (Limited to work at customers' premises)
F401010	International Trade.
F401181	Measuring Instruments Import.
I501010	Product Designing.
IG03010	Energy Technology Services.
JA02051	Weights and Measuring Instruments Repair Research, design, development, manufacturing, and sales of the following products: Electronic energy meters and related products

##### (2) Proportion of main product sales

Unit: NT\$ thousands; %

Item \ Year	2022		2023	
	Amount	Proportion to overall product sales	Amount	Proportion to overall product sales
Smart grid	515,147	71.99	883,881	85.24
Power measurement instrument	122,179	17.07	116,310	11.21
Energy management solution	78,286	10.94	36,768	3.55
Total	715,612	100.00	1,036,959	100.00

##### (3) Current products (services) and purposes:

The Company's main business includes: smart grid, power measurement instrument and energy management solution and other related products and services. At present, the smart grid is dominated by smart meter-related products, and the main users are domestic and foreign power companies. Power measurement instrument mainly refers to various power monitoring instruments, and the users include the majority of industrial and commercial users. The energy management solution provides measurement instruments and full-system integration services, offering power management, energy monitoring, and facility monitoring for medium to large power users.

The Company is among the few that can operate in both high-volume general smart meters and diversified power monitoring instrument markets. Our service scope also includes everything from supplying individual products to complete system integration.

(4) Planned development of new products (services)

R&D Field	Anticipated R&D content
Smart grid	<ol style="list-style-type: none"> <li>1. Enhance the information security levels of smart meters in alignment with international and Taiwan Power Company (Taipower) proposed standards.</li> <li>2. Develop customized smart meters according to specific foreign requirements and obtain supplementary certifications as per IEC (International Electrotechnical Commission) standards.</li> <li>3. Develop advanced power measurement instruments integrating modern distribution automation communication protocols and transient power quality measurement.</li> </ol>
Value-added services for derivative users	<ol style="list-style-type: none"> <li>1. Develop devices capable of measuring and analyzing electrical characteristics for electric utility value-added services. These devices estimate customer power usage patterns at the user end and, through a cloud platform integrated with artificial intelligence (AI) algorithms, offer value-added services to users.</li> <li>2. In line with the promotion of electric vehicles (EVs), develop power measurement and protection modules for charging piles and other charging devices, providing front-end sensing and billing devices for charging management platforms.</li> </ol>

II. Industry overview

(1) Current status and development of the industry

According to Statistic MRC's "Advanced Metering Infrastructure – Global Market Outlook (2020-2028)," the global AMI market is expected to grow from USD 7.74 billion in 2020 to USD 22.6 billion by 2028, with an annual growth rate of 14.3%.

- The communication module segment is projected to grow from USD 5.178 billion in 2020 to USD 14.464 billion in 2028, at an annual growth rate of 13.7%.
- The smart meter segment is expected to grow from USD 2.427 billion in 2020 to USD 7.059 billion in 2028, at an annual growth rate of 14.3%. The Asia-Pacific region is experiencing the highest growth rate among global markets.

Unit: USD millions

Regions	2019	2020	2021	2025	2028	GAGR%
North America	636.7	830.0	997.4	2,025.7	2,386.1	14.1
Europe	504.5	652.9	778.7	1,572.9	1,842.5	13.8
Asia Pacific	288.6	383.5	469.6	989.0	1,207.1	15.4
South America	251.3	327.6	393.7	810.3	967.1	14.5
Middle East and Africa	180.6	233.0	277.1	560.0	656.5	13.8
All	186.1	2,427.0	2,916.5	5,957.8	7,059.3	14.3

Source: 《Advanced Metering Infrastructur – Global Market Outlook (2020-2028)》。

Currently, the deployment of Advanced Metering Infrastructure (AMI) for electric meters is progressing rapidly in Western Europe, the USA, China, Japan, and South Korea. Many emerging countries in Southeast Asia and the Middle East are in the early stages of transitioning to large-scale deployments.

According to the Executive Yuan's approved plan, Taipower is set to complete the installation of AMI for 3 million households by 2024. The National Development Council plans to have Taipower fully replace 14 million households with smart meters by 2035. Taipower's demand for smart meters has been increasing yearly, with purchases of 350,000 units in 2018, 550,000 units in 2019, 850,000 units in 2020, and approximately 1,430,000 units in 2021. From 2023 to 2024, Taipower has issued tenders for the purchase of 3.4 million smart meters, of which our Company has secured 700,000 units. Following this installation plan, the annual demand for smart meters is estimated to grow from about 1.5 million units to approximately 2 million units per year, with the market size estimated to grow from NT\$3.68 billion per year to about NT\$4.92 billion per year. By 2036, the market is expected to stabilize, with an estimated annual demand of about 1.5 million units, valued at approximately NT\$3.68 billion.

According to MarketsandMarkets, the market related to power monitoring equipment will grow from USD 3.8 billion in 2019 to USD 5.2 billion in 2024, with a compound annual growth rate (CAGR) of about 6.1%. Power monitoring equipment products have a long life cycle, high reliability requirements, great influence on brand image, and slow market introduction. The Company's products, after being extensively tested in the domestic market, have established us as a leading manufacturer domestically. We are now gradually expanding into international markets.

## (2) Correlation among upstream, midstream, and downstream industries

The correlation between the upstream and downstream of the AMI industry is shown in the table below:

	Attribute	Participants	Correlation
Upstream	Raw materials	Key microchips, communication modules, PCB/hardware materials and processing	<ul style="list-style-type: none"> <li>● Key microchips and communication modules directly affect the product development and production capacity of the midstream manufacturers.</li> <li>● The price fluctuation of raw materials affects the cost of mid-stream manufacturers.</li> </ul>
Midstream	Composition of AMI systems	Electricity meter manufacturers, communication manufacturers, back-end platform manufacturers	<ul style="list-style-type: none"> <li>● The electricity meter manufacturers compete with each other.</li> <li>● The electricity meter, communication and back-end platform manufacturers are in a collaborative relationship.</li> </ul>
Downstream	Service provider	Power companies, value-added service providers	<ul style="list-style-type: none"> <li>● Power companies lead the market dynamics and product specification.</li> <li>● Value-added service providers are affected by the openness of the power company's services and rely on the support of the midstream suppliers for product functions.</li> </ul>

- We maintain a collaborative relationship with midstream communication manufacturers to jointly develop the overseas AMI market.
- In terms of downstream value-added services, we conduct preliminary research from the perspective of R&D to explore the feasibility of participating.

### (3) Development trends of products

In terms of the development trends for AMI, based on the European Commission Recommendation 2012/148/EU, which defines 10 basic functionalities for AMI, the compatibility of Taipower's standards and the Company's products are outlined as follows:

2012/148/EU Basic Functions	Taipower Specifications	The Products
The meter data can be directly read by users and third parties	Covered	Supported
Reading frequency sufficient for	Covered	Supported

2012/148/EU Basic Functions	Taipower Specifications	The Products
energy conservation		
Meter data available to power system operators	Not applicable in Taiwan (no system operators)	Not related to the meter
Bi-directional communication for maintenance and control	Covered	Supported
Frequency of meter reading is sufficient to facilitate power system planning	Covered	Supported
Advanced electricity tariff calculation	Covered	Supported
Remote power connection/disconnection and load limiting	Partially covered	Partial supported
Secure communication transmission	Covered	Supported
Electricity theft prevention and detection	Partially covered	Partial supported
Bi-directional metering and reactive power measurement	Covered	Supported

It is evident that both Taipower's standards and the functionalities of our products align with the international basic specifications for AMI. However, with technological advancements, key upgrades become imperative, particularly in the following areas:

- There is a noticeable shift towards upgrading from the current IEC 62056 suite 0 to either suite 1 or suite 2. We are actively engaged in relevant research and development efforts to stay abreast of these advancements.
- This primarily entails enhancing power quality measurement capabilities, including features for harmonic analysis and transient power quality measurement,
- Various user value-added services derived from AMI are currently undergoing diversified tests in various countries, including home energy display, user energy management integration, and electricity consumption information integrated application with cloud and artificial intelligence.

#### (4) Product competition

Regarding the domestic competition of smart meters, the current main domestic suppliers of smart meters are as follows:

Smart meter suppliers	Related business scopes
Tatung Corporation	Heavy duty products, switchboards, transformers, smart meters, solar energy, system integration

Smart meter suppliers	Related business scopes
Chung-Hsin Electric and Machinery Manufacturing Corp.	Specializes in power distribution products, electrical engineering, smart meters, power automation, fuel cells, and system integration.
AcBel Polytech Inc.	Power supplies, AC/DC converters, smart meters, smart meter communication systems.
Advanced Meter Inc.	Smart meters, electronic meters. DAS Technology Co., Ltd.
Arch Meter Corporation	Smart grid, power measurement instrument, energy management solution

Taipower, the primary customer for smart meters in Taiwan, conducts purchases through a tender process. Since 2022, Taipower's procurement of smart meters has shifted to selective bidding following the finalization of new smart meter specifications. Participating manufacturers must pass a series of tests and certifications such as Taipower's manufacturing capacity review. There are many test items, the required time is long, and the threshold for entry is high. This high entry barrier helps to prevent cutthroat competition.

### III. Overview of Technology and R&D

- (1) R&D expenses during the most recent year and up to the date of publication of this annual report

Unit: NT\$ thousands; %

Item	Year	2023	2024 Q1
	R&D expenses		33,632
Operating revenue		1,036,959	243,866
As a percentage of net revenue (%)		3.24	6.57

- (2) Technologies or products successfully developed during the most recent two years and up to the date of publication of this Report

Year	R&D Achievements
2022	<ul style="list-style-type: none"> <li>● Completed the implementation and testing of the NIALM sensor's electrical characteristic extraction algorithm.</li> <li>● Completed the prototype for an electric power measurement and leakage detection module for charging piles.</li> </ul>
2023	<ul style="list-style-type: none"> <li>● Achieved mass production of power measurement and leakage protection products for electric vehicle charging stations.</li> <li>● Completed the prototype design for upgrading the cybersecurity level of smart meters to IEC 62056 suite 1.</li> </ul>

Year	R&D Achievements
	<ul style="list-style-type: none"> <li>● Completed preliminary integration tests of NIALM sensors with cloud-based AI systems for identifying the operational states of home appliances.</li> <li>● Completed pre-certification testing for ANSI smart meters for international markets.</li> </ul>

#### IV. Long-term and short-term business development plans

##### (1) Short-term business goals

For smart grid, Taipower will optimize the manufacturing process and expand production capacity to respond to the large demand for smart meters to consolidate and increase its market share.

For the power measurement instrument series, we will continue to expand the product line and strengthen both domestic and international channels and market positions. The Company plans to expand into new types of distribution automation communication protocols and integrate advanced power analysis instruments needed for power quality monitoring management functions to participate in the distribution automation and high-end power monitoring instrument markets internationally.

##### (2) Long-term business direction

In the smart grid sector, targeting the international market through existing channels and in collaboration with domestic and international communication manufacturers, we will focus on target countries for customized development and certification. We will flexibly expand into overseas markets through whole meter exports, core module exports, or licensed production.

In the power measurement instrument sector, besides continuously expanding our product portfolio and strengthening sales channels at home and abroad, we plan to expand from the current market of instrument products to related markets such as power protection and switchgear equipment.

In derivative user services, based on technologies like power measurement and electrical characteristic extraction, and through cross-industry alliances, we will target areas such as additional user services for electric companies, electric vehicle charging piles and stations, and management platforms. We aim to provide key front-end devices and integrate cloud and AI technologies to participate in emerging derivative user service markets.

## 5.2 Market, Production, and Sales Overview

### I. Market analysis

#### (1). Sales regions of major products

Currently, our primary sales region remains domestic, with international markets in the stages of channel deployment and market development.

Unit: NT\$ thousands

Item \ Year	2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)
Domestic sales	714,557	99.85%	1,035,225	99.83%
Export sales	1,055	0.15%	1,734	0.17%
Total	715,612	100.00%	1,036,959	100.00%

(2). Market share

There are currently five main suppliers of Taipower's new smart meters. From March 25, 2022 to November 16, 2022, during five tender processes, we secured contracts for 910,000 units, totaling approximately NT\$2.25 billion. Our market share for single-phase (residential) meters stands at 20.08%, and for three-phase (commercial and industrial) meters, at 20.35%.

In terms of power measurement instrument and energy management solution integration, our products are widely adopted by semiconductor factories, high-tech factories, large public enterprises, medium and large industrial and commercial users, schools of all levels, etc. Most of system integrators in Taiwan have become the Company's long-term collaborative clients.

(3). The Future Supply and Demand and Growth of the Market

According to the Executive Yuan's approved plan, Taipower is set to complete the installation of AMI for 3 million households by 2024. The National Development Council plans to have Taipower fully replace 14 million households with smart meters by 2035. Taipower's demand for smart meters has been increasing yearly, with purchases of 350,000 units in 2018, 550,000 units in 2019, 850,000 units in 2020, and approximately 1,430,000 units in 2021. From 2023 to 2024, Taipower has issued tenders for the purchase of 3.4 million smart meters, of which our Company has secured 700,000 units. Following this installation plan, the annual demand for smart meters is estimated to grow from about 1.5 million units to approximately 2 million units per year, with the market size estimated to grow from NT\$3.68 billion per year to about NT\$4.92 billion per year. By 2036, the market is expected to stabilize, with an estimated annual demand of about 1.5 million units, valued at approximately NT\$3.68 billion.

According to Statistic MRC, the smart meter market is projected to grow from USD 2.427 billion in 2020 to USD 7.059 billion by 2028, with an average annual growth rate of 14.3%.

MarketsandMarkets estimates that the power monitoring equipment market will grow from USD 3.8 billion in 2019 to USD 5.2 billion by 2024, with a CAGR of about 6.1%. Leading manufacturers in this sector include Schneider, ABB, Eaton,

Siemens, GE, Emerson, Rockwell Automation, Mitsubishi, Omron, and Yokogawa. Furthermore, according to Verified Market Research, the global market for power monitoring equipment is expected to grow from USD 3.5 billion in 2020 to USD 5.3 billion by 2028, at a CAGR of approximately 5.38%. The highest demand within this market comes from the manufacturing sector, with future growth in data centers, renewable energy, and EVs expected to drive new demand.

Power monitoring equipment products have a long-life cycle, high reliability requirements, great influence on brand image, and slow market introduction. Our related products have withstood the test of the domestic market for a long time and have become a leading manufacturer domestically. We are now gradually expanding into international markets.

(4). Competitive niche

The Company's core competitiveness lies in its comprehensive technology, robust R&D manpower, high product reliability, and high entry barriers for the industry.

- We possess a complete and experienced R&D team with extensive experience and product capabilities in power measurement, modern industrial communication, systems integration, hardware and systems technology.
- Our power measurement instrument has been operational for over 17 years, demonstrating high reliability and has been widely recognized by domestic switchboard users and large industrial and commercial users, successfully replacing many well-known international brands. Our products are crucial for user electrical safety and management, necessitating a long-term accumulation of brand reputation and trust.
- Our industry, whether it is smart meters or power measurement instrument, requires passing a series of certifications and long-term operational tests, resulting in long market introduction periods and high entry barriers. We have already passed all Taipower tests and certifications for smart meters, securing a relatively competitive advantage.

(5). Favorable and unfavorable factors for future development, as well as its adaptive strategies.

Favorable factors

- (A) Taipower has a large and durable market for smart meter replacement, and we are the main supplier.
- (B) There is rapid market growth as global electric utilities proceed with the installation of Advanced Metering Infrastructure (AMI).

(C) The Company's comprehensive technologies and strong system integration capabilities have demonstrated reliability through long-term operational tests.

Unfavorable factors

- (A) As Taipower integrates smart meters, its share in our company's revenue has significantly increased year over year. Revenue fluctuations are closely tied to the delivery statuses of Taipower's tenders.
- (B) With the expansion of the smart meter market both domestically and internationally, our current production capacity is insufficient to meet growing demands.

The adaptive strategies are as follows:

- (A) Our company does not rely on Taipower's revenue to maintain basic operations. In the future, we will expand our overseas smart meter and power measurement Instrument business to reduce the impact of fluctuations in Taipower's revenue on our short-term profitability.
- (B) Our Company is expanding its plants and production lines.

II. Usage of the Company's main products

(1) Main product applications

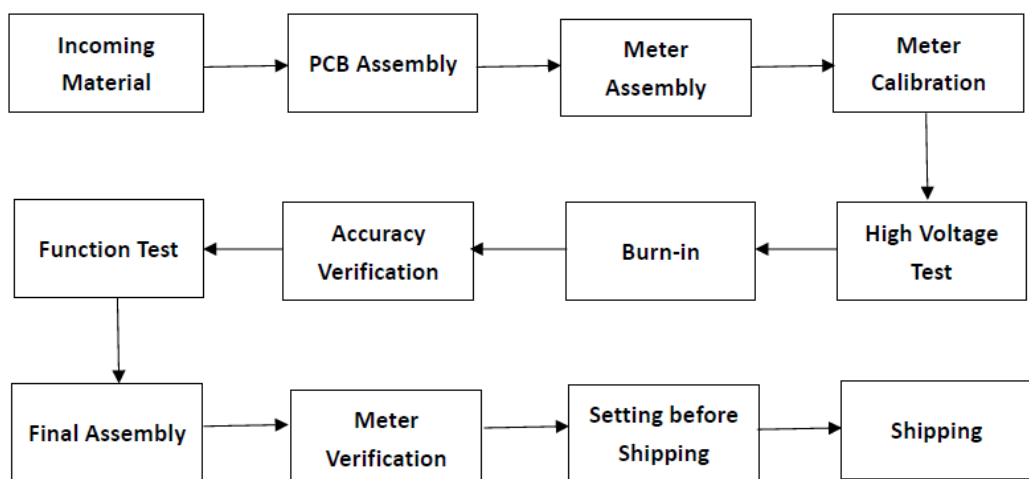
Main products (services)	Product (service) applications
Smart grid	<p>At this stage, the Company focuses on smart meters and distribution automation related products under the smart grid.</p> <p><b>1. Taipower's new modular smart meter:</b> Taipower is currently undertaking a comprehensive replacement project with new modular smart meters, which integrate communication systems. This is a foundational infrastructure project for establishing a smart grid. Taipower has three main types of meters tailored for residential and commercial/industrial users. These meters support time-based electricity tariffs, multifunctional metering, and integrated communications. These meters support time-based electricity tariffs, multifunctional metering, and integrated communications. Smart meters enable Taipower to flexibly manage electricity billing, load-side management, and provide various value-added services to customers. We have developed three types of smart meters specifically for Taipower, all of which have passed Taipower's certifications and obtained qualifications for selective bidding. This has enabled us to successfully execute multiple contracts and become a stable supplier for Taipower.</p> <p><b>2. International smart meters:</b> Globally, the electric utility industry is extensively deploying smart meter systems. We have developed products for two major international standards: ANSI (American Standard) and IEC (European</p>

Main products (services)	Product (service) applications
	<p>Standard) smart meters. These products have received international certifications, allowing us to meet the specific requirements of different countries and customize products accordingly. This enables us to participate in the extensive global smart grid market.</p> <p>3. <b>Distribution automation related products:</b> At present, our company is representing AMETEK, a US-based company, for high-end smart meters characterized by ultra-high precision and robust power quality measurement and network communication capabilities. These meters can be utilized in large-scale power users such as power plants and substations. Additionally, we are representing RBH from India for IEC 61850 and DNP3.0 communication gateways. Following customized development and supplementary certification, these gateways can be applied to upgrade substations under Taiwan Power Company's distribution automation.</p>
Power measurement instrument	<p>At present, our company's products are primarily applied in the distribution panels of industrial and commercial users, assisting them in electricity measurement, power quality monitoring, and enhancing the automation and efficiency of their electricity management.</p> <p>1. <b>Distribution Panel Meters:</b> Our company offers a complete range of meters designed for distribution panels, spanning from basic aggregated meters to advanced power analysis meters. Integration: multifunctional power measurement, power quality analysis, power usage reports, and communication capabilities. They are highly suitable for energy management in high-tech factories.</p> <p>2. <b>Distribution Panel Auto Reclosers:</b> Used for automatic restoration of power in distribution panels after power outages, with power measurement and protection functions, assisting in enhancing the efficiency of energy management in factories.</p>
Energy management solution	<p>Our company provides comprehensive services ranging from energy measurement instruments to power monitoring software and cloud system integration. We can meet the standardized or customized power monitoring management needs of enterprises.</p> <p>1. <b>Energy Management Meters:</b> We provide a complete series of energy management meters, including economical, multifunctional, load recording, and multi-circuit measuring products. These meters are characterized by easy installation, flexibility, comprehensive functionality, and diverse communication interfaces. They can be flexibly applied in various commercial and industrial user's energy management systems as front-end devices for power measurement, load research, and data collection.</p> <p>2. <b>Power Master Solution:</b> We offer main controller products for distribution panels, which can form a low-cost energy management system. It has the following functions: multi-circuit power consumption management, demand forecast and control, TOU management, power usage report and trend</p>

Main products (services)	Product (service) applications
	<p>management, power control, and network integration. It can be applied to small and medium-sized users and can form a set of solutions to reduce the cost of introducing energy management system for small and medium-sized enterprises. It can also be applied in chain stores or as a demand controller or regional energy management subsystem for large power users.</p> <p>3. <b>Prepaid management system:</b> Our Company provides a series of prepaid electricity management system products, including: prepaid energy meter, stored value card management system, and back-end system integration platform. Applications: Electricity billing management for classrooms, dormitories, and rental users. They feature easy system installation, TOU management, and power usage statistics.</p> <p>4. <b>Customized Energy Management System Integration:</b> Our Company offer proprietary graphic control software and on-site construction integration capabilities, allowing us to build complete customized energy management systems based on user needs. These systems can integrate power, water usage, facility monitoring, and cloud management needs, facilitating users in establishing carbon tracking and green building certifications.</p>

(2) Manufacturing processes of the main products

The manufacturing processes of smart meters and related power measurement instruments are as follows:



### III. Supply Situation of Main Raw Materials

Our main raw materials include electronic key components, metal parts, and plastic parts.

- (1) Electronic key components: Impacted by the global chip shortage and supply chain disruptions, we plan for long-term production of main components, prepares cross-year supplies in advance, and regularly reviews and adjusts these plans.
- (2) Metal and plastic parts: The main processing manufacturers are located domestically, but face significant fluctuations in international raw material prices and extended supply periods. We coordinate production plans with suppliers to ensure materials are prepared in advance, preventing long-term shortages.

### IV. Information on major clients/suppliers who have accounted for at least 10% of sales/procurement in either of the past two years

- (1). Information on major suppliers in the last 2 years

Unit: NT\$ thousands

Item	2022				2023			
	Name	Amount	Percentage of net purchase for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase for the year (%)	Relationship with the issuer
1	P22-01	72,695	12.26	None	P23-01	81,244	14.31	None
2	P22-02	66,190	11.16	None	P23-02	71,022	12.51	None
3		-	-	-	P23-03	70,885	12.49	None
	Others	454,054	76.58	None	Others	344,546	60.69	
	Net purchase	592,939	100.00		Net purchase	567,697	100.00	

Analysis of change: This was mainly due to increased sales of smart meters. As a result, the purchase amount of smart meter suppliers increased

- (2). Information on major customers in the last 2 years

Unit: NT\$ thousands

	2022				2023			
	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer
1	Taipower	484,347	67.68	None	Taipower	869,983	83.90	None
2	Shihlin Electric and Engineering Corporation	54,313	7.59	Related party	Shihlin Electric and Engineering Corporation	51,049	4.92	Related party
	Others	176,952	24.73	None	Others	115,927	11.18	None
	Net sales	715,612	100.00		Net sales	1,036,959	100.00	

Analysis of change: 1. In the past two years, with the progress of smart meter deployment, sales to Taipower have grown year by year.

2. Our sales to Shihlin Electric and Engineering Corporation are stable every year with no major changes.

V. Production volume for the last two years

The output and output value of the Company's main products in the past two years are as follows:

Unit: unit, NT\$ thousands

Item	Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Smart grid		320,000	195,648	346,382	320,000	324,546	581,827
Power measurement instrument		36,000	24,518	52,691	36,000	21,891	52,316
Energy management solution		24,000	6,874	16,338	24,000	10,689	12,412
Total		380,000	227,040	415,411	380,000	357,126	646,555

VI. Volume of units sold for the last two years

Unit: unit, NT\$ thousands

Main product categories	Year/ Sales quantity and value	2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Smart grid		197,592	515,147	-	-	389,709	883,881	-	-
Power measurement instrument		23,880	121,124	198	1,055	22,491	114,649	407	1,661
Energy management solution		17,559	78,286	-	-	3,581	36,768	-	-
Total		239,03	714,557	198	1,055	415,781	1,035,298	407	1,661

5.3 The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

Unit: person

Year		2022	2023	As of March 31, 2024
Number of employees	Management personnel	13	16	16
	Direct labor	21	20	20
	Indirect labor	67	76	76
	Total	101	112	112
Average age		42.33	42.75	43
Average years of service		6.13	6.75	7
Distribution of education attainment	Doctoral Degree	2	2	2
	Master's Degree	13	14	14
	Junior College	49	66	66
	Senior High School	37	29	29
	Below High School	0	1	1

#### 5.4 Disbursements for environmental protection

- I. Any losses suffered due to environmental pollution in the most recent year and up to the publication date of the Report (including compensation and environmental audits that resulted in a violation of environmental laws and regulations; the date of penalty, penalty document number, the provisions of the violation, the content of the violation, and the penalty); also, disclose the estimated amount that may be incurred at present or in the future and the corresponding response measures:

In 2023 and as of the publication date of the Report, there have been no losses incurred due to environmental pollution, including compensation and penalties, etc.

#### 5.5 Labor relations

- I. The Company's employee welfare measures, continuing education, training, retirement system and their implementation, as well as the agreements between labor and management, and various measures to protect the rights and interests of employees
  - (1). Employee welfare measures, training, and education measures

The Company provides welfare measures including employee gatherings, bonuses, and holiday bonuses. Employees are entitled to apply for various allowances such as marriage, bereavement, and childbirth subsidies. Additionally, we offer employee education and training, as well as various employee activities. Furthermore, we provide group insurance for employees to enhance their life security.

The Company has established the "Regulations Governing Education and Training" to enhance employees' professional knowledge and competencies, improve job performance, cultivate multi-functional abilities, and enhance research and development, product manufacturing quality, and market competitiveness to achieve corporate goals.

The education and training for all employees of the Company include training for new employees, on-the-job training, internal training, and external training. In the first stage, the HR unit shall arrange for the training for new recruits. In the second stage, department heads propose qualification requirements and educational training needs based on the respective duties and functions, which are compiled by the HR unit, and submitted for review and approval by the President before implementation.

- (2). Retirement system and its implementation

The new labor retirement system was implemented on July 1, 2005. In accordance with the Labor Pension Act, the Company contributes a monthly amount not less than 6% of the employee's monthly salary to the employee's retirement account, and handles retirement matters in accordance with the Labor Pension Act and relevant provisions of the Company's Regulations Governing Human Resources Management.

- (3). Status of agreements between labor and management and the protection of employees' rights and interests

In accordance with relevant laws and regulations, both labor and management handle matters in accordance with work rules and various management regulations, clearly stipulating the rights, obligations, and welfare items of employees to protect their rights. Since its establishment, the Company has maintained harmonious labor relations and actively established two-way and

open communication channels, with no major labor disputes or losses occurring to date.

- II. Any losses suffered by the Company as a result of labor disputes in the most recent year and up to the date of publication of the Report (including the violation of the Labor Standards Act found in labor inspections, the date of punishment, the reference number of the punishment, the provisions of the violation, the content of the violation, and the content of the punishment). Furthermore, disclose the estimated amount that may occur currently and, in the future, and the response measures. If reasonable estimation is not feasible, it should be explicitly stated that such estimation cannot be reasonably made: None.

## 5.6 Information security management

- I. Information security risk management framework, information security policy, specific management plans, and resources invested in information security management:

(1). Information security risk management framework

The Company's chief information security officer is responsible for leading regular risk assessments of core information systems as required, and for devising improvement plans based on the results of these assessments. The risk assessment results and improvement plan shall be submitted to the President for approval, and the risk improvement plan shall be implemented accordingly.

(2). Information security policy

To prevent unauthorized access, use, control, disclosure, destruction, alteration, or other infringements upon core information systems and data, and to ensure their confidentiality, integrity, and availability, the following policy is established for all employees to follow:

- In response to dynamically evolving information security threats, all Company employees are required to participate in relevant information security education and training to enhance the overall awareness of information security.
- Protect sensitive information and the confidentiality and integrity of information systems to prevent unauthorized access and tampering.
- Establish and publish "Regulations Governing Information Security Management," and review and adjust them according to the actual situation on a regular basis.
- Conduct regular internal audits to ensure the effective implementation of all operations.

(3). Specific management plans

The Company has formulated the "Regulations Governing Information Security Management" based on the "Information Security Guidelines for TWSE/TPEX-Listed Companies" and implemented them accordingly.

(4). Invest resources in information security management

The information security resources invested by the Company are summarized as follows:

- Information security personnel shall receive professional "information security education and training" every year.

- The Company's information security personnel is responsible for arranging at least one internal "information security training" every year.
- "Vulnerability scanning" is executed at least once a year, and high-risk vulnerabilities are repaired and controlled.
- "Social engineering drills" are conducted at least once a year and relevant education and training are organized.
- The recovery plan of the core information and communication system is exercised regularly and adjusted in a timely manner based on the actual situation.

II. Losses due to major information security incidents during the most recent two years and up to the date of publication of the Report, and the possible impacts and response measures. If it is impossible to reasonably estimate the losses, the reasons for such cannot be estimated:

As of the printing date of the Report, the Company has not detected any significant network attacks or major cyber security incidents.

### 5.7 Important contracts

Nature of contract	Parties concerned	Start/end date of contract	Main Content	Restrictive clauses
Agency contract	AMETEK, INC.	March 12, 2015 to present	Sales of high-end smart meters	None
Financing contract	Hua Nan Bank	2022.11.03-2023.11.03	Short-term borrowings	None
Financing contract	Taiwan Cooperative Bank	2023.08.16-2024.02.12	Short-term borrowings	None
Financing contract	Taishin Commercial Bank	2023.03.30-2024.01.31	Short-term borrowings	None
Financing contract	E.SUN Bank	2023.06.15-2023.12.15	Short-term borrowings	None
Financing contract	Mega Bills Finance Co., Ltd.	2023.08.18~2024.08.17	Short-term borrowings	None
Financing contract	China Bills Finance Corporation	2023.03.09~2024.03.08	Short-term borrowings	None
Financing contract	First Commercial Bank	2023.05.03-2024.05.03	Short-term borrowings	None
Financing contract	Shanghai Commercial & Savings Bank	2023.02.14-2027.02.14	Short-term borrowings	None
Financing contract	Cathay United Bank	2022.12.12-2023.12.12	Special short-term bank loans	None
Financing contract	First Commercial Bank	2023.04.14-2025.04.14	Special short-term bank loans	None
Financing contract	Bank of Taiwan	2023.10.27-2025.10.27	Short-term borrowings	None
Financing contract	Bank of Taiwan	2023.10.27-2043.10.27	Long-term borrowings secured by plant as collateral	None
Sales contract	Acerpure Inc.	2022.10.01-2028.01.01	Hardware Equipment Purchase and Sales Agreement - Air-	None

Nature of contract	Parties concerned	Start/end date of contract	Main Content	Restrictive clauses
			Conditioning in Every Classroom - Penghu County	
Sales contract	Acerpure Inc.	2022.10.01-2028.01.01	Hardware Equipment Purchase and Sale Agreement - Air-Conditioning in Every Classroom - Taichung City	None
Sales contract	Far EasTone Telecommunications Co. Ltd	2022.10.01-2028.08.17	Property Purchase Contract - Campus Energy Management System (Ems)	None
Sales contract	Acerpure Inc.	2022.10.01-2028.01.01	Hardware Equipment Purchase and Sale Agreement - Air-Conditioning in Every Classroom - Taitung County	None
Tender contract	Taipower	2021.01.18-2023.01.18	Installation of 850,000 single-phase low-voltage smart meters in 2021	None
Tender contract	Taipower	2022.02.22-2023.02.22	110,000 units of three-phase low-voltage smart meters in 2022	None
Tender contract	Taipower	2022.03.25-2023.03.25	300,000 single-phase low-voltage smart meters in 2022	None
Tender contract	Taipower	2022.05.05-2023.05.05	Modular smart meters in 2022	None
Tender contract	Taipower	2022.08.23-2024.05.20	800,000 modular smart meters in 2022	None
Tender contract	Taipower	2022.11.16-2024.11.15	Low-voltage smart meters	None
Sale and purchase agreement	Heyi Property Development	2022.04.27-2023.12.31	Pre-sold house and land contract	None
Sales contract	National Yang Ming Chiao Tung University	2023.05.16-2023.07.28	Information Service Procurement Contract - Campus Energy Management System (Street Light Monitoring)	None
Sales contract	Gudeng Precision Industrial Co., Ltd.	2022.11.29-2023.06.30	Shu Ku Plant Energy Management System Construction Project (meter installation project)	None
Sales contract	Taiwan Electric Research & Testing Center	2023.07.18-2024.02.13	Contract for the Procurement of Single-Phase Meter Test Equipment	None
Sales contract	Taiwan Electric Research & Testing Center	2023.08.18-2024.03.15	Financial Contract for Single-phase Electricity Test Automated Production Line Equipment Procurement	None

## 6 Financial Highlights and Analysis

### 6.1 Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

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

- (1). Condensed Balance Sheet - Consolidated (Based on IFRSs) : Arch Meter only needs to issue individual financial statements.
- (2). Condensed Income Statements - Consolidated (Based on IFRSs) : Arch Meter only needs to issue individual financial statements.
- (3). Condensed Balance Sheet - Parent Company Only (Based on IFRSs)

Unit: NT\$ thousands

Item	Year	Financial analysis for the most recent five years					2024.03.31
		2020	2021	2022	2023		
Current assets		282,063	308,265	702,621	1,055,607	907,557	1,119,755
Property, plant and equipment		31,783	36,403	36,372	34,317	763,372	769,004
Intangible assets		817	1,458	1,530	3,912	4,802	4,383
Other assets		28,148	68,129	76,425	218,157	199,240	193,440
Total assets		342,811	414,255	816,948	1,311,993	1,874,971	2,086,582
Current liabilities	Before distribution	94,583	77,883	420,381	794,702	639,468	588,974
	After distribution	94,583	77,883	420,381	833,620	767,922	588,974
Non-current liabilities		5,831	15,176	10,368	4,126	603,976	603,423
Total liabilities	Before distribution	100,414	93,059	430,749	798,828	1,243,444	1,192,397
	After distribution	100,414	93,059	430,749	837,746	1,371,898	1,192,397
Equity attributable to owners of the parent company		242,397	321,196	386,199	513,165	631,527	894,185
Share capital		331,200	361,200	365,360	388,880	389,180	428,570
Capital surplus		29,570	74,900	75,237	75,460	75,677	272,854
Retained earnings	Before distribution	(118,373)	(114,904)	(54,398)	48,825	166,670	192,761
	After distribution	(118,373)	(114,904)	(54,398)	9,907	38,099	192,761
Other equity		—	—	—	—	—	—
Treasury stock		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	242,397	321,196	386,199	513,165	631,527	894,185
	After distribution	242,397	321,196	386,199	474,247	502,956	894,185

Note 1: The financial information has been audited or reviewed by CPAs.

## (4). Concise Consolidated Income Statement - IFRS (parent company only)

Unit: NT\$ thousands

Item	Year	Financial analysis for the most recent five years				2024 Q1	
		2019	2020	2021	2022		
Operating revenue		235,417	172,747	365,182	715,612	1,036,959	243,866
Gross profit		94,524	59,871	143,142	223,932	311,079	79,169
Operating profit		43,791	2,990	77,942	137,729	207,016	37,826
Non-operating income and expenses		(594)	(819)	(1,890)	(8,540)	(11,106)	(5,213)
Profit before income tax		43,197	2,171	76,052	129,189	195,910	32,613
Net income from continuing operations		37,587	830	60,506	103,223	156,763	26,091
Losses from discontinued operations		—	—	—	—	—	—
Net income (loss)		37,587	830	60,506	103,223	156,763	26,091
Other comprehensive income for the period (net amount after tax)		—	—	—	—	—	—
Total comprehensive income for the period		37,587	830	60,506	103,223	156,763	26,091
Net profit attributable to the owners of the parent company		37,587	830	60,506	103,223	156,763	26,091
Net income attributable to non-controlling interests		—	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company		37,587	830	60,506	103,223	156,763	26,091
Total comprehensive income attributable to non-controlling interests		—	—	—	—	—	—
Earnings per share (NT\$)		1.13	0.02	1.67	2.73	4.03	0.62

Note 1: The financial information has been audited or reviewed by CPAs.

## II. Names of CPAs and Audit Opinions in the Past Five Years

Year	Accounting Firm	Name of CPA	Audit Opinions
2019	Cherng An CPA Firm	Hsu, Yu-Ming	Unqualified opinion
2020	PricewaterhouseCoopers	Chiang, Tsai-Yen	Unqualified opinion
2021	PricewaterhouseCoopers	Chiang, Tsai-Yen and Lin, Yu-Kuan	Unqualified opinion
2022	PricewaterhouseCoopers	Chiang, Tsai-Yen and Lin, Yu-Kuan	Unqualified opinion
2023	PricewaterhouseCoopers	Chiang, Tsai-Yen and Hsieh, Chih-Cheng	Unqualified opinion

## 6.2 Financial analyses for the past 5 fiscal years

- I. Consolidated Financial Analysis - Based on IFRSs : Arch Meter only needs to issue individual financial statements.

## II. Financial Analysis for parent company only - Based on IFRSs

Analysis Items		Year	Financial analysis for the most recent five years					As of Q1, 2024
		2019	2020	2021	2022			
Financial Structure	Debt ratio (%)	29	22.46	52.73	60.89	66.32	57.15	
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	781	924.02	1,090.31	1,507.39	161.85	194.75	
Solvency	Current ratio (%)	298	395.81	167.14	132.83	141.92	190.12	
	Quick ratio (%)	204	241.04	83.32	63.04	61.38	105.34	
	Interest Coverage Ratio	54.93	3.00	32.56	19.74	15.62	7.67	
Operating Performance	Accounts Receivable Turnover rate (times)	2.75	2.13	4.13	4.91	9.25	9.57	
	Average Collection Days	133	171.36	88.38	74.34	39.48	38.14	
	Inventory Turnover (times)	2.01	1.14	0.99	1.14	1.42	1.35	
	Accounts Payable Turnover (times)	4.54	3.55	3.16	3.36	5.8	6.27	
	Average Days in Sales	181	320.18	368.69	320.18	257.57	270.51	
	Property, Plant and Equipment Turnover (times)	10.99	5.07	10.04	20.25	2.60	1.27	
	Total Asset Turnover (times)	0.80	0.46	0.59	0.67	0.65	0.49	
Profitability	Return on Total Assets (%)	12.95	0.45	10.14	10.22	10.51	1.52	
	Return on Equity (%)	16.82	0.29	17.11	22.95	27.39	3.42	
	Operating profit to paid-in capital ratio (%)	13.22	0.83	21.33	35.42	53.19	8.83	
	Earnings before tax to paid-in capital ratio (%)	17.82	0.60	20.82	33.22	50.34	7.61	
	Profit Ratio (%)	15.97	0.48	16.57	14.42	15.12	10.70	
	Earnings Per Share (NT\$)	1.13	0.02	1.67	2.73	4.03	0.62	
Cash Flow	Cash Flow Ratio (%)	41.51	78.02	(36.18)	(15.72)	43.072	12.38	
	Cash Flow Adequacy Ratio (%) (Note2)	-	-	-	-	1.42	-	
	Cash Reinvestment Ratio (%)	15.87	16.19	(34.39)	(21.92)	18.36	4.68	
Leverage	Operating Leverage	1.16	51.79	3.47	4.02	3.53	6.45	
	Financial Leverage	1.02	1.57	1.03	1.05	1.07	1.15	
		Please describe the reasons for the changes in the financial ratios in the last two years. (Variation up to 20%):						
		1. The decrease in ratio of long-term capital to property, plant and equipment was mainly due to the increase in non-current liabilities due to mortgage loans for the new plant.						

	<ol style="list-style-type: none"> <li>2. The decrease in interest coverage ratio was mainly due to the increase in after-tax income and income tax expenses caused by the growth of revenue in 2023, coupled with the increase in loan interest for the new plant.</li> <li>3. The decrease in accounts receivable turnover and average collection days were mainly due to the operating revenue growth in 2023 and the good collection situation.</li> <li>4. The increase in inventory turnover was mainly due to the increase in operating profit and good inventory control in 2023, the inventory balance gradually decreased.</li> <li>5. The increase in accounts payable turnover was mainly due to the sales revenue growth in 2023.</li> <li>6. The decrease in property, plant and equipment turnover was mainly due to the purchase of the new plant in 2023, the amount of property, factory and equipment item increased.</li> <li>7. The increase in operating profit to paid-in capital ratio and pre-tax income to paid-in capital ratio were mainly due to the growth in operating revenue and profits.</li> <li>8. The increase in earnings per share was mainly due to the growth in operating revenue and profits.</li> <li>9. The increase in cash flow ratio and cash reinvestment ratio were mainly due to the increase in net cash flow from operating activities.</li> </ol>
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Note 1: The financial information has been audited or reviewed by CPAs.

Note 2: Prepared in accordance with IFRS for the first time in 2020. Therefore, the information will only be consistent over the five years starting in 2023.

Note 3: The calculation formulas of the analysis items are as below.

1. Financial Structure:

(1) Debt Ratio= Total liabilities/Total assets

(2) Ratio of Long-term Capital to Property, Plant and Equipment= (Total equity+ non- current liabilities)/Net Property, Plant and Equipment

2. Solvency:

(1) Current Ratio= Current assets/Current liabilities

(2) Quick Ratio= (Current assets-inventories-prepaid expenses)/Current liabilities

(3) Interest Coverage Ratio=Income before tax and interest expenses/Current Interest expenses

3. Operating Performance:

(1) Accounts Receivable (included accounts receivable and operating notes receivable) Turnover= Net sales/Average accounts receivable for each period (included accounts receivable and operating notes receivable)

(2) Average Collection Days= 365/Accounts receivable turnover

(3) Inventory Turnover= Cost of sale/Average inventories

(4) Accounts Payable (included accounts payable and operating notes payable) Turnover= Cost of sales/Average accounts payable for each period (included accounts payable and operating notes payable)

(5) Average Days in Sales= 365/Inventory turnover

(6) Property, Plant and Equipment Turnover= Net sales/Net average of Property, Plant and Equipment

(7) Total Assets Turnover= Net sales/Average of total assets

4. Profitability:

(1) Return on Total Assets= [Net income after tax+ interest expense×(1 – tax rate)]/Average of total assets

(2) Return on Equity= Net income after tax/Average of equity

(3) Profit Ratio= Net income after tax/Net sales

(4) Earnings Per Share =Net income attributable to owners-preferred share dividends/Weighted average of outstanding shares (Note4)

5. Cash Flow:

(1) Cash Flow Ratio= Net cash flow from operating activities/Current liabilities

(2) Cash Flow Adequacy Ratio= Net cash flow from operating activities in recently five years/Recently five years of (capital expenses+ increase in inventories+ cash dividend)

(3) Cash Reinvestment Ratio= (Net cash flow from operating activities- cash dividends)/(Gross Property, Plant and Equipment+ long-term investments +other non-current assets+ working capital)

6. Leverage:

(1) Operating Leverage= (Net sales – variable operating cost and expense)/Operating income (Note 6)

(2) Financial Leverage= Operating income/(Operating income – interest expense)

Note 4: The calculation formula of the above earnings per share shall consider the following items for evaluation:

1. The evaluation shall be based on the weighted average number of common shares instead of the number of shares outstanding at the end of the year.

2. Capital increase by cash or treasury shares transaction shall be based on the issuance period of the shares and calculate the weighted average number of shares.

3. Increase of capital by transferring from retained earnings or by capital surplus shall be based on the proportion of

capital increase when calculating the annual or the semiannual earnings per share of the previous year. The issuance period of shares does not be taken into consideration.

4. If the preferred share is a non-convertible accumulative preferred share, its annual dividend (whether paid or not) shall be deducted from the net income after tax, or increase the net loss after tax. If the preferred share is non-cumulative, in the case of net profit after tax, the preferred share dividend shall be deducted from the net profit after tax. It shall not be adjusted in the case if there is a loss.

Note 5: The cash flow analysis shall consider the following items for evaluation:

1. Net cash flow from operating activities refers to the net cash inflows from operating activities in the cash flow statement.
2. Capital expense refers to the number of cash outflows per year of capital investment.
3. The increase in inventory is only included when the ending balance is greater than the beginning balance. If the inventory is decreased at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. The gross property, plant and equipment value refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify various operating costs and operating expenses into non-current and current items. Any estimation or subjective judgment shall consider the reasonableness and consistency.

Note 7: If the Company issues shares without a par value or the face value the shares is not NT\$10, the above calculation of the proportion of the paid-up capital shall be based on the interests attributable to parent company in the balance sheet.

6.3 Audit Committee's review report for the most recent year's financial statement

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

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of quarterly earnings. The CPA firm of PricewaterhouseCoopers was retained to audit Arch Meter's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

TO Arch Meter Corporation 2024 Annual Shareholders' Meeting

Arch Meter Corporation

Chairman of the Audit Committee: Hsu, Wan-Hsin



March 08, 2024

6.4 Financial statements for the most recent fiscal year

Please refer to Attachment (A).

6.5 A parent company only financial statements for the most recent fiscal year

Please refer to Attachment (A).

6.6 The financial situation of the Company and its affiliates

The Company and its affiliates have not incurred any financial or cash flow difficulties in last year and as of the date of publication of this Annual Report.

## 7 Review and Analysis of Financial Position and Financial Performance, and Risks Assessment

### 7.1 Financial position

The main reasons for the material changes in the Company's assets, liabilities and equity in the last two years and their effects and future plans.

- I. Financial position - IFRS (consolidated): As Arch Meter only needs to issue individual financial statements, there are no consolidated figures available for disclosure.
- II. Financial Position - IFRS (parent company only)

Unit: NT\$ thousands; %

Item	Year	2022	2023	Difference	
				Amount	%
Current assets		1,055,607	907,557	(148,050)	(14.03)
Property, plant and equipment		34,317	763,372	729,055	2124.47
Intangible assets		3,912	4,802	890	22.75
Other assets		218,157	199,240	(18,917)	(8.67)
Total assets		1,311,993	1,874,971	562,978	42.91
Current liabilities		794,702	639,468	(155,234)	(19.53)
Non-current liabilities		4,126	603,976	599,850	14538.29
Total liabilities		798,828	1,243,444	444,616	55.66
Share capital		388,880	389,180	300	0.08
Capital surplus		75,460	75,677	217	0.29
Retained earnings		48,825	166,670	117,845	241.36
Total ' equity		513,165	631,527	118,362	23.07
<p>1. The main reasons for major changes in assets, liabilities and equity in the last two years (more than 20% in the previous period, and the amount of the change is more than NT\$10 million) and the impact thereof:</p> <ol style="list-style-type: none"> <li>(1). The increase in property, plant and equipment was mainly due to the purchase of the new plant in 2023.</li> <li>(2). The increase in intangible assets was mainly due to the purchase of technical software licenses.</li> <li>(3). The increase in total assets was mainly due to the purchase of the new plant and related factory equipment.</li> <li>(4). The increase in non-current liabilities was mainly due to mortgage loans for the new plant.</li> <li>(5). The increase in total liabilities was mainly due to mortgage loans for the new plant.</li> <li>(6). The increase in retained earnings was mainly due to the growth in operating revenue and profits.</li> <li>(7). The increase in total equity was mainly due to the growth in operating revenue and profits.</li> </ol> <p>2. Plans to respond to changes in the financial position in the last two years that have a material impact: The above changes have no significant impact on the Company's financial operations.</p>					

### 7.2 Financial performance

The main reasons for the significant changes in the operating revenue, net operating profit and net profit before tax in the most recent two years, the expected sales volume and their basis, the possible impact on the Company's future finance and business, and the response plan.

I. Analysis of operating results - IFRS (consolidated): As Arch Meter only needs to issue individual financial statements, there are no consolidated figures available for disclosure.

II. Analysis of operating results - IFRS (parent company only)

Unit: NT\$ thousands; %

Item	Year	2022	2023	Difference	
				Amount	%
Operating revenue		715,612	1,036,959	321,347	44.91
Operating cost		491,680	725,880	234,200	47.63
Gross profit		223,932	311,079	87,147	38.92
Operating expense		86,203	104,063	17,860	20.72
Operating profit		137,729	207,016	69,287	50.31
Non-operating income and expenses		(8,540)	(11,106)	(2,566)	30.05
Net profit before tax		129,189	195,910	66,721	51.65
Income tax expenses		(25,966)	(39,147)	(13,181)	50.76
Net income for the period		103,223	156,763	53,540	51.87
Other comprehensive income in the current period		—	—	—	—
Total comprehensive income for the period		103,223	156,763	53,540	51.87

1. Major changes in operating revenues, net operating profits and net profits before tax in the last two years (with a change of more than 20% in the previous period and the change amount of NT\$ 10 million or more) and the impact thereof are analyzed as follows:
  - (1). The increase in operating revenue, operating costs and gross profit were mainly due to the increase in smart meter shipments in 2023. However, due to changes in the proportion of product sales structure, operating costs increased significantly and gross profit increased slightly.
  - (2). The increase in operating expense was mainly due to the continued growth in operating revenue and expansion of economic scale.
  - (3). The increase in non-operating expenses was mainly due to the increase in loan interest for the new plant.
  - (4). The increase in operating profit, net profit before tax, net income for the period and total comprehensive income for the period were mainly due to the increase in operating revenue and gross profit.
2. The expected sales volume and the basis thereof, the possible impact on the Company's future finance and business, and the response plan:  
 The Company did not issue a financial forecast, so the expected sales volume and its basis are not applicable. The Company will continue to devote itself to smart grid, power measurement instrument, energy management solution, and derivative value-added services based on the Company's business strategy and business goals. This will be of positive benefit to the Company's future financial operations.  
 Possible impact on the Company's future finance and business and response plan: The Company's sales volume for the next year is determined based on the actual sales performance over the years, the future market demand changes and the Company's operating objectives, and the Company's production capacity scale.

### 7.3 Cash flow

#### I. Analysis of cash flow changes in the most recent year

Unit: NT\$ thousands

Item	Year	2022	2023	Increase (decrease) amount
Operating activities		(124,920)	275,429	400,349
Investing activities		(141,878)	(701,632)	(559,754)
Financing activities		308,202	442,426	134,224
Net cash inflow (outflow)		41,404	16,223	(25,181)

#### Analysis of cash flow changes:

1. The increase in inflow from operating activities was mainly due to the increase of profit in 2023 and the increase of contract assets estimated due to the shipment.
2. The increase in outflow from investing activities was mainly due to the recognition of the prepayment for new plant and equipment and the increase in refundable deposits in 2023.
3. Increase in inflow from financing activities was mainly due to long-term loans for the new plant.

II. Improvement plan for insufficient liquidity: The Company does not currently face any cash shortfalls and there is no imminent risk of insufficient liquidity.

#### III. Liquidity analysis for the coming year

Unit: NT\$ thousands

Cash balance, beginning of the period (1)	Expected net cash flow from operating activities for the year (2)	Expected net cash flow from investing activities for the year (3)	Expected net cash flow from financing activities for the year (4)	Projected cash surplus (deficit) amount (5)=(1)+(2)+(3)+(4)	Remedies for cash shortage	
					Investment plan	Financial plan
247,783	208,605	(27,800)	136,068	564,656	NA	NA

#### 1. Analysis of cash flow changes in the coming year

- (1) Cash inflow from operating activities is mainly due to the continuous growth of the Company's business, revenue and profit.
- (2) Outflow from investing activities is mainly due to capital expenditures on new plant related factory equipments purchased.
- (3) Inflow from financing activities is mainly due to apply for cash capital increase in 2024.

2. Remedial measures and liquidity analysis for expected cash flow shortfalls: The Company currently faces no imminent risk of insufficient cash flow for the current fiscal year.

### 7.4 Effects upon financial operations of any major capital expenditures during the most recent fiscal year

To respond to increased market demand, the Company's Board of Directors approved the acquisition of a new factory plant and its interior fittings on April 6, 2022, and a contract was signed on April 27, 2022. The completion is scheduled for 2023. The total contract price is NT\$740,000 thousand. In conjunction with the required renovations, utilities, and production equipment purchased for the new factory, the estimated capital expenditure is NT\$121.248 thousand resulting in a total investment of approximately NT\$861 million.

The Company will use the loan for the new plant to supplement its own funds to raise medium and long-term capital needs. In response to the rapid business growth, if the daily working capital is insufficient, the Company will raise short-term funds required for the implementation of the business through two types of project loans and increasing short-term financing facilities. Therefore, the purchase of new plants by the Company has no significant adverse impact on the Company's future financial operations.

7.5 The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

- I. Investment policy: None.
- II. The main reason for the profit or loss of reinvestment in the most recent year and the improvement plan: None.

7.6 Risks during the most recent fiscal year and as they stood on the date of publication of the annual report

- I. Impacts of interest rate and exchange rate changes and inflation on the Company's profit and loss and future response measures:

- (1) Changes in interest rates

- A. Impact on the Company's profit and loss

In 2022, 2023, and Q1 of 2024, the interest revenue accounted for 0.06%, 0.17%, and 0.08% of the current operating revenue, respectively, and the interest expense accounted for 0.96%, 1.29%, and 2.0% of the current operating revenue, respectively, interest expense and interest income are both limited in the proportion of operating revenue, therefore, the impact of interest rate changes on the Company is limited.

Unit: NT\$ thousands; %

Item	2022	2023	Q1, 2024
Operating revenue	715,612	1,036,959	243,866
Interest revenue	454	1,811	192
As a percentage of operating revenue	0.06	0.17	0.08
Interest expenditure	6,892	13,398	4,887
As a percentage of operating revenue	0.96	1.29	2.0

- B. Concrete response measures

The Company maintains a conducive relationship and close contact with its banks, and keeps abreast of interest rate changes and other relevant information in order to study and judge the future trend of interest rates, and adjust the use of funds in a timely manner.

- (2) Changes in foreign currency exchange rates

#### A. Impact on the Company's profit and loss

The Company's main business includes products and services related to smart grid, power measurement instrument, and energy management solution, and derivative value-added services based on. The primary customer base consists of domestic power companies or medium to large-scale power users. Therefore, transactions are primarily denominated in New Taiwan Dollars (NT\$), and most costs and expenses are settled in NT\$ as well. Overall, exchange rate fluctuations have no significant impact on the Company.

The Company's exchange gains (losses) were NTD (2,654 thousand), (347 thousand), and (550 thousand) for 2022, 2023, and Q1 of 2024, respectively, and accounted for 0.37%, 0.03%, and 0.23%. Therefore, the impact of exchange rate changes on the Company is insignificant.

Unit: NT\$ thousands; %

Item	2022	2023	Q1, 2024
Operating revenue	715,612	1,036,959	243,866
Exchange gain (loss)	(2,654)	(347)	(550)
As a percentage of operating revenue	0.37	0.03	0.23

#### B. Concrete response measures

While the Company's revenue is currently moderately affected by exchange rate fluctuations, efforts to strengthen the management of exchange rate risk will continue into the future. This includes ongoing monitoring of exchange rate movements to make informed decisions regarding foreign currency conversion measures. Additionally, the Company will enhance collaboration with financial institutions to implement hedging strategies for foreign currency assets or liabilities at appropriate times, aiming to mitigate the impact of exchange rate volatility.

##### (3) The impact of inflation on the Company's income and future response measures

While inflation has not significantly impacted the Company's profit and loss, we remain vigilant regarding inflationary trends. We continuously monitor fluctuations in product market prices and maintain strong relationships with suppliers to ensure competitive pricing, thereby mitigating the impact of inflation on the Company.

#### II. The policy of engaging in high-risk and highly leveraged investments, loans to others, endorsements and guarantees, and derivative transactions, the main reasons for profit or loss, and future response measures

The Company's financial policy is prudent and conservative, and the Company does not engage in high-risk and high-leverage investments. The Company has established the "Procedures for Lending Funds to Others," "Procedures for Endorsements and Guarantees," and "Procedures for Acquisition or Disposal of Assets" as the basis for the Company's related activities. During the most recent year and as of the publication date of the Report, the Company did not lend funds to others, endorse or guarantee for others, or engage in derivative transactions.

#### III. Future R&D plans and expected R&D expenses

Smart grids serve as a critical infrastructure for global power utilities to enhance grid resilience and improve customer service. Smart meters and their communication systems are prioritized in the establishment of smart grids worldwide. The integration of smart metering systems as the core, with derived commercial and industrial electricity management, along with value-added services for users, combined with the application of cloud systems and artificial intelligence technology, will transform the landscape of energy management and power customer services. The Company's technology research and development will primarily focus on mastering smart meters and communication technology as the core, further extending to related areas such as distribution automation, power measurement instrument, energy management solution, and value-added power applications. The R&D expenditure in 2023 was NT\$ 33,632 thousand, an increase of 9.43% compared to the NT\$ 30,733 thousand in 2022. It is anticipated that future research and development expenses will continue to expand annually, as the Company plans to sustain investments in research and development manpower and resources to strengthen its competitive advantage.

IV. The impact of important domestic and foreign policies and regulatory changes on the Company's finances, and business, and the response measures

The Company adheres to relevant domestic and international laws and regulations in its daily operations. We continuously monitor domestic and international policy trends and regulatory changes, collecting relevant information to provide to the management for decision-making reference, and to adjust the Company's operational strategies accordingly. During the most recent year and up to the date of publication of the Report, the Company's finances and business operations were not affected by important domestic and foreign policies and regulatory changes.

V. The impact of technological changes (including information security risks and industry changes on the Company's finances and business operations and response measures)

The Company continues to monitor market trends and technological developments in smart grids and related industries. This includes the evolution of international standards for smart meters, updates in communication technology and standards, and the development of derivative user services. We adjust our business strategies and research and development priorities accordingly to meet market demands and maintain the Company's competitiveness. Regarding information security risks, the Company has formulated Regulations Governing Information Security Management to ensure the confidentiality and security of the Company's core information assets and legal compliance. The measures include the hazard handling procedures to minimize impact. In the most recent year and up to the publication date of the Report, the Company has not been affected by changes in technology (including information security risks) and industry changes that have affected the Company's financial business.

VI. The impact of changes in corporate image on corporate crisis management and countermeasures

Since its establishment, the Company has adhered to the principles of integrity and professionalism, complied with relevant laws and regulations, actively strengthened internal management, and improved management quality and performance, in order to continue to maintain an excellent corporate image and increase customers' trust in the Company. As of the publication date, the Company has not experienced any operational crisis due to changes in its corporate image. The Company will continue to implement various corporate governance requirements to reduce corporate risks and fulfill corporate social responsibilities.

## VII. Expected benefits and possible risks of mergers and acquisitions and countermeasures

During the most recent year and as of the printing date of this annual report, the Company did not have any merger or acquisition plan. However, if there is any future M&A plan, the Company will follow the "Procedure for the Acquisition or Disposal of Assets" of the Company and relevant laws and regulations, and conduct a prudent evaluation to ensure the protection of the Company's interests and shareholders' rights.

## VIII. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

In response to the rapid business growth and the expanding market for smart meters at home and abroad, the Company's board of directors resolved to build a new plant on April 6, 2022, and signed an agreement on April 27, 2022 to commence the construction of the new plant. The plant is expected to be completed in 2023 and put into production in 2024. The decoration, plant equipment, and production equipment purchased for the new plant will require a capital expenditure of NT\$ 121,248 thousand and a total investment of NT\$ 861 million. Upon completion, four production lines will be established. The maximum production capacity of Taipower's smart meters will be expanded from the current 40,000 units per month to 80,000 units per month. Additionally, a production line for exporting smart meters will be established.

IX. The capital required for investment in plant expansion will be financed by the Company's own funds and long-term loans secured with the plant as collateral. Based on the Company's revenue and profit situation for the first three quarters of 2021, 2022, and 2023, as well as the status of negotiations with banks regarding credit lines, there are no significant risks in raising funds for the expansion investment. The transfer of the new plant was completed in October last year.

X. Risks associated with any concentration of purchases or sales, and mitigation measures being or to be taken

### (1) Purchases

The Company independently researches and manufactures smart meters, power measurement instrument, and energy management solution. The main electronic components, mechanical parts, and other raw materials are sourced from various suppliers both domestically and internationally, without concentration in procurement. In recent years, disruptions in the international supply chain of electronic components have occurred. To address this, the Company has implemented a strategy of placing long-term orders with both the original manufacturers and suppliers for core electronic components. This allows the Company to constantly monitor the procurement status and to swiftly engage additional suppliers as needed. We have established stable and long-term cooperative relations with suppliers, and there is no risk of supply interruption.

### (2) Sales

With the widespread deployment of smart meters domestically, sales to Taipower accounted for 70.02% and 70.02% in the fiscal years 2022 and 2023, respectively. This ratio may continue to rise in the future as Taipower's demand expands. However, due to the high entry barriers and the lengthy development and certification process for smart meters at Taipower, any increase is likely to be gradual. It takes at least two years for new suppliers to enter the market. Moreover, starting from fiscal year 2022, Taipower will adopt selective bidding for all smart meter

procurements. The Company's various models of meters have already undergone Taipower's certification process and obtained qualifications for selective bidding. Taipower plans to complete the replacement of its 14 million meters by the year 2035. The annual procurement quantity is substantial, and multiple tenders are issued for meter procurement. Therefore, the Company has a high probability of winning bids each year, mitigating the risk of sales concentration.

In addition, besides Taipower's smart meters, the Company is continuously expanding its product line in power measurement instrument, and energy management solution. This expansion not only increases revenue but also gradually promotes the overseas smart meter market and develops derivative value-added service applications. Through ongoing development of other products and customer bases, we aim to mitigate the risk of sales concentration.

- XI. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken

The Chairman of the Company invested with the 1,199,000 shares of the Company he held at the price value to invest in the establishment of Yu Cheng Investment Co., Ltd. (represented by Chen, Jan-Ku, shareholding ratio of 99.92%). Therefore, this transfer of equity is part of the Chairman's personal financial and tax planning and has no impact on the Company.

- XII. Effect upon and risk to the Company due to change in management, and response measures

The Company has always maintained a prudent business philosophy and sound management ethics, aiming to achieve growth in operational performance and profitability to earn recognition from all shareholders for the management team. The Company's management rights are relatively stable, and there has not been a large-scale transfer or replacement of equity shares that could lead to changes in management rights, thereby posing impacts and risks to the Company. Therefore, as of the date of publication of this Report, the Company has not experienced any changes or risks related to alterations in ownership and control.

- XIII. Material litigious, non-litigious, or administrative dispute that involves the Company or any of its directors, supervisors, general manager, any major shareholder holding a stake of greater than 10 percent, or any company or companies controlled by the Company, and that has been concluded by a final and conclusive judgment or is still pending. Where the outcome of such a dispute could materially affect shareholders' equity, disclose the facts of the dispute, amount of money at stake in the dispute, the date of commencement of litigation, the main parties to the dispute, and the status of the dispute as of the date of the close of the fiscal year: None.

- XIV. Other material risks and response measures: None.

#### 7.7 Other important matters

None.

## **8 Special Items**

### 8.1 Affiliates information

None.

### 8.2 Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

None.

### 8.3 Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

None.

### 8.4 Other matters that require additional description

None.

### 8.5 Situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred

None.

## Attachment (A)

### 2023 Financial Statements

**ARCH METER CORPORATION**  
**FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000646

To the Board of Directors and Stockholders of Arch Meter Corporation

### ***Opinion***

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

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

### ***Basis for opinion***

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

### ***Key audit matters***

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

Key audit matters for Company's 2023 parent company only financial statements are stated as follows:

#### **Valuation of inventories**

##### Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(4) for details of inventory valuation.

The Company is engaged in manufacturing and sales of smart grid, power monitoring equipment and electrical energy management systems. Due to the rapid technological innovations and market competition, there is a higher risk of inventory losses due to slow-moving inventory and obsolescence. The balances of inventories are significant to the financial statements and inventories are measured at the lower of cost and net realisable value. The net realisable value which was used in the obsolete or slow-moving inventories involves subjective judgment resulting in an estimation uncertainty, we consider the valuation of inventories as a key audit matter.

##### How our audit addressed the matter

Our procedures in relation to the valuation of inventories included: Assessed the reasonableness of accounting policies in relation to allowance for inventory valuation losses; tested inventory aging report including checked the quantity and amount of the ending stocks in the inventory ageing report to the detailed ledger of inventories by sample testing individual inventory mark number and examined the logic in calculating the

inventory aging; and sampled and validated the net realisable value of slow-moving and obsolete inventories against respective historical information for diminution in inventory value in order to ensure the reasonableness of provision for inventory loss.

### **Timing of sales revenue recognition**

#### Description

Refer to Note 4(24) for the accounting policies on recognition of sales revenue, and Note 6(18) for the details of operating revenue. Sales revenue is one of the major operating activities of the Company and is critical to the Company's operating results. In addition, the transaction terms of sales are diverse, and the timing of sales revenue recognition is in accordance with the contractual determinations as to whether control of goods has been transferred to the customer, and thus we consider the timing of sales revenue recognition as a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to the revenue recognition included: Obtained an understanding of and assessed internal control procedure of sales revenue and tested the implementation of the control procedures; selected samples of contracts with customers, performance obligations and prices, and supporting documents for goods shipped to confirm that recognition timing and the associated amounts were recorded correctly; selected sales transaction in a certain period before and after the balance sheet date and assessed the trade terms and shipping documents to confirm whether the sale transaction was recorded in proper period.

### ***Responsibilities of management for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that

came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

- forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Chiang, Tsai-Yen

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Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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

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

**ARCH METER CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 247,783	13	\$ 231,560	18
1136	Current financial assets at amortised cost	6(2)	8,700	1	-	-
1140	Current contract assets	6(18)	59,734	3	121,257	9
1150	Notes receivable, net	6(3)	6,459	-	5,218	-
1170	Accounts receivable, net	6(3)	47,100	3	115,546	9
1180	Accounts receivable due from related parties, net	6(3) and 7	22,691	1	27,302	2
130X	Current inventories	6(4)	491,824	26	532,655	40
1410	Prepayments		23,243	1	21,996	2
1470	Other current assets		23	-	73	-
11XX	<b>Current assets</b>		<u>907,557</u>	<u>48</u>	<u>1,055,607</u>	<u>80</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5) and 8	763,372	41	34,317	3
1755	Right-of-use assets	6(6)	16,180	1	8,198	1
1780	Intangible assets	6(7)	4,802	-	3,912	-
1840	Deferred tax assets	6(25)	9,746	1	4,583	-
1915	Prepayments for business facilities	6(27)	44,541	2	67,426	5
1920	Guarantee deposits paid	6(8) and 8	128,773	7	137,950	11
15XX	<b>Non-current assets</b>		<u>967,414</u>	<u>52</u>	<u>256,386</u>	<u>20</u>
1XXX	<b>Total assets</b>		<u>\$ 1,874,971</u>	<u>100</u>	<u>\$ 1,311,993</u>	<u>100</u>

(Continued)

**ARCH METER CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Current borrowings	6(9)	\$ 451,905	24	\$ 556,148	43
2130	Current contract liabilities	6(18)	697	-	640	-
2150	Notes payable		60	-	3	-
2170	Accounts payable		76,153	4	174,023	13
2200	Other payables	6(10)	71,507	4	38,093	3
2230	Current tax liabilities		30,226	2	20,310	2
2250	Current provisions	6(14)	324	-	-	-
2280	Current lease liabilities		7,398	-	4,403	-
2300	Other current liabilities		1,198	-	1,082	-
21XX	<b>Current liabilities</b>		<u>639,468</u>	<u>34</u>	<u>794,702</u>	<u>61</u>
<b>Non-current liabilities</b>						
2540	Non-current borrowings	6(11) and 8	592,000	32	-	-
2550	Non-current provisions	6(14)	2,208	-	-	-
2580	Non-current lease liabilities		9,117	-	4,126	-
2645	Guarantee deposits received	6(28)	651	-	-	-
25XX	<b>Non-current liabilities</b>		<u>603,976</u>	<u>32</u>	<u>4,126</u>	<u>-</u>
2XXX	<b>Total liabilities</b>		<u>1,243,444</u>	<u>66</u>	<u>798,828</u>	<u>61</u>
<b>Equity</b>						
Share capital						
		6(15)				
3110	Ordinary share		389,180	21	388,880	29
		6(16)				
3200	Capital surplus		75,677	4	75,460	6
Retained earnings						
		6(17)				
3310	Legal reserve		4,882	-	-	-
3350	Unappropriated retained earnings		161,788	9	48,825	4
3XXX	<b>Total equity</b>		<u>631,527</u>	<u>34</u>	<u>513,165</u>	<u>39</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
		9				
Significant Events after the Reporting Period						
		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,874,971</u>	<u>100</u>	<u>\$ 1,311,993</u>	<u>100</u>

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

**ARCH METER CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 1,036,959	100	\$ 715,612	100
5000	Operating costs	6(4)(23)(24) and 7	( 725,880)	( 70)	( 491,680)	( 69)
5900	Gross profit from operations		<u>311,079</u>	<u>30</u>	<u>223,932</u>	<u>31</u>
	Operating expenses	6(23)(24)				
6100	Selling and marketing expenses		( 21,622)	( 2)	( 21,868)	( 3)
6200	General and administrative		( 48,804)	( 5)	( 33,596)	( 5)
6300	Research and development expenses		( 33,632)	( 3)	( 30,733)	( 4)
6450	Expected credit losses	12(2)	( 5)	-	( 6)	-
6000	Total operating expenses		<u>( 104,063)</u>	<u>( 10)</u>	<u>( 86,203)</u>	<u>( 12)</u>
6900	Net operating income		<u>207,016</u>	<u>20</u>	<u>137,729</u>	<u>19</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	1,811	-	454	-
7010	Other income	6(20)	788	-	525	-
7020	Other gains and losses	6(21)	( 307)	-	( 2,627)	-
7050	Finance costs	6(22)	( 13,398)	( 1)	( 6,892)	( 1)
7000	Total non-operating income and expenses		<u>( 11,106)</u>	<u>( 1)</u>	<u>( 8,540)</u>	<u>( 1)</u>
7900	<b>Profit before income tax</b>		195,910	19	129,189	18
7950	Income tax expense	6(25)	( 39,147)	( 4)	( 25,966)	( 4)
8200	<b>Profit for the year</b>		<u>\$ 156,763</u>	<u>15</u>	<u>\$ 103,223</u>	<u>14</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 156,763</u>	<u>15</u>	<u>\$ 103,223</u>	<u>14</u>
	Basic earnings per share					
9750	Basic earnings per share	6(26)	<u>\$ 4.03</u>		<u>\$ 2.73</u>	
	Diluted earnings per share					
9850	Diluted earnings per share	6(26)	<u>\$ 4.00</u>		<u>\$ 2.66</u>	

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

ARCH METER CORPORATION  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital		Capital surplus		Retained earnings		Total equity
		Ordinary share	Advance receipts for share capital	Additional paid-in capital	Employee share options	Legal reserve	Unappropriated retained earnings (accumulated deficit)	
<u>2022</u>								
Balance at January 1, 2022		\$ 361,200	\$ 4,160	\$ 74,385	\$ 852	\$ -	(\$ 54,398)	\$ 386,199
Profit for the year		-	-	-	-	-	103,223	103,223
Total comprehensive income for the year		-	-	-	-	-	103,223	103,223
Compensation costs of share-based payment	6(13)	-	-	-	223	-	-	223
Exercise of employee share options	6(15)	27,680	(4,160)	820	(820)	-	-	23,520
Balance at December 31, 2022		\$ 388,880	\$ -	\$ 75,205	\$ 255	\$ -	\$ 48,825	\$ 513,165
<u>2023</u>								
Balance at January 1, 2023		\$ 388,880	\$ -	\$ 75,205	\$ 255	\$ -	\$ 48,825	\$ 513,165
Profit for the year		-	-	-	-	-	156,763	156,763
Total comprehensive income		-	-	-	-	-	156,763	156,763
Appropriation and distribution of 2022 retained earnings	6(17)							
Legal reserve appropriated		-	-	-	-	4,882	(4,882)	-
Cash dividends paid		-	-	-	-	-	(38,918)	(38,918)
Compensation costs of share-based payment	6(13)	-	-	-	217	-	-	217
Exercise of employee share options	6(15)	300	-	11	(11)	-	-	300
Balance at December 31, 2023		\$ 389,180	\$ -	\$ 75,216	\$ 461	\$ 4,882	\$ 161,788	\$ 631,527

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

ARCH METER CORPORATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	Notes	Year ended December 31	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 195,910	\$ 129,189
Adjustments			
Adjustments to reconcile profit			
Depreciation expense	6(5)(6)(23)	18,554	17,908
Amortisation charge	6(7)(23)	2,740	2,336
Expected credit losses	12(2)	5	6
Interest expense	6(22)	13,398	6,892
Interest income	6(19)	( 1,811 )	( 454 )
Compensation costs of share-based payment	6(13)	217	223
Gain on lease modification	6(21)	-	( 27 )
Gains on disposals of property, plant and equipment	6(21)	( 40 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		61,523	( 119,128 )
Notes receivable		( 1,241 )	1,404
Accounts receivable		68,441	( 5,767 )
Accounts receivable due from related parties		4,611	( 457 )
Inventories		40,831	( 199,093 )
Prepayments		( 1,247 )	( 3,189 )
Other current assets		50	42
Changes in operating liabilities			
Contract liabilities		57	( 2,504 )
Notes payable		57	( 74 )
Accounts payable		( 97,870 )	55,914
Accounts payable to related parties		-	( 351 )
Other payables		14,577	20,587
Provisions for warranty		2,532	-
Other current liabilities		116	231
Cash inflow (outflow) generated from operations		321,410	( 96,312 )
Interest received		1,811	454
Interest paid		( 13,398 )	( 6,892 )
Income taxes paid		( 34,394 )	( 22,170 )
Net cash flows from operating activities		<u>275,429</u>	<u>( 124,920 )</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Acquisition) disposal of financial assets at amortised cost	6(2)	( 8,700 )	20,600
Acquisition of property, plant and equipment	6(5)(27)	( 698,519 )	( 67,815 )
Decrease (increase) in refundable deposits	6(8)	9,177	( 89,945 )
Proceeds from disposal of property, plant and equipment		40	-
Acquisition of intangible assets	6(7)	( 3,630 )	( 4,718 )
Net cash flows used in investing activities		<u>( 701,632 )</u>	<u>( 141,878 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) increase in short-term borrowings	6(28)	( 104,243 )	293,489
Increase (decrease) in refundable deposits		651	( 109 )
Redemption of lease liabilities	6(6)(28)	( 7,364 )	( 8,698 )
Proceeds from long-term debt	6(11)	592,000	-
Cash dividends paid	6(17)	( 38,918 )	-
Exercise of employee share options	6(15)	300	23,520
Net cash flows from financing activities		<u>442,426</u>	<u>308,202</u>
Net increase in cash and cash equivalents		16,223	41,404
Cash and cash equivalents at beginning of year	6(1)	231,560	190,156
Cash and cash equivalents at end of year	6(1)	<u>\$ 247,783</u>	<u>\$ 231,560</u>

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

ARCH METER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and Organisation

Arch Meter Corporation (the “Company”) was incorporated on June 15, 2005 as a company limited by shares and had been a listed company since January 29, 2024. The Company is primarily engaged in manufacturing and trading of measuring instruments and control equipment.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on March 8, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

- A. The financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

The functional currency of the Company is determined by the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary items denominated in foreign currencies are translated at the closing rate at the balance sheet date. Exchange differences arising upon translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the closing exchange rates prevailing at the balance sheet date; Resulting exchange differences are recognised in profit or loss. However, non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the historical exchange rates at the dates of the transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash or cash equivalents, excluding cash and cash equivalents that are restricted from being exchanged, used to settle liabilities for at least twelve months after the balance sheet date or restricted by other factors.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities held mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months after the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(5) Cash and cash equivalents

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

(6) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable selling expenses.

(12) Property, plant and equipment

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

Buildings and structures	10 ~ 50 years
Machinery and equipment	2 ~ 5 years
Office equipment	3 ~ 5 years
Leasehold improvements	1 ~ 5 years
Transportation equipment	5 years

(13) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

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

(14) Intangible assets

- A. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment.
- B. Intangible assets which have finite useful life are amortised on a straight-line basis over the estimated useful lives as follows:

Computer software	1 ~ 6 years
Technology royalties	1 ~ 5 years

(15) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value on the trade date, net of directly attributable to the issuance of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Interest amortised using the effective interest method is recognised in profit or loss.

(17) Accounts and notes payable

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

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

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

The contributions are recognised as pension expense when they are due on an accrual basis.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(22) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

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

(24) Revenue recognition

Sales of goods

- A. The Company manufactures and sells measuring instruments and control equipment products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### Rendering services

The Company provides services related to repairing, testing and installation of electricity meter. Revenue is recognised when services are rendered. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

#### (25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

#### 5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these financial statements requires the Company to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The Company's assumptions and estimates are continually evaluated and adjusted based on historical experience and other factors. The Company's assumptions and estimates are based on concerning future events as that on the balance sheet date. Assumptions and estimates may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

##### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. The net realisable value was calculated based on the historical experience value in relation to the disposal of obsolete inventories and may result in changes.

As of December 31, 2023, the carrying amount of inventories was \$491,824.

#### 6. Details of Significant Accounts

##### (1) Cash and cash equivalents

	<u>December 31, 2023</u>
Cash on hand	\$ 50
Checking accounts and demand deposits	219,633
Time deposits	28,100
	<u>\$ 247,783</u>

(2) Financial assets at amortised cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Items:</u>		
Current items:		
Time deposits with maturity over three months	\$ <u>8,700</u>	\$ <u>-</u>

A. In 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$8,700 and \$0, respectively.

B. The Company transacts with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

C. The company has no financial assets at amortised cost pledged to others as collateral.

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ <u>6,459</u>	\$ <u>5,218</u>
Accounts receivable	\$ 47,114	\$ 115,555
Accounts receivable due from related parties	22,691	27,302
Less: Allowance for uncollectible accounts	( <u>14</u> )	( <u>9</u> )
	\$ <u>69,791</u>	\$ <u>142,848</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2023</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 67,358	\$ 6,459
1~180 days past due	2,390	-
181~270 days past due	11	-
271~365 days past due	32	-
Over 365 days past due	14	-
	\$ <u>69,805</u>	\$ <u>6,459</u>

December 31, 2022

	Accounts receivable	Notes receivable
Not past due	\$ 137,309	\$ 5,218
1~180 days past due	5,508	-
181~270 days past due	-	-
271~365 days past due	31	-
Over 365 days past due	9	-
	<u>\$ 142,857</u>	<u>\$ 5,218</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$143,255.
- C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was its carrying amount.
- D. The Company has no notes and accounts receivable pledged to others.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	\$ 2,229	(\$ 1,635)	\$ 594
Raw materials	231,346	( 33,310)	198,036
Work in progress	294,467	( 7,751)	286,716
Finished goods	9,130	( 2,652)	6,478
	<u>\$ 537,172</u>	<u>\$ (45,348)</u>	<u>\$ 491,824</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	\$ 2,542	(\$ 1,253)	\$ 1,289
Raw materials	225,214	( 14,445)	210,769
Work in progress	315,733	( 3,640)	312,093
Finished goods	11,102	( 2,598)	8,504
	<u>\$ 554,591</u>	<u>\$ (21,936)</u>	<u>\$ 532,655</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31	
	2023	2022
Cost of goods sold	\$ 654,711	\$ 452,492
Loss on slow-moving inventories and valuation loss	23,412	10,450
Cost of services	45,225	28,738
Warranty cost	2,532	-
	<u>\$ 725,880</u>	<u>\$ 491,680</u>

(5) Property, plant and equipment

	2023						Total
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	
At January 1							
Cost	\$ -	\$ -	\$ 78,573	\$ -	\$ 2,651	\$ 9,696	\$ 90,920
Accumulated depreciation	-	-	( 48,116)	-	( 1,483)	( 7,004)	( 56,603)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,457</u>	<u>\$ -</u>	<u>\$ 1,168</u>	<u>\$ 2,692</u>	<u>\$ 34,317</u>
At January 1	\$ -	\$ -	\$ 30,457	\$ -	\$ 1,168	\$ 2,692	\$ 34,317
Additions	407,825	324,771	5,094	2,450	-	101	740,241
Disposal - cost	-	-	( 189)	-	( 109)	-	( 298)
Depreciation expense	-	( 1,097)	( 8,020)	( 408)	( 296)	( 1,365)	( 11,186)
Disposal - accumulated depreciation	-	-	189	-	109	-	298
At December 31	<u>\$ 407,825</u>	<u>\$ 323,674</u>	<u>\$ 27,531</u>	<u>\$ 2,042</u>	<u>\$ 872</u>	<u>\$ 1,428</u>	<u>\$ 763,372</u>
December 31							
Cost	\$ 407,825	\$ 324,771	\$ 83,478	\$ 2,450	\$ 2,542	\$ 9,797	\$ 830,863
Accumulated depreciation	-	( 1,097)	( 55,947)	( 408)	( 1,670)	( 8,369)	( 67,491)
	<u>\$ 407,825</u>	<u>\$ 323,674</u>	<u>\$ 27,531</u>	<u>\$ 2,042</u>	<u>\$ 872</u>	<u>\$ 1,428</u>	<u>\$ 763,372</u>
	2022				Total		
	Machinery and equipment	Office equipment	Leasehold improvements				
At January 1							
Cost	\$ 72,050	\$ 2,199	\$ 9,397		\$ 83,646		
Accumulated depreciation	( 40,681)	( 1,204)	( 5,389)		( 47,274)		
	<u>\$ 31,369</u>	<u>\$ 995</u>	<u>\$ 4,008</u>		<u>\$ 36,372</u>		
At January 1	\$ 31,369	\$ 995	\$ 4,008		\$ 36,372		
Additions	6,523	452	299		7,274		
Depreciation expense	( 7,435)	( 279)	( 1,615)		( 9,329)		
At December 31	<u>\$ 30,457</u>	<u>\$ 1,168</u>	<u>\$ 2,692</u>		<u>\$ 34,317</u>		
At December 31							
Cost	\$ 78,573	\$ 2,651	\$ 9,696		\$ 90,920		
Accumulated depreciation	( 48,116)	( 1,483)	( 7,004)		( 56,603)		
	<u>\$ 30,457</u>	<u>\$ 1,168</u>	<u>\$ 2,692</u>		<u>\$ 34,317</u>		

A. No interest was capitalised for the years ended December 31, 2023 and 2022.

B. Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(6) Leasing arrangements – lessee

A. The Company leases various assets including buildings and structures and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise buildings and structures. Low-value assets comprise office equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Buildings and structures	\$ 15,248	\$ 7,509
Transportation equipment	932	689
	<u>\$ 16,180</u>	<u>\$ 8,198</u>

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings and structures	\$ 6,660	\$ 7,876
Transportation equipment	708	703
	<u>\$ 7,368</u>	<u>\$ 8,579</u>

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$15,350 and \$0, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Expense on leases of low-value assets	\$ 278	\$ 102
Interest expense on lease liabilities	406	383

F. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$8,048 and \$9,071, respectively.

G. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

	2023		
	<u>Computer software</u>	<u>Technology royalties</u>	<u>Total</u>
At January 1			
Cost	\$ 4,947	\$ 13,908	\$ 18,855
Accumulated amortisation	( 2,221)	( 12,722)	( 14,943)
	<u>\$ 2,726</u>	<u>\$ 1,186</u>	<u>\$ 3,912</u>
At January 1	\$ 2,726	\$ 1,186	\$ 3,912
Additions	2,730	900	3,630
Amortisation charge	( 1,412)	( 1,328)	( 2,740)
At December 31	<u>\$ 4,044</u>	<u>\$ 758</u>	<u>\$ 4,802</u>
At December 31			
Cost	\$ 7,677	\$ 14,808	\$ 22,485
Accumulated amortisation	( 3,633)	( 14,050)	( 17,683)
	<u>\$ 4,044</u>	<u>\$ 758</u>	<u>\$ 4,802</u>
	2022		
	<u>Computer software</u>	<u>Technology royalties</u>	<u>Total</u>
At January 1			
Cost	\$ 2,829	\$ 11,308	\$ 14,137
Accumulated amortisation	( 1,697)	( 10,910)	( 12,607)
	<u>\$ 1,132</u>	<u>\$ 398</u>	<u>\$ 1,530</u>
At January 1	\$ 1,132	\$ 398	\$ 1,530
Additions	2,118	2,600	4,718
Amortisation charge	( 524)	( 1,812)	( 2,336)
At December 31	<u>\$ 2,726</u>	<u>\$ 1,186</u>	<u>\$ 3,912</u>
At December 31			
Cost	\$ 4,947	\$ 13,908	\$ 18,855
Accumulated amortisation	( 2,221)	( 12,722)	( 14,943)
	<u>\$ 2,726</u>	<u>\$ 1,186</u>	<u>\$ 3,912</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	\$ 14	\$ 15
Selling expenses	1,230	1,561
Administrative expenses	802	287
Research and development expenses	694	473
	<u>\$ 2,740</u>	<u>\$ 2,336</u>

(8) Guarantee deposits paid

	December 31, 2023	December 31, 2022
Performance guarantee	\$ 85,158	\$ 126,389
Maintenance bond	42,110	10,004
Lease deposits	1,445	1,557
Others	60	-
	<u>\$ 128,773</u>	<u>\$ 137,950</u>

(9) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Unsecured borrowings of financial institutions	<u>\$ 451,905</u>	2.00% ~ 2.20%	None.
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured borrowings of financial institutions	<u>\$ 556,148</u>	1.83% ~ 2.52%	None.

(10) Other payables

	December 31, 2023	December 31, 2022
Salary and bonus payable	\$ 16,203	\$ 14,028
Pension payable	983	889
Payable on equipment	27,065	8,228
Payable on employees' compensation and directors' remuneration.	17,035	6,503
Others	10,221	8,445
	<u>\$ 71,507</u>	<u>\$ 38,093</u>

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Bank secured borrowings	Borrowing period is from October 27, 2023 to October 27, 2043; interest is repayable monthly.	1.85%	Land and plant	<u>\$ 592,000</u>

December 31, 2022 : None.

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022, were \$3,846 and \$3,192 respectively.

(13) Share based payment

A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

2023				
<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted(In thousand)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
The first-time employee stock options	2019.01.01	2,900	6 years	2 years’ service can be vested with 20% 3 years’ service can be vested with 80%
The second-time employee stock options	2021.12.01	195	6 years	2 years’ service can be vested with 20% 3 years’ service can be vested with 80%

2022

Type of arrangement	Grant date	Quantity granted(In thousand)	Contract period	Vesting conditions
The first-time employee stock options	2019.01.01	2,900	6 years	2 years' service can be vested with 20% 3 years' service can be vested with 80%
The second-time employee stock options	2021.12.01	195	6 years	2 years' service can be vested with 20% 3 years' service can be vested with 80%

B. Details of employee stock options are as follows:

	Year ended December 31			
	2023		2022	
	No. of shares (in thousands)	Weighted- average Exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	207	\$ 10	2,584	\$ 10
Options exercised	( 30)	10	( 2,352)	10
Options expired	( 10)		( 25)	
Options outstanding at December 31	167	\$ 10	207	\$ 10
Options exercisable at December 31	39	\$ 10	37	\$ 10

C. Information on fair value measurement of equity instruments:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit (in dollars)
The first-time employee stock options	2019.01.01	\$ 4.42	\$ 10.0	\$ 0.42
The second-time employee stock options	2021.12.01	\$ 10.66	\$ 10.0	\$ 3.38

D. Expenses incurred on share-based payment transactions amounted to \$217 and \$223 for the years ended December 31, 2023 and 2022, respectively.

(14) Provisions

	<u>Warranty</u>
2023	
At January 1	\$ -
Additional provisions	2,532
At December 31	<u>\$ 2,532</u>

December 31, 2022 : None.

Analysis of total provisions:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 324	\$ -
Non-current	\$ 2,208	\$ -

This represents the Company's warranties on smart meter products sold. Provision for warranty is estimated based on historical warranty data of smart meter products.

(15) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$500,000, consisting of 50,000 thousand shares of ordinary stock, and the paid-in capital was \$389,180 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Unit: (in thousand shares)	
	<u>2023</u>	<u>2022</u>
At January 1	38,888	36,536
Employee stock options exercised	30	2,352
At December 31	<u>38,918</u>	<u>38,888</u>

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. The current year's earnings, if any, shall first be used to pay income tax and offset prior years' operating losses in accordance with the law, The remainder, if any, 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. The remainder, if any, along with beginning unappropriated earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

- B. The Company's dividend policy is based on the principle of stability and balance, taking into account the Company's overall operating environment and capital requirements in the future. The type of dividends will depend on the Company's earnings, financial structure and future capital budget. Dividends may be distributed as shareholders' dividends and bonus at least 10% of the distributable earnings in the form of cash or shares, among which the cash dividends shall account for at least 50% of the total dividends distributed. The annual shareholders' meeting may decide the most timely and appropriate method of dividend distribution, taking into consideration the industry conditions and regarding the Company's interests and development as the highest principle.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriation of 2022 earnings as resolved by the shareholders on June 29, 2023 is as follows:

	2022	
	Amount	Dividends per share ( in dollars)
Legal reserve	\$ 4,882	
Cash dividends	38,918	\$ 1.00
	<u>\$ 43,800</u>	

- F. The appropriation of 2023 earnings proposed by the Board of Directors on March 8, 2024 which is pending to be resolved by the shareholders is as follows:

	2023	
	Amount	Dividends per share ( in dollars)
Legal reserve	\$ 15,676	
Cash dividends	128,454	\$ 3.00
	<u>\$ 144,130</u>	

(18) Operating revenue

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	\$ 1,036,959	\$ 715,612

A. Disaggregation of revenue from contracts with customers:

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	Year ended December 31	
	2023	2022
Smart grid	\$ 883,881	\$ 515,147
Power monitoring equipment	116,310	122,179
Electrical energy management system	36,768	78,286
	<u>\$ 1,036,959</u>	<u>\$ 715,612</u>

B. Contract assets and liabilities

The company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets	<u>\$ 59,734</u>	<u>\$ 121,257</u>	<u>\$ 2,129</u>
Contract liabilities	<u>\$ 697</u>	<u>\$ 640</u>	<u>\$ 3,144</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 640</u>	<u>\$ 3,144</u>

(19) Interest income

	Year ended December 31	
	2023	2022
Interest income from bank deposits	<u>\$ 1,811</u>	<u>\$ 454</u>

(20) Other income

	Year ended December 31	
	2023	2022
Rental revenue	\$ 233	\$ 248
Government grants	405	-
Other income	150	277
	<u>\$ 788</u>	<u>\$ 525</u>

(21) Other gains and losses

	Year ended December 31	
	2023	2022
Net currency exchange losses	(\$ 347)	(\$ 2,654)
Gains on disposal of fixed assets	40	-
Gains arising from lease modifications	-	27
	<u>(\$ 307)</u>	<u>(\$ 2,627)</u>

(22) Finance costs

	Year ended December 31	
	2023	2022
Interest expenses:		
Bank borrowings	\$ 12,992	\$ 6,509
Lease liability	406	383
	<u>\$ 13,398</u>	<u>\$ 6,892</u>

(23) Expenses by nature

	Year ended December 31	
	2023	2022
Salary benefit expense	\$ 118,647	\$ 102,016
Depreciation expense	\$ 18,554	\$ 17,908
Amortisation charges on intangible assets	\$ 2,740	\$ 2,336

(24) Employee benefit expense

	Year ended December 31	
	2023	2022
Salary expenses	\$ 104,504	\$ 90,813
Labour and health insurance fees	7,719	6,065
Pension costs	3,846	3,389
Compensation cost of share-based payments	217	223
Other personnel expenses	2,361	1,526
	<u>\$ 118,647</u>	<u>\$ 102,016</u>

A. The Company's current year's earnings, if any, shall be distributed pre-tax profit as employees' compensation and directors' and supervisors' remuneration. The percentage shall be 5% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. Independent directors will not receive any distributable profit. If the Company has an accumulated deficit, earnings should be reserved to cover deficit.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$10,647 and \$4,065, respectively; while directors' and supervisors' remuneration was accrued at \$6,388 and \$2,439, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 3% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration for 2023 and 2022, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2023 and 2022 financial statements.

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

(25) Income taxes

A. Income tax expense

Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 44,346	\$ 28,018
Prior year income tax (over) under estimation	( 35)	80
Total current tax	<u>44,311</u>	<u>28,098</u>
Deferred tax:		
Origination and reversal of temporary differences	( 5,164)	( 2,132)
Total deferred tax	<u>( 5,164)</u>	<u>( 2,132)</u>
Income tax expense	<u>\$ 39,147</u>	<u>\$ 25,966</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2023	2022
Income tax calculated by applying statutory rate to the profit before tax	\$ 39,182	\$ 25,838
Expenses disallowed by tax regulation	-	48
Prior year income tax (over) under estimation	( 35)	80
Income tax expense	<u>\$ 39,147</u>	<u>\$ 25,966</u>

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

2023				
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred tax assets:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 4,387	\$ 4,683	\$ -	\$ 9,070
Payable on unused compensated absence	196	( 25)	-	171
Warranty cost	-	506	-	506
	<u>\$ 4,583</u>	<u>\$ 5,164</u>	<u>\$ -</u>	<u>\$ 9,747</u>
2022				
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred tax assets:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 2,297	\$ 2,090	\$ -	\$ 4,387
Payable on unused compensated absence	154	42	-	196
	<u>\$ 2,451</u>	<u>\$ 2,132</u>	<u>\$ -</u>	<u>\$ 4,583</u>

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	<u>Year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 156,763</u>	<u>38,913</u>	<u>\$ 4.03</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 156,763	38,913	
Employees' compensation	-	162	
Employee stock options	<u>-</u>	<u>150</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 156,763</u>	<u>39,225</u>	<u>\$ 4.00</u>
	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 103,223</u>	<u>37,794</u>	<u>\$ 2.73</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 103,223	37,794	
Employees' compensation	-	107	
Employee stock options	<u>-</u>	<u>937</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 103,223</u>	<u>38,838</u>	<u>\$ 2.66</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of property, plant and equipment	\$ 740,241	\$ 7,274
Add: Opening balance of payable on equipment	8,228	1,493
Less: Ending balance of payable on equipment	( 27,065)	( 8,228)
Less: Opening balance of prepayment on equipment	( 67,426)	( 150)
Less: Ending balance of prepayment on equipment	44,541	67,426
Cash paid during the year	<u>\$ 698,519</u>	<u>\$ 67,815</u>

(28) Changes in liabilities from financing activities

	2023				
	Short-term borrowings	Lease liability	Guarantee deposits received	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1	\$ 556,148	\$ 8,529	\$ -	\$ -	\$ 564,677
Changes in cash flow	( 104,243)	( 7,364)	651	592,000	( 110,956)
Changes in other non-cash items	-	15,350	-	-	15,350
At December 31	<u>\$ 451,905</u>	<u>\$ 16,515</u>	<u>\$ 651</u>	<u>\$ 592,000</u>	<u>\$ 469,071</u>

	2022				
	Short-term borrowings	Lease liability	Guarantee deposits received		Liabilities from financing activities-gross
At January 1	\$ 262,659	\$ 20,296	\$ 109	\$	\$ 282,955
Changes in cash flow	293,489	( 8,698)	( 109)	(	284,791
Changes in other non-cash items	-	( 3,069)	-	(	3,069)
At December 31	<u>\$ 556,148</u>	<u>\$ 8,529</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ 564,677</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Shihlin Electric & Engineering Corp.	The Company's director

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31	
	2023	2022
Sales of goods:		
Shihlin Electric & Engineering Corp.	\$ 51,049	\$ 54,313

Goods are sold based on the price lists in force that would be available to third parties.

B. Purchases:

	Year ended December 31	
	2023	2022
Purchases of goods:		
Shihlin Electric & Engineering Corp.	\$ 15	\$ -

Goods purchased from related parties are based on the normal commercial terms and conditions.

C. Receivables from related parties:

	December 31	
	2023	2022
Accounts receivable:		
Shihlin Electric & Engineering Corp.	\$ 22,691	\$ 27,302

Receivables from related parties arise from sale transactions. The receivables are due 5 months after the date of sale. The collection terms were changed to 90 days after monthly billings in 2023.

(3) Key management compensation

	Year ended December 31	
	2023	2022
Short-term employee benefits	\$ 16,373	\$ 6,665
Share-based payments	74	76
	\$ 16,447	\$ 6,741

8. Pledged Assets

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

Pledged asset	Book value	Purpose
	December 31, 2023	
Land and plant	\$ 731,499	Long-term borrowings
Time deposits (shown as guarantee deposits paid)	1,318	Warranty
	\$ 732,817	

December 31, 2022: None

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(4) Contingencies

None.

(5) Commitments

In order to expand the production capacity, the Company's Board of Directors approved to purchase a new factory and the interior decoration of the factory on April 6, 2022. On April 27, 2022, the Company entered into a trading contract for the prepurchase of buildings and land for a total amount of \$755,560.

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Factory and the interior decoration of the factory	\$ -	\$ 687,000

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) Details of the 2023 earnings are provided in Note 6(17).

On December 1, 2023, the Company's Board of Directors resolved to increase its capital by issuing new shares to be used for public underwriting before the initial listing. The Company issued 3,900 thousand new shares with a par value of \$10 per share, totaling \$178,932 thousand, and the public offering price was \$45.88 per share, with the effective date set on January 25, 2024.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company considers future operating capital needs, capital expenditures and dividend expenditures through financial analysis, monitoring the Company's capital structure in order to fulfil capital management objectives.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 247,783	\$ 231,560
Financial assets at amortised cost	8,700	-
Notes receivable	6,459	5,218
Accounts receivable	47,100	115,546
Accounts receivable due from related parties	22,691	27,302
Guarantee deposits paid	128,773	137,950
	<u>\$ 461,506</u>	<u>\$ 517,576</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 451,905	\$ 556,148
Short-term borrowings		
Notes payable	60	3
Accounts payable	76,153	174,023
Other payables	71,507	38,093
Long-term borrowings (including current portion)	592,000	-
Guarantee deposits received	651	-
	<u>\$ 1,192,276</u>	<u>\$ 768,267</u>
Lease liabilities	<u>\$ 16,515</u>	<u>\$ 8,529</u>

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company operating units.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Exchange rate risk

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

	<u>December 31, 2023</u>		
	<u>Foreign currency amount</u>		<u>Book value</u>
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2	30.71	\$ 61
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 42	30.71	\$ 1,290

	December 31, 2022		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD:NTD	\$ 55	30.71	\$ 1,689
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,471	30.71	\$ 45,174

- ii. The Company's exchange rate risk is mainly from exchange loss or profit arising from conversion of cash and cash equivalents and accounts receivable denominated in the foreign currencies. If NTD had appreciated/ depreciated by 5% against USD with all other variables held constant, profit before income tax would have decreased/increased by \$61 and \$2,175 for the years ended December 31, 2023 and 2022, respectively, and the analysis was performed on the same basis for two years.
- iii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to (\$347) and (\$2,654), respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.
- ii. If the borrowing interest rate of New Taiwan Dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$2,088 and \$1,112, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a good rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Company considered the past transaction practice and experience, if the contract payments were past due over 365 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The Company applies the modified approach using a provision matrix to estimate the expected credit loss, and the expected credit losses are estimated for individual contract assets and accounts receivable that the defaults have occurred.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of contract assets and lease payments receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	1~180 days past due	181~270 days past due	271~365 days past due	Over 365 days past due	Total
<u>At December 31, 2023</u>						
Expected loss rate	0.05%	0.05%	12.58% ~ 18.04%	6.12% ~ 18.04%	100.00%	
Total contract asset value	<u>\$ 59,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,734</u>
Total accounts receivable value	<u>\$ 67,358</u>	<u>\$ 2,390</u>	<u>\$ 11</u>	<u>\$ 32</u>	<u>\$ 14</u>	<u>\$ 69,805</u>
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(\$ 14)</u>
Book value	<u>\$ 67,358</u>	<u>\$ 2,390</u>	<u>\$ 11</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 69,791</u>

	Not past due	1~180 days past due	181~270 days past due	271~365 days past due	Over 365 days past due	Total
<u>At December 31, 2022</u>						
Expected loss rate	0.04%	0.04%	35.00% ~ 37.68%	25.61% ~ 29.34%	100.00%	
Total contract asset value	<u>\$ 121,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,257</u>
Total accounts receivable value	<u>\$ 137,309</u>	<u>\$ 5,508</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 9</u>	<u>\$ 142,857</u>
Loss allowance	-	-	-	-	( 9)	(\$ 9)
Book value	<u>\$ 137,309</u>	<u>\$ 5,508</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 142,848</u>

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	Year ended December 31	
	2023	2022
At January 1	\$ 9	\$ 3
Provision for impairment	<u>5</u>	<u>6</u>
At December 31	<u>\$ 14</u>	<u>\$ 9</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed by the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

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

December 31, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 464,896	\$ -	\$ -	\$ -
Notes payable	60	-	-	-
Accounts payable	76,153	-	-	-
Other payables	71,507	-	-	-
Lease liability	7,860	3,393	6,159	-
Guarantee deposits received	651	-	-	-
Long-term borrowings (including current portion)	10,951	10,951	106,851	587,818

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 562,657	\$ -	\$ -	\$ -
Notes payable	3	-	-	-
Accounts payable	174,023	-	-	-
Other payables	38,093	-	-	-
Lease liability	4,794	4,332	-	-

### (3) Fair value information

#### A. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised costs, notes and account receivable, other receivables, short-term borrowings, notes and accounts payable, other payables and long-term borrowings are approximate to their fair values.

#### B. Financial and non-financial instruments measured at fair value: None.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 1.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 2.

14. Segment Information

(1) General information

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

(2) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4, and the operating segments are measured at income/(loss) before tax.

Information about segment profit or loss, assets and liabilities

	Year ended December 31	
	2023	2022
Revenue from external customers	\$ 1,036,959	\$ 715,612
Segment income	\$ 156,763	\$ 103,222
Depreciation expense and amortisation	\$ 21,294	\$ 20,244
	December 31, 2023	December 31, 2022
Segment assets	\$ 1,865,225	\$ 1,307,410

(3) Reconciliation for segment income (loss)

None.

(4) Information on products and services

The Company's operating revenue mainly arose from smart grid, power monitoring equipment and electrical energy management system.

(5) Geographical information

	Year ended December 31	
	2023	2022
Taiwan	\$ 1,035,225	\$ 714,557
Others	1,734	1,055
	<u>\$ 1,036,959</u>	<u>\$ 715,612</u>

(6) Major customer information

Information about the Company's major customers for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31			
	2023		2022	
	Revenue	Segment	Revenue	Segment
0010210	\$ 869,983	The Company	\$ 484,347	The Company

Arch Meter Corporation  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2023

Table 1 Expressed in thousands of NTD

If the counterparty is a related party, information as to the last transaction of  
the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Transaction date or date of the event (Note)	Disposal amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Arch Meter Corporation	The factory and land located at Good forward-looking Jingguan Science Park	2022.4.6	\$755,560	\$731,560	Heyi Development CO., Ltd.	None.	Not applicable	Not applicable	Not applicable	Not applicable	By reference to the valuation report of real estate.	To meet future operational and business development needs	None

Note: The contract was signed on April 6, 2022 after the Board of Directors' approval, and on October 25, 2023, the Company acquired the real estate, of which the transfer was completed.

Arch Meter Corporation  
Major shareholders information  
December 31, 2023

Table 2

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Shihlin Electric & Engineering Corp.	5,636,050	14.48%
Prolific Technology Inc.	2,500,000	6.42%

Note: As of December 31, 2023, the Company was not listed on the Taiwan Stock Exchange and therefore could not obtain major shareholders information from the Taiwan Depository and Clearing Corporation. This major shareholders information is based on the shareholders information before the capital increase on January 25, 2024.

ARCH METER CORPORATION  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 1

Items	Description	Amount
Cash on hand		\$ 50
Cash in banks		
Checking accounts		52
Demand deposits (NTD)		219,452
-Foreign currency amount	USD 2 thousand dollars, conversion rate 30.71	73
	RMB 12 thousand dollars, conversion rate 4.33	55
	EUR 0.01981 thousand dollars, conversion rate 33.98	1
Time deposits (NTD)	Interests rate 1.16%, maturity date February 5, 2024	28,100
		<u>\$ 247,783</u>

ARCH METER CORPORATION  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 2

Name	Amount	Note
General customers:		
0010210	\$ 25,148	
0050001	3,600	
Others	18,366	Balance of each customer has not exceeded 5% of total account balance. Amount past due over one year is \$14.
	47,114	
Less: Allowance for uncollectible accounts	( 14)	
	47,100	
Related party:		
Shihlin Electric & Engineering Corp.	22,691	
	22,691	
	<u>\$ 69,791</u>	

ARCH METER CORPORATION  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 3

Items	Description	Amount Cost	Net realisable value	Note
Merchandise inventory		\$ 2,229	\$ 1,448	
Raw materials		231,346	198,188	
Work in progress		294,467	389,092	
Finished goods		<u>9,130</u>	<u>10,864</u>	
		<u>\$ 537,172</u>	<u>\$ 599,592</u>	
Loss: Loss on slow-moving inventories and valuation loss		( 45,348)		
		<u>\$ 491,824</u>		

Note: Refer to Note 4(11) for determination of net realisable value method.

ARCH METER CORPORATION  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 4

Items	Beginning balance	Addition	Decrease	Transfer during the period	Reclassifications	Outstanding balance:	Collateral or endorsement provided
Land	\$ -	\$ 407,825		\$ -	\$ -	\$ 407,825	Note.
Buildings and structures	-	324,771	-	-	-	324,771	Note.
Machinery and equipment	78,573	5,094	( 189)	-	-	83,478	None.
Transportation equipment	-	2,450	-	-	-	2,450	None.
Office equipment	2,651	-	( 109)	-	-	2,542	None.
Leasehold improvements	9,696	101	-	-	-	9,797	None.
	<u>\$ 90,920</u>	<u>\$ 740,241</u>	<u>(\$ 298)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830,863</u>	

Note: Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

ARCH METER CORPORATION  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 5

Items	Equity at beginning of period	Addition	Decrease	Outstanding balance:
Buildings and structures	\$ -	\$ 1,097	\$ -	\$ 1,097
Machinery and equipment	48,116	8,020	( 189)	55,947
Transportation equipment	-	408	-	408
Office equipment	1,483	296	( 109)	1,670
Leasehold improvements	7,004	1,365	-	8,369
	<u>\$ 56,603</u>	<u>\$ 11,186</u>	<u>(\$ 298)</u>	<u>\$ 67,491</u>

ARCH METER CORPORATION  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Statement 6

Items	Equity at beginning of period	Addition	Decrease	Outstanding balance:	Note
Buildings and structures	\$ 29,948	\$ 14,399	(\$ 11,047)	\$ 33,300	
Transportation equipment	<u>3,188</u>	<u>951</u>	<u>( 1,199)</u>	<u>2,940</u>	
	<u>\$ 33,136</u>	<u>\$ 15,350</u>	<u>(\$ 12,246)</u>	<u>\$ 36,240</u>	

ARCH METER CORPORATION  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 7

Items	Equity at beginning of period	Addition	Decrease	Outstanding balance:	Note
Buildings	(\$ 22,439)	(\$ 6,660)	\$ 11,047	(\$ 18,052)	
Transportation equipment	( 2,499)	( 708)	1,199	( 2,008)	
	<u>(\$ 24,938)</u>	<u>(\$ 7,368)</u>	<u>\$ 12,246</u>	<u>(\$ 20,060)</u>	

ARCH METER CORPORATION  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 8

Nature	Description	Outstanding balance:	Contract Period	Interest rate range	Credit Line	Collateral	Note
Unsecured short-term loans from financial institutions	First Commercial Bank	\$ 187,845	2023.04.12~ 2025.04.14	2.13%	\$ 817,000	None	
"	"	100,000	2023.05.03~ 2024.05.03	2.05%	150,000	None	
"	E.Sun Bank	40,000	2023.12.15~ 2024.06.15	2.20%	40,000	None	
"	Cathay United Bank	44,060	2022.12.12~ 2024.04.12	2.08%	280,000	None	
"	Taiwan Cooperative Bank	30,000	2023.08.16~ 2024.02.12	2.17%	30,000	None	
"	China Bills Finance Corporation	50,000	2023.03.09~ 2024.03.08	2.00%	50,000	None	
		<u>\$ 451,905</u>			<u>\$ 1,477,000</u>		

ARCH METER CORPORATION  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Coupon Rate</u>	<u>Collateral</u>	<u>Note</u>
Bank of Taiwan	Mid-term and long-term secured borrowings	\$ <u>592,000</u>	2023.10.27~2043.10.27	1.85%	Land and plant	

ARCH METER CORPORATION  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 10

Name	Amount	Note
General customers:		
0050108	\$ 28,195	
0050101	19,542	
0050071	6,437	
0140022	4,397	
Others	<u>17,582</u>	Balance of each supplier has not exceeded 5% of total account balance.
	<u>\$ 76,153</u>	

ARCH METER CORPORATION  
STATEMENT OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Statement 11

<u>Items</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Smart grid	325 thousand units	\$ 883,881	
Power monitoring equipment	22 thousand units	116,310	
Electrical energy management system	4 thousand units	36,768	
		<u>\$ 1,036,959</u>	

ARCH METER CORPORATION  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 12

Items	Amount
Opening balance of merchandise inventory	\$ 2,542
Add: Purchases during the year	4,900
Less: Ending balance of merchandises inventory	( 2,229)
Transferred to expenses	( 2)
Cost of purchasing and selling	<u>5,211</u>
Raw materials at beginning of year	225,214
Add: Purchases in the year	365,073
Transferred from expenses	837
Others	79
Less: Raw materials at end of year	( 231,346)
Direct raw materials used	359,857
Direct labor	18,377
Manufacturing expense	<u>247,214</u>
Manufacturing cost	<u>625,448</u>
Add: Beginning work in progress	315,733
Others	419
Less: Ending work in progress	( 294,467)
Cost of finished goods	<u>647,133</u>
Add: Finished goods at beginning of year	11,102
Transferred from expenses	597
Less: Finished goods at end of year	( 9,130)
Others	( 202)
Cost of goods manufactured and sold	<u>654,711</u>
Cost of engineering sales	43,982
Cost of technical service	510
Maintenance cost	733
Warranty Cost	2,532
Loss for market value decline and obsolete and slow-moving inventories	<u>23,412</u>
Operating costs	<u><u>\$ 725,880</u></u>

ARCH METER CORPORATION  
STATEMENT OF MANUFACTURING EXPENSE  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 195,397	
Wages and salaries		18,832	
Depreciation expense		14,284	
Other expenses		<u>18,701</u>	Balance of each item has not exceeded 5% of total account balance.
		<u>\$ 247,214</u>	

ARCH METER CORPORATION  
STATEMENT OF SELLING EXPENSES  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 14

Items	Description	Amount	Note
Wages and salaries		\$ 14,970	
Amortisation expense		1,267	
Insurance expense		1,230	
Depreciation expense		1,168	
Other expenses		<u>2,987</u>	Balance of each item has not exceeded 5% of total account balance.
		<u>\$ 21,622</u>	

ARCH METER CORPORATION  
STATEMENT OF ADMINISTRATIVE EXPENSES  
YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 31,763	
Other expenses		<u>17,041</u>	Balance of each item has not exceeded 5% of total account balance.
		<u>\$ 48,804</u>	

ARCH METER CORPORATION  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSE  
YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 25,937	
Insurance expense		2,059	
Other expenses		<u>5,636</u>	Balance of each item has not exceeded 5% of total account balance.
		<u>\$ 33,632</u>	

**ARCH METER CORPORATION**  
**SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY**  
**FUNCTION**  
**YEAR ENDED DECEMBER 31, 2023**  
**(Expressed in thousands of New Taiwan dollars)**

Statement 17

Function Nature	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Salary expenses	\$ 34,565	\$ 60,751	\$ 95,316	\$ 32,522	\$ 54,759	\$ 87,281
Share-based payments	-	217	217	-	223	223
Labour and health insurance fees	2,959	4,760	7,719	1,881	4,184	6,065
Pension costs	1,332	2,514	3,846	853	2,536	3,389
Directors' emoluments	-	9,188	9,188	-	3,532	3,532
Other personnel expenses	901	1,460	2,361	442	1,084	1,526
Depreciation expense	14,284	4,270	18,554	13,808	4,100	17,908
Amortisation charge	14	2,726	2,740	16	2,320	2,336

Note:

- A. For the years ended December 31, 2023 and 2022, the average number of employees were 118 and 97, including 8 and 7 non-employee directors, respectively.
- B. The average employees' benefit expenses for the years ended December 31, 2023 and 2022 were \$995 and \$1,094, respectively. ((Total employees' benefit expense of current year-total directors' compensation of current year)/(Number of employees of current year-number of non-employee directors of current year)).
- C. The averaged employees' salary expenses for the years ended December 31, 2023 and 2022 were \$ 867 and \$970, respectively. ((Total employees' salaries in current year / (Number of employees in current year - number of non-employee directors in current year)).The average employee salaries were reduced to 10.6%.
- D. The supervisors' remuneration for the years ended December 31, 2023 and 2022 were both \$0. The Company has set up an audit committee so there is no
- E. The remuneration policies of the Company's directors, managers and employees are described as follows:
- (a) Directors: In accordance with the Articles of Incorporation of the Company, the directors' remuneration shall be distributed no more than 3% of the Company's profit for the year. The standard of the directors' remuneration was based on the directors' annual performance evaluation and the contribution to the Company, while reviewed by the Remuneration Committee and submitted to the Board of directors for approval.
- (b) Managers: The managers' remuneration was based on their duties, professional expertise, and the contribution to the Company's operations and future risks, while reviewed by the Remuneration Committee and submitted to the Board of directors for approval.
- (c) Employees: The employees' compensation was determined based on the periodically measuring pay levels of the market and by reference to the general pay levels in the same industry. In accordance with the Company's Articles of Incorporation, the employees' compensation shall be distributed 5% of the Company's profit for the year, while reviewed by the Remuneration Committee and submitted to the Board of directors for approval.



**archmeter**

**Arch Meter Corporation**



**Chairman: Chen, Jan-Ku**

